



SOUTH STAR BATTERY METALS CORP.

Management's Discussion & Analysis

For the years ended December 31, 2025 and 2024

(Expressed in United States dollars)

Dated: April 2, 2026

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This Management's Discussion & Analysis ("MD&A") of South Star Battery Metals Corp. ("STS" or the "Company") provides an analysis of the Company's financial position and results of operations for the years ended December 31, 2025 and 2024. This MD&A was prepared by management of the Company and should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2025 and 2024 (the "Financial Statements"). The Company's Financial Statements are prepared in accordance with IFRS[®] Accounting Standards ("IFRS") as issued by the International Accounting Standards Board.

For additional information on the Company, reference should be made to its public filings on SEDAR+ at www.sedarplus.ca.

The Company was incorporated in British Columbia on November 8, 1984. The Company is listed on the TSX Venture Exchange (the "Exchange") in Canada under the symbol "STS" and the OTC Bulletin Board in the United States under the symbol "STSBF".

The head office of the Company is 1507 - 1030 West Georgia Street, Vancouver, BC, V6E 2Y3. The registered records of the Company are located at 1500 - 1055 West Georgia Street, Vancouver, BC, V6E 4N7. The Company is a Canadian battery-metals project developer focused on the selective acquisition and development of graphite mines and projects in the Americas. The Company is moving into production at the Santa Cruz Graphite Mine in Bahia, Brazil.

This MD&A is current as of April 2, 2026 ("MD&A Date") and was approved by the Company's Board of Directors.

In this MD&A, unless the context otherwise dictates, a reference to "us", "we", "our", or similar terms refers to the Company. All dollar figures included herein are quoted in United States dollars except as noted or where the context otherwise requires. References to "\$" or "USD" are to United States dollars, references to "C\$" or "CAD" are to Canadian dollars, references to "R\$" or "BRL" are to Brazilian Real, and references to "GBP" are to Pound Sterling. The first, second, third and fourth quarters of the Company's fiscal years are referred to as "Q1", "Q2", "Q3" and "Q4", respectively. The years ended December 31, 2025 and 2024 are referred to as "Fiscal 2025" and "Fiscal 2024" respectively.

2025 BUSINESS HIGHLIGHTS

Santa Cruz Graphite Mine Highlights

Santa Cruz completed construction of the Phase 1 plant in October 2024. The infill drilling and short-term mine plan/sequence for the first quarters of the mine sequence are complete. Prestrip is finalized and approximately 37,000 tonnes of ore have been placed on the ore pad through December 2025. The mine plan confirms simple, open pit mining of oxide ore with at-surface mineralization.

The Company is identifying bottlenecks and optimizing processes and working with a metallurgist to refine the circuit. In June 2025, the Company brought in a new management lead at the plant site. The Company is investing in infrastructure to secure mill feed during the rainy season.

Engineering drawings of the constructed Phase 1 process plant to reflect finished product detailing the electrical, mechanical, structural, foundations and earthworks as well as a bottleneck/process optimization study were completed in Q4 2024 to explore the potential to upgrade the Phase 1 processing plant capacity. In order to avoid special orders or custom parts, much of the installed equipment is the smallest, off-the-shelf, stock production units. Installed equipment is oversized compared to Phase 1 throughput, and the bottleneck/process optimization study will determine what would have to be upgraded in the Phase 1 plant to reach the Phase 2 estimated throughput. An operational mass and water balance as well as the as-builts will serve as the basis for a production optimization and bottleneck analysis.

Operational update

The Company has faced challenges during the commissioning and start-up of the Santa Cruz graphite project in Brazil, resulting in a working capital deficit. These challenges have arisen from equipment selection issues during the initial construction, significant rainfall events during the commissioning period, and typical start-up and commissioning challenges.

Despite these challenges, operational performance has improved significantly in recent months:

- The Company completed its first shipment of graphite in June 2025, having produced approximately 20 tonnes of graphite concentrate over eight months of ramp-up. During this period, product mix was approximately 75% fines and 25% flakes, compared to the plant's design specification of 33% fines and 66% flakes.

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- For the second container of graphite sold, the Company produced the same 20 tonnes of graphite in just one and a half months, with an improved product mix of 25% fines and 75% flakes, demonstrating progress toward plant design specifications.
- Following a detailed review of capital expenditures required to scale production toward 5,000 tonnes per year and subsequently 10,000 tonnes per year, the Company has identified potential operating cost savings of approximately 40%. These savings include both permanent measures (such as energy efficiency improvements) and temporary measures expected during the next six months of ramp-up.
- As part of the maintenance and capital execution plan, and to reduce costs during the plant debottlenecking process, all contractor agreements are being re-evaluated, which may provide additional opportunities to reduce cash costs. The Company is also actively evaluating strategic partnerships that could strengthen its cash position, enhance market presence, and/or accelerate capital execution.
- As part of the mine restart program, the scrubber/trommel, a critical piece of equipment for materials handling for the Santa Cruz mine, was installed at the Santa Cruz mine site in March 2026. Testing of the scrubber/trommel will begin in the coming week and is expected to take four weeks to commission.

Sales

South Star's immediate go-to-market commercial strategy is to produce high-quality graphite concentrates for various industrial applications and sectors. In June 2025, South Star shipped the first container of natural flake graphite concentrates. 20 bulk bags holding 15.5 tonnes of graphite concentrate were sealed and delivered to the United States.

In 2024, the Company entered into initial binding sales agreements with US-based customers for the initial purchases of 240 tonnes of the Company's graphite concentrate from its Santa Cruz Graphite Mine. The Company continues to develop customer relationships. South Star has made significant progress qualifying its Santa Cruz graphite concentrate with other major graphite end-users worldwide, who have undertaken extensive product testing as part of their due diligence process for off take agreements. The Company looks forward to updating the market on the progress of developments with other potential customers when details are finalized.

The Company continues to monitor trade developments between the U.S. and Brazil. The ultimate impact of on the Company's financial performance of any tariffs imposed remains uncertain and will depend on future trade negotiations and global economic conditions. Refer to "Risk Factors" for additional discussion.

Permitting and licensing

On January 24, 2023, the Planned Economic Analyses ("PAEs") and request for the final mining license for all 13 exploration claims were submitted to the Brazilian Mining Authority ("ANM") and had been in technical evaluation at the regional superintendent's office in Salvador. In addition, seven new exploration claims totaling approximately 7,000 additional hectares have been applied for by the Company.

The PAEs doubled the Santa Cruz production capacity presented in the previously released Prefeasibility Study ("PFS") (March 2020) and incorporates a third phase of project development.

The planned production schedule is as follows:

- 2 years with 12,000 tonnes per annum ("tpa") of concentrates (Phase 1);
- 2 years with 25,000 tpa of concentrates (Phase 2); and
- Life of mine ("LOM") with 50,000 tpa of concentrates (Phase 3).

The approval of the PAEs and mining license is the final step in securing the LOM mining license for each of the 13 exploration claims and converting them to mining concessions.

Phases 1, 2 and 3 definitive mining license ("Concessão de Lavra") are approved as well as the Environmental Licenses for the Concessions in the county of Itabela. The Company has paid the municipal building permit for construction of the Phase 1 plant, mine and infrastructure and which was received in the year ended December 31, 2022.

The Company submitted the consolidated Phases 1, 2 & 3 environmental reports and documentation in April 2023 with the objective of obtaining both the mining and environmental permits and licenses required for Phases 2 & 3. In February 2024, the Company received its environmental permits for Phases 2 & 3 for 8 of its mining claims, including all the main claims currently planned for near-term production. The Phases 2 and 3 environmental permits were approved with conditions generally in line with the Phase 1 permit and are consistent with the current environmental and community engagement programs already underway. The Environmental Permit is reviewed and renewed every four years. The current permit is valid through December 19, 2028.

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Exploration

The Company mobilized a geophysics contractor in Q4 2024 to perform approximately 15 linear kilometers of geophysics to test the limits of the priority drilling targets at Santa Cruz for an exploration program which will include 3,000-4,000m of drilling to expand current resources and reserves to extend mine life. The geophysics campaign resulted in indications of potentially mineralized material adjacent to the current pit operations. Drilling to confirm mineralization needs to be completed.

Value-add process study

In March 2024, the contracts for a value-add process study have been finalized as part of the National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("NI 43-101") Preliminary Economic Assessment ("PEA") for BamaStar, and the study was completed and details were presented on October 10, 2024. The PEA's techno-economic analysis presented a scenario with concentrates from both BamaStar and Santa Cruz providing feedstocks for the secondary processed, specialty graphite products. Despite further developments and evaluation since completion of the study, the Board decided in January 2026 not to renew the underlying lease agreements related to BamaStar and to focus on the Santa Cruz mine.

Corporate Highlights

In December 2024 and January 2025, the Company completed a non-brokered private placement of 6,976,742 units at a price of \$0.43 per unit for gross proceeds of \$3,000,000. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.89 for a period of five years.

During the year ended December 31, 2025, the Company granted 542,889 restricted share units ("RSU"), 480,000 deferred share units and 1,745,000 stock options to directors, officers, consultants and employees of the Company. The stock options have an exercise price of C\$0.445 and are exercisable for a period of 5 years.

In July 2025, the Company received bridge loans (the "Notes") from the directors of the Company for gross proceeds of \$250,000 and \$200,000 from the former CEO of the Company. The Notes bear interest at 1% per month (12% per annum, compounded monthly) and mature on January 7, 2026. The Company may prepay the Notes at any time without penalty. The Notes are subject to acceleration upon certain conditions, including the completion of subsequent debt financing of at least \$500,000 or equity financings totaling at least \$3,000,000 during the term. Upon acceleration, all outstanding principal and accrued interest become payable within 15 days of the applicable financing. Proceeds from the Notes will be used for general working capital purposes. During the year ended December 31, 2025, the Company repaid \$367,945 of outstanding principal and accrued interest of the Notes. Subsequent to December 31, 2025, the Company fully repaid the outstanding principal and accrued interest of the Notes.

On August 6, 2025, the Company closed a non-brokered private placement totaling 1,375,500 units at a price of \$0.22 per unit for gross proceeds of \$302,610. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.22 for a period of five years. The Company paid cash finders' fees of \$4,297 and issued 19,530 finders' warrants exercisable at \$0.22 for a period of five years. Proceeds from the private placement will be used for development and production, as well as corporate general working capital requirements.

On September 25, 2025, the Company entered into a loan agreement with the former CEO for \$212,196 which replaced outstanding amounts payable for compensation, vacation and reimbursable expenses. The loan bears interest at 12% per annum, compounded monthly until September 25, 2026. After September 25, 2026, the loan bears interest at 18% per annum compounded monthly. The loan matures on March 25, 2027. The Company may prepay the loan at any time without penalty. During the year ended December 31, 2025, the Company repaid \$110,802 of outstanding principal and accrued interest of the loan. Subsequent to December 31, 2025, the Company fully repaid the outstanding principal and accrued interest of the loan.

In November 2025, the Company closed a non-brokered private placement totaling 44,479,999 units at a price of \$0.11 (C\$0.15) per unit for gross proceeds of \$4,800,000 (C\$6,672,000). Each unit consisted of one common share and one share purchase warrant exercisable at \$0.15 (C\$0.20) for a period of five years. The Company paid cash of \$190,201 as finders' fees and issued 1,987,722 finders' shares with a fair value of \$211,460. Proceeds from the private placement will be used for development and production, as well as corporate general working capital requirements.

In 2025, the Company enhanced its board of directors with the appointment of Mr. Tiago Cunha to its board of directors. Mr. Tiago is the manager of equity at investment fund firm Ace Capital and a veteran of capital markets with extensive mineral resource and energy transition experience. In September 2025, Mr. Tiago assumed the role of interim CEO and President.

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In July 2025, the Company appointed Rogerio Barcellos as General Manager of the Santa Cruz graphite project. Mr. Barcellos has a long and distinguished career in mining projects and plant operations, including Anglo American, AB Inbev and Phosfaz, one of the first phosphate projects in Brazil.

In August 2025, the Company appointed Mr. Darren Prins as Chief Financial Officer and Corporate Secretary. Mr. Prins has more than 20 years of experience in all aspects of the accounting and finance function, including corporate reporting, treasury management, risk management, and budgeting. Mr. Prins has served as the Chief Financial Officer for TSX, TSX Venture and NYSE listed companies, as well as privately held entities, across multiple industries including mining, oil & gas, agriculture and private equity.

PROJECTS

Santa Cruz Graphite Mine

South Star Battery Metals Corp. owns 100% of the Santa Cruz Graphite Mine through its wholly owned subsidiaries Brasil Graphite Corp. ("BGC") and Brasil Graphite Mineracao Ltda. ("BGM"). The Santa Cruz Graphite Mine is located in the state of Bahia, Brazil and consists of 13 approved licenses covering 13,316 hectares. The Company issued a PFS technical report prepared in accordance with NI 43-101 guidelines with an effective date of March 18, 2020, as filed on Sedarplus.ca.

Phase 1 pilot plant operations are fully licensed, permitted, and in preliminary commercial operations. The purpose of the Phase 1 operations is to start production and cash flow, generate large scale samples for material qualification processes and solidify long-term commercial relationships for securing purchase agreements for the Phase 2 production. The Company will continue to develop the project with additional drilling, environmental studies, independent metallurgical studies, mine planning, process plant engineering, and equipment sourcing for the Phase 2 operations, including advanced purification processing technology to upgrade concentrates for value-add applications. This includes the lithium-ion battery market, alkaline battery markets, dispersions and coatings, expandable graphites & fire retardants and other newly emerging graphite technologies.

In 2022, the Company closed on Phase 1 of a Stream Agreement with Sprott Private Resource Streaming and Royalty (B) Corp. ("SRSR") for \$10,000,000 as outlined in the accompanying Financial Statements.

BamaStar Graphite Project, Alabama

In January 2026, the Company decided not to renew the underlying lease agreements to focus on the Santa Cruz mine. As a result, the BamaStar Graphite Project was fully impaired subsequent to December 31, 2025.

Outlook

Santa Cruz Phase 1 (12,000 tpa concentrates) is working through operation enhancements to its Phase 1 plant. Work is planned to begin on an updated NI 43-101 FS to expand resources and reserves, update costs/pricing assumptions, revise capital and operating forecasts, and incorporate Phase 3 expansion to 50,000 tpa of concentrates. The work is contingent on the Company's ability to obtain adequate financing. The Phases 2 and 3 environmental permits were approved in February 2024. The approval of the final mining license for five of the main claims, including the areas required for all the near-term production, were received in Q2 2024. Three additional claims are in final evaluation at Ministry of Mines and Energy, and the Company expects approval in 2026. The Santa Cruz FS is expected to take approximately 12 months, once the drilling and analytics are complete. Once the FS is completed and all the permits are in hand, an investment decision can be weighed regarding future expansions.

SELECTED ANNUAL INFORMATION

| | 2025 | Year ended December 31, | |
|---|--------------|-------------------------|--------------|
| | | 2024 | 2023 |
| Net loss | \$ 1,382,658 | \$ 5,604,783 | \$ 3,717,378 |
| Basic and diluted loss per share | 0.02 | 0.11 | 0.10 |
| Total assets | 22,806,541 | 20,205,794 | 22,096,527 |
| Working capital (deficiency) ⁽¹⁾ | (1,009,888) | (1,893,657) | 2,857,629 |
| Total non-current financial liabilities | 12,287,909 | 11,529,702 | 10,885,829 |

(1) Working capital defined as current assets less current liabilities.

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The year ended December 31, 2023 reflects the development of the capital assets of Santa Cruz Graphite Mine including major construction milestones. Additionally, the Company published a maiden NI 43-101 technical report on the BamaStar project which included a resource estimate. During the year ended December 31, 2024, the Company completed the construction of the Santa Cruz plant and completed a PEA related to the BamaStar Graphite Project, which drove the larger net loss for the year. During the year ended December 31, 2025, the Company's net loss decreased to \$1,382,658 primarily due to reduced exploration and evaluation expenditures as the Company focused on the Santa Cruz mine as well as gains of \$3,534,123 from fair value adjustments of derivative warrant liabilities.

SUMMARY OF QUARTERLY FINANCIAL RESULTS

A summary of selected financial data during the last eight quarters is as follows:

| | Q4 2025 | Q3 2025 | Q2 2025 | Q1 2025 |
|---|-------------|-------------|-------------|-------------|
| | \$ | \$ | \$ | \$ |
| Total assets | 22,806,541 | 21,128,878 | 20,642,439 | 20,832,767 |
| Non-current liabilities | 12,287,909 | 12,978,469 | 11,771,883 | 11,330,557 |
| Working capital (deficiency) | (1,009,888) | (1,544,108) | (1,623,747) | (1,596,601) |
| Net income (loss) for the period | 686,188 | (1,061,242) | (282,924) | (690,566) |
| Basic and diluted net income (loss) per share | 0.01 | (0.02) | (0.00) | (0.01) |
| | Q4 2024 | Q3 2024 | Q2 2024 | Q1 2024 |
| | \$ | \$ | \$ | \$ |
| Total assets | 20,205,794 | 21,601,829 | 22,378,546 | 25,358,730 |
| Non-current liabilities | 11,529,702 | 11,167,203 | 9,500,659 | 10,038,401 |
| Working capital (deficiency) | (1,893,657) | 646,439 | 1,188,136 | 4,544,547 |
| Net loss for the period | (1,307,229) | (1,686,570) | (1,490,509) | (1,120,474) |
| Basic and diluted net income (loss) per share | (0.02) | (0.03) | (0.03) | (0.02) |

In Q1 2024 and Q2 2024, the Company continued the development through to substantial completion of the construction of the plant and development of the mine at the Santa Cruz Mine. The net loss for Q2 2024, Q3 2024 and Q4 2024 increased over prior periods due to the expansion of the team at all levels of the organization, and as a result of an overall higher level of activity as the Company invested in its primary Santa Cruz project and the now impaired BamaStar project. The reduced net losses for Q4 2025, Q2 2025 and Q1 2025 were mainly driven by fair value adjustments of derivative warrant liabilities of \$1,002,798, \$1,225,306 and \$1,051,063, respectively as a result of fluctuations in the underlying valuation assumptions. In Q4 2024, the Company's working capital position decreased primarily due to the recognition of derivative warrant liabilities of \$2,636,006 with the change of functional currency in the parent company from the Canadian dollar to the US dollar. In Q4 2025, the Company's working capital position and total assets increased primarily due to the Company closing a non-brokered private placement for gross proceeds of \$4,800,000.

RESULTS OF OPERATIONS

Certain prior period amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations. During the three and nine months ended September 30, 2025, the Company reclassified the following expenses into graphite processing costs: \$23,821 from information technology, \$54,625 from office and miscellaneous, \$210,495 from security and site operating costs, \$40,568 from travel, vehicle and transportation, and \$341,029 from wages and support staff.

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A summary of the Company's results of operations is as follows:

| | Q4 2025 | Q4 2024 | Fiscal 2025 | Fiscal 2024 |
|--|------------------|--------------------|--------------------|--------------------|
| | \$ | \$ | \$ | \$ |
| Operating expenses | | | | |
| Business development | - | 32,887 | 43,930 | 107,325 |
| Consulting and management fees | 14,414 | 509,148 | 562,541 | 1,098,319 |
| Depreciation | 3,966 | 2,589 | 15,124 | 20,693 |
| Exploration and evaluation expenditures | (43,022) | 144,919 | 185,132 | 1,176,136 |
| Foreign exchange gain | (575,520) | (72,412) | (715,958) | (193,332) |
| Graphite processing costs (net of pre-production proceeds) | 863,865 | 471,983 | 2,823,524 | 471,983 |
| Information technology | 19,239 | 24,082 | 78,549 | 120,531 |
| Investor relations and shareholder communications | 17,650 | 10,963 | 35,867 | 99,962 |
| Office and miscellaneous | 74,189 | 22,203 | 387,040 | 200,378 |
| Professional fees | 110,106 | 119,425 | 310,167 | 475,608 |
| Share-based payments | 17,387 | 46,177 | 519,651 | 216,150 |
| Security and site operating costs | - | 22,585 | - | 152,486 |
| Transfer agent and filing fees | 13,540 | 11,347 | 43,484 | 40,156 |
| Travel, vehicle and transportation | 4,257 | 5,354 | 30,849 | 203,589 |
| Wages and support staff | 66,113 | (55,874) | 329,240 | 641,442 |
| Operating loss | (586,184) | (1,295,376) | (4,649,140) | (4,831,426) |
| Finance income (expense) | 270,419 | 272,004 | (207,665) | (629,203) |
| Gain on settlement of compensation liability | - | - | 42,095 | - |
| Allowance against Brazilian indirect tax credits | (6,137) | (297,494) | (124,131) | (297,494) |
| Fair value adjustment of derivative warrant liabilities | 1,002,798 | - | 3,534,123 | - |
| Interest income | 5,292 | 13,637 | 22,060 | 153,340 |
| Net income (loss) | 686,188 | (1,307,229) | (1,382,658) | (5,604,783) |

Q4 2025 compared to Q4 2024

Net Income was \$686,188 compared to net loss of \$1,307,229 in the prior year comparable period due to the following primary drivers:

- Fair value adjustment of derivative warrant liabilities was \$1,002,798 in the current period due to the non-cash adjustment of the fair value of warrants exercisable in CAD following the change in the Company's functional currency to USD during the year ended December 31, 2024. This gain is primarily driven by the decrease in the Company's share price, thereby reducing the value of the potential warrant exercise.
- Business development decreased to \$nil from \$32,887 in the prior year comparable period, which included non-recurring market studies and graphite market support which have since been terminated.
- Consulting and management fees decreased to \$14,414 compared to \$509,148 in the prior year comparable period as well as non-recurring support for the Alabama operations, which have since been terminated, compensation to the Company's Vice President of Operations and a bonus awarded to the CEO for certain performance accomplishments in the prior year comparable period.
- Exploration and evaluation expenditures decreased to a recovery of \$43,022 compared to expense of \$144,919 in the prior year comparable period due to the reversal of accrued exploration and evaluation expenditures of \$51,291 and reduced expenditures on the BamaStar Project in the current period. In the prior year comparable period the Company completed a non-recurring PEA study.
- Foreign exchange gain increased to \$575,520 compared to \$72,412 in the prior year comparable period due to the strengthening of the USD against the currencies in which the Company transacts.
- Security and site operating costs decreased to \$nil compared to \$22,585 in the prior year comparable period and related to site overhead costs at the Santa Cruz Graphite Mine that were not attributable to production in the prior year comparable period.
- Allowance against Brazilian indirect tax credits decreased to \$6,137 compared to \$297,494 in the prior year comparable period due to a quarterly write-down in the current period compared to a write-down of the total indirect tax credits recorded up to December 31, 2024 in the prior year comparable period. Certain taxes (PIS and COFINS) may be recovered and offset in the future, noting the timing of these recoveries is uncertain.

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Partially offsetting the decrease in net loss were increases to certain expenses as follows:

- Graphite processing costs increased to \$863,865 compared to \$471,983 in the prior year comparable period due to plant capacity and recovery issues. Graphite processing costs includes impairment charges on inventory as well as costs that would otherwise be included in the carrying value of inventory such as onsite labour, materials and contractor costs. The Company is working to put the plant and processing systems into a working range that meets expected capacity and recovery.
- Office and miscellaneous increased to \$74,189 compared to \$22,203 in the prior year comparable period due to the expansion of the team to support the operations at the Santa Cruz mine.
- Wages and support staff increased to an expense of \$66,113 compared to a recovery of \$55,874 in the prior year comparable period primarily due to the expansion of the team to support the operations at the Santa Cruz mine in the current period and the reclassification of management fees paid to the former CEO out of wages and support staff and into management fees in the prior year comparable period.

Fiscal 2025 compared to Fiscal 2024

Net loss decreased to \$1,382,658 compared to \$5,604,783 in the prior year due to the following primary drivers:

- Fair value adjustment of derivative warrant liabilities was a gain of \$3,534,123 due to the non-cash adjustment of the fair value of warrants in CAD following the change in the Company's functional currency to USD during the year ended December 31, 2024. This gain is primarily driven by the decrease in the Company's share price, thereby reducing the value of the potential warrant exercise.
- Business development decreased to \$43,930 compared to \$107,325 in the prior year due to cost-cutting measures implemented by management. Business development includes market studies and graphite market support.
- Consulting and management fees decreased to \$562,541 compared to \$1,098,319 in the prior year due to the reversal of accrued consulting and management fees of \$71,485 in the current year as well as the non-recurring support for the Alabama operations that has since been terminated, compensation to the Company's Vice President of Operations and a bonus awarded to the CEO for certain performance accomplishments in the prior year.
- Exploration and evaluation expenditures decreased to \$185,132 compared to \$1,176,136 in the prior year due to the reversal of accrued exploration and evaluation expenditures of \$51,291 and reduced exploration and evaluation activities in the current year as the Company focused on the operations of the Santa Cruz mine. The expenditures in the prior year relate to the PEA study for the BamaStar Graphite Project which was completed in the prior year.
- Foreign exchange gain increased to \$715,958 compared to \$193,332 in the prior year due to the strengthening of the USD against the currencies in which the Company transacts.
- Information technology expenses decreased to \$78,549 compared to \$120,531 in the prior year due to non-recurring support services to implement enhanced systems at the Santa Cruz mine in the prior year that have since been terminated.
- Investor relations and shareholder communications decreased to \$35,867 compared to \$99,962 in the prior year due to reduced spend on news releases, marketing programs and resources in the current year.
- Professional fees decreased to \$310,167 compared to \$475,608 in the prior year due to lower general legal support fees as well as the non-recurring work on tax advisory over sales jurisdictions and tax structure which was completed in the prior year.
- Security and site operating costs decreased to \$nil compared to \$152,486 in the prior year due to the capitalization of these costs into inventory in the current year.
- Travel, vehicle and transportation decreased to \$30,849 compared to \$203,589 in the prior year due to decreased relative activity as the Company focused on the operations of the Santa Cruz mine.
- Wages and support staff decreased to \$329,240 compared to \$641,442 in the prior year due to the capitalization of wages and support costs related to production into inventory.
- Gain on settlement of compensation liability increased to \$42,095 compared to \$nil in the prior year due to a non-recurring gain on the issuance of RSUs to the former CEO as settlement of the bonus accrued as of December 31, 2024.
- Allowance against Brazilian indirect tax credits decreased to \$124,131 compared to \$297,494 in the prior year primarily due to fewer required imports that incur PIS and COFINS taxes in Brazil as compared to the prior year while the Company was constructing the plant and mine at Santa Cruz. Certain taxes (PIS and COFINS) may be recovered and offset in the future, noting the timing of these recoveries is uncertain.

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Partially offsetting the decrease in net loss were increases to certain expenses and decreases to certain income as follows:

- Graphite processing increased to \$2,823,524 compared to \$471,983 in the prior year and includes impairment charges on inventory as well as costs that would otherwise be included in the carrying value of inventory such as onsite labour, materials and contractor costs. The Company is working to put the plant and processing systems into a working range that meets expected capacity and recovery.
- Office and miscellaneous increased to \$387,040 compared to \$200,378 in the prior year due to the expansion of the team to support the operations at the Santa Cruz mine.
- Share-based payments increased to \$519,651 compared to \$216,150 in the prior period due to the vesting of more stock options, restricted share units, and deferred share units in the current year.
- Interest income decreased to \$22,060 compared to \$153,340 in the prior year due to the lower cash balances during the current fiscal year resulting in lower interest income.

QUALIFIED PERSON

Marc Leduc, P. Eng., Chairman of South Star Battery Metals Corp., is a Qualified Person as defined by National Instrument 43-101 *Standards of Disclosure for Mineral Projects*, and was responsible for verifying the scientific and technical information herein and has read and approved this MD&A.

LIQUIDITY

As of December 31, 2025, the Company had cash and cash equivalents balance of \$2,543,343 (December 31, 2024 - \$2,091,299) to settle accounts payable and accrued liabilities of \$759,292 (December 31, 2024 - \$954,116). Included in current liabilities is \$290,938 (December 31, 2024 - \$865,642) in deferred revenue related to the estimated deliveries of graphite under the Stream Agreement over the next twelve-month period, \$102,466 (December 31, 2024 - \$nil) in loans payable due within the next twelve-month period, and the fair value of derivative warrant liabilities of \$2,906,584 (December 31, 2024 - \$2,636,006) which are not eligible to be settled in cash.

On November 21, 2025, the Company completed a non-brokered financing for gross proceeds of \$4,800,000 (C\$6,672,000) (see "Corporate Highlights"). The Company requires additional funding to continue to operate. The Company's liabilities include the long-term portion of the deferred revenue deliverable under the Stream Agreement and an estimate of the Company's decommissioning liability at the end of the Santa Cruz life of mine. The total amount of estimated undiscounted cash flows required to settle the Company's estimated obligation is \$1,200,476 (R\$6,576,228) (December 31, 2024 - \$1,107,100 (R\$6,845,208)) which has been discounted using a pre-tax risk-free rate of 14.25% (December 31, 2024 - 11.48%) for Brazilian government instruments of a remaining term equal to the decommissioning liability expected payment timing and an average inflation rate of 3.62% (December 31, 2024 - 4.00%). The present value of the decommissioning liability may be subject to change based on management's current estimates, changes in remediation technology or changes to the applicable laws and regulations.

With the exception of the Phase 1 Stream, the Company has financed its operations primarily through the issuance of common shares. The Company will continue to seek capital to fund its business objectives which include Phase 1 Santa Cruz operations, and exploration and engineering studies related to the Santa Cruz Project. Based on projected administrative and project expenditures for the next twelve months, the Company requires additional financing to continue to operate. These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern.

A summary of the Company's cash flows is as follows:

| | Fiscal 2025 | Fiscal 2024 |
|---|------------------|------------------|
| | \$ | \$ |
| Cash used in operating activities | (4,837,617) | (5,509,653) |
| Cash used in investing activities | (349,926) | (3,837,158) |
| Cash provided by financing activities | 5,600,713 | 7,109,299 |
| Effect of exchange rate changes on cash | 38,874 | (548,816) |
| Change in cash and cash equivalents | 413,170 | (2,237,512) |
| Cash and cash equivalents, beginning of the year | 2,091,299 | 4,877,627 |
| Cash and cash equivalents, end of the year | 2,543,343 | 2,091,299 |

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Cash used in operating activities was \$4,837,617 compared to \$5,509,653 in the prior year. Operating activities reflect cash consumed in its regular development, exploration, and corporate activities. Cash used during the year ended December 31, 2025, was lower mainly due to lower exploration and evaluation expenditures compared to the prior year as the Company focused on operations at the Santa Cruz Mine.

Cash used in investing activities was \$349,926 compared to \$3,837,158 in the prior year. Primary expenditures during the current year related to mine development at the Santa Cruz Mine. In the prior year the Company was investing in the construction of plant facilities and mine development at the Santa Cruz mine as well as completing its land acquisition.

Cash provided by financing activities was \$5,600,713 compared to \$7,109,299 in the prior year. In the current year the Company closed three private placements for net proceeds of \$5,629,460 and received proceeds of \$450,000 from the Notes. In the prior year the Company closed two private placements for net proceeds of \$6,833,607 and received proceeds of \$231,599 from the exercise of warrants.

CAPITAL RESOURCES

The Company entered into the Stream Agreement with the Phase 1 Stream closing in November 2022. Consequently, the Company initially recognized a deferred revenue obligation of \$10 million which is presented as liability on the consolidated statement of financial position.

The Company will continue to seek capital to advance its business objectives as defined above in "Outlook". In the past the Company has raised capital in the public markets by issuing common shares pursuant to private placements. Based on projected administrative and project expenditures for the next twelve months, the Company requires additional financing to continue to operate. The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year ended December 31, 2025.

A summary of the Company's use of proceeds is as follows:

| Period | Gross proceeds from financing | Intended use of proceeds | Actual use of proceeds |
|-------------------------|--------------------------------------|---|---|
| February and March 2024 | \$4,966,413 (C\$6,697,103) | Accelerating exploration, development, construction activities, corporate G&A and general working capital requirements. | The funds were used as intended in 2024 toward the Santa Cruz plant. The Company was able to complete its preliminary economic assessment study on the BamaStar Graphite Project. |
| December 2024 | \$2,120,550 | Exploration, development, corporate G&A and general working capital requirements. | The funds were used as intended in Brazil for the enhancement of the Santa Cruz plant processes and for general working capital requirements. |
| January 2025 | \$879,449 | Exploration, development, corporate G&A and general working capital requirements. | The funds were used as intended for the enhancement of the Santa Cruz plant processes and general working capital requirements. |
| August 2025 | \$302,610 | Development and production, as well as corporate general working capital requirements. | The funds were used as intended for the enhancement of the Santa Cruz plant processes and general working capital requirements. |
| November 2025 | \$4,800,000 (C\$6,672,000) | Development and production, as well as corporate general working capital requirements. | The Company intends to use the funds as presented. |

OFF-BALANCE SHEET ARRANGEMENTS

As at December 31, 2025, and the MD&A Date, the Company has no off-balance sheet arrangements.

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RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

A summary of the Company's related party transactions is as follows:

| | Fiscal 2025 | Fiscal 2024 |
|--|--------------------|--------------------|
| | \$ | \$ |
| Consulting and management fees | 619,125 | 619,533 |
| Share-based compensation from the vesting of options | 369,824 | - |
| Share-based compensation from the vesting of RSUs | - | 183,703 |
| Share-based compensation from the vesting of DSUs | 99,089 | - |
| Share-based payments to settle management bonus | 106,771 | - |
| | 1,194,809 | 803,236 |

Consulting and management fees include fees paid to Invictus Accounting Group LLP, a Company in which the Company's CFO, Darren Prins, is a partner; the former CEO, Richard Pearce; the former Vice President of Operations, Richard Vigil; and to Red Fern consulting Ltd., a Company in which the former CFO, Samantha Shorter is a significant shareholder.

Included in accounts payable and accrued liabilities as at December 31, 2025 is \$215,810 (December 31, 2024 - \$213,594) due to current officers, directors or related companies for cash advances, unpaid consulting fees, and unpaid expenses. The amounts due to related parties are unsecured, non-interest bearing and due on demand.

Included in loans payable as at December 31, 2025 is \$209,610 of outstanding principal and accrued interest due to the former CEO of the Company (December 31, 2024 - \$nil). During the year ended December 31, 2025, interest expense on loans payable due to directors of the Company and the former CEO was \$26,161 (2024 - \$nil).

On February 11, 2025, 387,889 RSUs with a fair value of \$120,655 were granted to settle an outstanding bonus payable to the former CEO of the Company. During the year ended December 31, 2025, the Company recognized share-based compensation of \$106,771 (2024 - \$nil) from the vesting of these RSUs to reduce the remaining amounts payable.

PROPOSED TRANSACTIONS

As at December 31, 2025, and the MD&A Date, the Company has no proposed transactions.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements under IFRS[®] Accounting Standards requires management to make judgements in applying its accounting policies and estimates that affect the reported amounts of assets and liabilities at the period end date and reported amounts of expenses during the reporting period. Such judgements and estimates are, by their nature, uncertain. Actual outcomes could differ from these estimates.

The impact of such judgements and estimates is pervasive throughout these financial statements and may require accounting adjustments based on future occurrences. These judgements and estimates are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and are accounted for prospectively.

All significant accounting judgements and sources of estimation uncertainty are fully disclosed in the Annual Financial Statements.

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FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - Inputs that are not based on observable market data.

The Company's financial assets and liabilities consist of cash and cash equivalents, accounts payable and accrued liabilities, loans payable, and derivative warrant liabilities.

All financial assets and liabilities of the Company are measured at amortized cost except for the Company's cash and cash equivalents and derivative warrant liabilities which are both classified as fair value through profit or loss. The derivative warrant liabilities are recorded at fair value using observable market inputs within pricing models and are therefore classified as level 2 within the fair value hierarchy.

The fair values of cash and cash equivalents and accounts payable and accrued liabilities approximate their carrying values because of their short-term nature or are subject to insignificant movements in fair value. On initial recognition, the fair values of the Company's loans payable were determined using the discounted cash flow method which involves discounting future cash flows at a risk-adjusted discount rate.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to fulfill its contractual obligations. The Company's credit risk relates primarily to cash and cash equivalents.

Cash and cash equivalents consists of bank deposits. The Company mitigates credit risk related to cash by transacting exclusively with sound financial institutions. The Company considers credit risk to be minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. To mitigate this risk, the Company has a planning and budgeting process in place to determine the funds required to support its ongoing operations and capital expenditures. As at December 31, 2025, the Company had cash and cash equivalents of \$2,543,343 (December 31, 2024 - \$2,091,299) in order to meet its current liabilities of \$4,059,280 (December 31, 2024 - \$4,455,764). As at December 31, 2025, management has assessed the liquidity risk as high.

A summary of the Company's contractual undiscounted cash flow requirements as at December 31, 2025, is as follows:

| | < 1 year | 1 - 2 years | 2 - 5 years | >5 years | Total |
|--|----------------|----------------|----------------|-------------|----------------|
| | \$ | \$ | \$ | \$ | \$ |
| Accounts payable and accrued liabilities | 759,292 | - | - | - | 759,292 |
| Loans payable | 102,466 | 107,144 | - | - | 209,610 |
| | 861,758 | 107,144 | - | - | 968,902 |

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company does not have a practice of trading derivatives.

Foreign exchange risk

The Company's main project is in Brazil with local operations. As such, the Company is exposed to foreign currency risk. Fluctuations in the exchange rate between the Canadian dollar, United States dollar and the Brazilian real ("BRL") may have an adverse effect on the Company's business. The Company does not enter into any foreign exchange hedging contracts.

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A summary of the foreign exchange exposure on the financial assets and financial liabilities of the Company and its subsidiaries against their local country currencies, expressed in the presentation currency, as at December 31, 2025 is as follows:

| | CAD | BRL | GBP |
|--|--------------------|------------------|----------------|
| | \$ | \$ | \$ |
| Financial assets | | | |
| Cash and cash equivalents | 2,225,035 | 318,169 | - |
| Financial liabilities | | | |
| Accounts payable and accrued liabilities | (158,435) | (291,073) | (6,635) |
| Derivative warrant liabilities | (2,906,584) | - | - |
| | (3,065,019) | (291,073) | (6,635) |
| Net financial liabilities | (839,984) | 27,096 | (6,635) |

A 10% strengthening in the USD against CAD would change the Company's net loss and comprehensive loss by approximately \$83,998 (December 31, 2024 - \$30,700), a 10% strengthening in the USD against BRL would change the Company's net loss and comprehensive loss by approximately \$2,710 (December 31, 2024 - \$40,700), and a 10% strengthening in the USD against GBP would change the Company's net loss and comprehensive loss by approximately \$664 (December 31, 2024 - \$nil).

Interest rate risk

The Company's financial assets exposed to interest rate risk consist of cash balances. The Company's current policy is to invest excess cash in high-interest bank accounts and investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at December 31, 2025, the Company did not have any interest-bearing debt whose interest rates fluctuate with market interest rates.

Price risk

The Company is exposed to price risk with respect to commodity and equity prices. The significant financing component of the deferred revenue will fluctuate based on the price of graphite over the life of the Agreement and is susceptible to price risk. The Company closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

OUTSTANDING SECURITY DATA

A summary of the number of the Company's issued and outstanding securities is as follows:

| | December 31, 2025 | MD&A Date |
|------------------------|----------------------|--------------|
| Common shares | 108,400,944 | 108,400,944 |
| Stock options | 2,440,000 | 640,000 |
| Warrants | 8,538,002 | 8,538,002 |
| Restricted share units | 412,889 | 1,412,889 |
| Deferred share units | 360,000 | 360,000 |

SUBSEQUENT EVENTS

The Company repaid the full \$211,286 outstanding principal and accrued interest of the Notes and the loan agreement with the former CEO.

On February 9, 2026, the Company granted 1,000,000 RSUs to the Chief Operating Officer. Of these RSUs, 500,000 vest on the later of February 9, 2027, or the achievement of stable production of 5,000 tonnes of graphite concentrate per year equivalent during a period of one month, which production must have a minimum of 65% flake graphite. The remaining 500,000 RSUs vest later of January 31, 2027 and achievement of stable production of 10,000 tonnes of graphite concentrate per year equivalent during a period of one month, which production must also have a minimum of 65% of flake graphite.

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On January 14, 2026, 1,800,000 stock options expired unexercised relating to an officer no longer working for the Company.

Subsequent to December 31, 2025, the Company decided to not proceed with the BamaStar Graphite Project and as a result fully impaired the project.

RISKS AND UNCERTAINTIES

The securities of the Company should be considered a highly speculative investment and investors should carefully consider all of the information disclosed in this MD&A and the Company's profile on the SEDAR+ website at www.sedarplus.ca prior to making an investment in our securities. In addition to the other information presented in this MD&A, the following risk factors should be given special consideration when evaluating an investment in any of our securities.

There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the risks described below (or incorporated by reference herein) or other unforeseen risks. If any of the risks described below actually occur, then the Company's business, financial condition and operating results could be adversely affected. The risks and uncertainties described or incorporated by reference herein are not the only ones the Company faces. Additional risks and uncertainties, including those that the Company is unaware of or that are currently deemed immaterial, may also adversely affect the Company and its business. Investors should consult with their professional advisors to assess any investment in the Company.

Market Disruption and Geopolitical Risks

Market disruption can be caused by economic, financial, or political events and factors, including but not limited to, international wars or conflicts (including Russia's military invasion of Ukraine and the war in Iran), geopolitical developments (including trading and tariff arrangements, sanctions and cybersecurity attacks), instability in regions such as Asia, Eastern Europe and the Middle East, terrorism, natural disasters and public health epidemics.

The extent and duration of such events and resulting market disruptions cannot be predicted but could be substantial and could magnify the impact of other risks to the Company. These and other similar events could adversely affect the U.S. and foreign financial markets and lead to increased market volatility, reduced liquidity in the securities markets, significant negative impacts on issuers and the markets for certain securities and commodities and/or government intervention. They may also cause short- or long-term economic uncertainties in the United States and worldwide. Further, due to closures of certain markets and restrictions on trading certain securities, the value of securities of the Company could be significantly impacted, which could lead to such securities being valued at zero.

Negative Operating Cash Flow

The Company reported negative operating cash flow for the financial period ended December 31, 2025. As a result of the expenses to be incurred by the Company in connection with its business objectives for the development of the Santa Cruz Graphite Mine, the Company anticipates that negative operating cash flows will continue until profitable commercial operations are achieved. Accordingly, the Company will be using substantial additional capital in order to fund its future exploration and development activities for its Santa Cruz Graphite Mine. Full funding has been arranged through the Stream Agreement with SRSR and private placements during Fiscal 2025 to fund Phase 1 and partial funding for Phase 2 of the Company's mine construction on the Santa Cruz Graphite Mine. To date, however, the Company has received \$10,000,000 pursuant to the terms of Phase 1 of the Stream Agreement. Payment of Phase 2 proceeds by SRSR is subject to certain additional conditions, including achieving commercial operations under Phase 1. There is no guarantee that these conditions will be met or that the Company will receive the Phase 2 proceeds from SRSR. There is no guarantee that alternative funding sources for mine construction will be available to the Company. Any failure to obtain additional financing or failure to achieve profitability and positive operating cash flows will have a material adverse effect on its financial condition and results of operations.

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Phase 2 Closing

The Stream Agreement provides that the Phase 2 closing and the receipt by the Company of a minimum of an additional \$9.0 million and a maximum \$18.0 million is conditional upon the satisfaction by the Company of certain conditions precedent which include without limitation, completion of a Phase 2 study, receipt by the Company of sufficient available cash (together with the Phase 2 deposit and any committed financing) to complete the development of the Santa Cruz Graphite Mine; receipt by the Company of binding quotations from vendors representing quotations for all material equipment required for the Phase 2 commencement of commercial production in accordance with the Phase 2 study; receipt of a cost to complete certificate in respect of the Santa Cruz Graphite Mine; and the production and sale of at least 500 tonnes of graphite products which meet or exceed the stated minimum graphite specifications per month for a period of four consecutive months; as well as satisfactory due diligence by SRSR and receipt of the approval of the investment committee of SRSR. There is no guarantee the Company will be able to achieve the fulfilment of the conditions precedent.

Expropriation Event

The Stream Agreement provides that if there is an expropriation event and the Company or any of its affiliates receives compensation the net proceeds received are to be shared with SRSR in proportion to their respective interests.

Stream Agreement Share Pledges

The Stream Agreement provides that upon the occurrence of certain events of default which include, among other things, failure to make delivery of graphite products as required under the Stream Agreement, failure to make payments to SRSR as its sales agent for such graphite products and a breach of the Company's covenants, subject to customary cure periods (where applicable) will result in the right of SRSR to, among other things, terminate the Stream Agreement and demand damages for its losses. The obligations of the Company and certain of its affiliates under the Stream Agreement and related documents are secured by the Stream Agreement Share Pledges. As a result if the Company or such affiliates are in default of such obligations the Company may lose its interest in and rights over its affiliates which own the Santa Cruz Graphite Mine, among other interests/rights.

Additional Financing

The continued development of the Company will require additional financing. There is no guarantee that the Company will be able to achieve its current business strategy. The Company intends to fund its business objectives by way of additional offerings of equity and/or debt financing as well as through anticipated positive cash flow from operations in the future. The failure to raise or procure such additional funds or the failure to achieve positive cash flow could result in the delay or indefinite postponement of current business objectives. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, will be on terms acceptable to the Company. If additional funds are raised by offering equity securities, existing shareholders could suffer significant dilution. The Company will require additional financing to fund its operations until positive cash flow is achieved.

As noted above under the heading "*Negative Operating Cash Flow*", funding has been arranged through the Stream Agreement to fund mine construction on the Santa Cruz Graphite Mine, but there is no guarantee that conditions applicable to delivery of proceeds under the Stream Agreement will be met or that the Company will receive the Phase 2 proceeds from SRSR. There is no guarantee that alternative funding sources for mine construction will be available if the Company does not receive the proceeds under the Stream Agreement.

Government Regulations, Consents and Approvals

Exploration, development and mining activities are subject to laws and regulations governing health and work safety, employment standards, environmental matters, mine development, prospecting, mineral production, exports, taxes, labour standards, reclamation obligations and other matters. It is possible that future changes in applicable laws, regulations, agreements or changes in their enforcement or regulatory interpretation could result in changes in legal requirements or in the terms of permits and agreements applicable to the Company or its properties which could have a material adverse impact on the Company's operations and exploration programs and future development projects.

Mineral Titles

Although the Company has legal ownership on key mining rights, there is no guarantee that title to such mineral property interests will not be contested or challenged. The Company's mineral property interests may be subject to prior unregistered agreements or transfers and ownership may be affected by undetected irregularities. Mining rights may be contested and, if such contest is successful, the development of the Company's assets and/or operations may be adversely affected

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Exploration and Development

Mineral exploration and development of mineral properties involves a high degree of risk, and few properties which are explored are ultimately developed into producing mines. There is no assurance that the Company's exploration and development activities will result in any discoveries of commercial bodies of minerals. The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, explosions, tailings impoundment failures, cave-ins, landslides and the inability to obtain adequate machinery, equipment or labour are some of the risks involved in mineral exploration and exploitation activities.

Substantial expenditures are required to establish mineral reserves and resources through drilling, to develop metallurgical processes to extract the resources and, in the case of new properties, to develop the extraction and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major deposit, no assurance can be given that resources will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis. The commercial viability of a mineral deposit once discovered is also dependent on a number of factors, some of which are the particular attributes of the deposit, such as size, grade and proximity to infrastructure, as well as metal prices. Most of the above factors are beyond the control of the Company. There can be no assurance that the Company's mineral exploration activities will be successful. In the event that such commercial viability is never attained, the Company may seek to transfer its property interests or otherwise realize value or may even be required to abandon its business and fail as a "going concern".

Permits & Licenses

The operations of the Company may require licenses and permits from various governmental authorities to carry out exploration, development and operations at its projects. Obtaining permits can be a complex and time-consuming process. There can be no assurances that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects, in a timely manner or at all. Failure to obtain such licenses and permits may adversely affect the Company's business as the Company would be unable to legally conduct its intended exploration work, which may result in it losing its interest in the subject property. Any failure to comply with permits and applicable laws and regulations, even if inadvertent, could result in the interruption or closure of operations or material fines, penalties or other liabilities. In addition, the requirements applicable to sustain existing permits and licenses may change or become more stringent over time and there is no assurance that the Company will have the resources or expertise to meet its obligations under such licenses and permits.

Phases 1, 2 and 3 definitive mining license ("Concessão de Lavra") have been approved as well as the Environmental Licenses for the Concessions in the county of Itabela. The Company has paid the municipal building permit for construction of the Phase 1 plant, mine and infrastructure, which was received in the year ended December 31, 2022

The Company submitted the consolidated Phases 1, 2 & 3 environmental reports and documentation in April 2023 with the objective of obtaining both the mining and environmental permits and licenses required for Phases 2 & 3. In February 2024, the Company received its environmental permits for Phases 2 & 3 for five of its mining claims, including all the main claims currently planned for near-term production. The Phases 2 and 3 environmental permits were approved with conditions generally in line with the Phase 1 permit and are consistent with the current environmental and community engagement programs already underway. The Environmental Permit is reviewed and renewed every four years.

Over the course of its life of mine, the Company will have to obtain additional environmental permits and mining licenses to expand operations. The Company will have to apply for water rights relative to its land access. Environmental and mineral resource legislation are evolving in a manner that may, in the future, require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees.

Production

There would be significant risks associated with the commencement of mining operations at the Company's Santa Cruz Graphite Mine. The Company does not have a history of producing graphite from the Santa Cruz Graphite Mine and there is no guarantee that the Company will be able to develop a profitable mining operation on the Santa Cruz Graphite Mine. Advancing the Santa Cruz Graphite Mine to the production stage will involve additional capital and time. The Company is subject to risks associated with developing and establishing a mining operation on the Santa Cruz Graphite Mine, including:

- the availability and cost of mining and processing equipment and other supplies;
- the timing and cost of the construction of mining and processing facilities;

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- the availability and cost of hiring management and administrative personnel and skilled labour required to run a mining operation on the Santa Cruz Graphite Mine;
- increases in projected costs due to differences in grade of mineralized material, metallurgical performance, revisions to mine plans or results from reprocessing heap material;
- increases in the costs of labour, fuel, electricity, and other materials and supplies;
- the availability of funds to finance construction and development activities;
- the ability to extract sufficient graphite from resources to support a profitable mining operation on the Santa Cruz Graphite Mine;
- potential opposition from non-governmental organizations, local groups or local inhabitants that may delay or prevent development activities; and
- compliance with environmental and other governmental approval and permit requirements for the Santa Cruz Graphite Mine.

It is common for mine development programs to experience unexpected problems and delays prior to commencement of commercial operations. In addition, the Company's management and workforce will need to be expanded, and support systems for the Company's workforce will have to be established. This could result in delays in the commencement of mineral production and increased costs of production. As a result, the Company may not be successful in establishing a mining operation or profitably producing graphite from the Santa Cruz Graphite Mine.

Technical Estimates

Mineral resource and reserve estimates and the economic analysis contained in the Santa Cruz Graphite Report are based on interpretation and assumptions. Unless otherwise indicated, mineral resource and reserve estimates and economic analysis presented are based upon estimates made by independent consulting geologists.

Estimates can be imprecise and depend upon geological interpretation and statistical inferences drawn from drilling and sampling, which may prove to be unreliable. We cannot assure you that the estimates are accurate or that mineralized materials from the Santa Cruz Graphite Mine can be mined or processed profitably.

Any material changes in mineral resource and reserve estimates and grades may affect the economic viability of the Santa Cruz Graphite Mine and the Santa Cruz Graphite Mine's return on capital.

Mineral resources may require adjustments or revisions. In addition, the grade of mineralized material ultimately mined, if any, may differ from that indicated by our Santa Cruz Graphite Mine. Graphite recovered in small scale tests may not be duplicated on a production scale.

The mineral resource and reserve estimates the Santa Cruz Graphite Mine have been determined and valued based on assumed future prices for graphite, cut-off grades and operating costs that may prove to be inaccurate. Extended declines in prices for graphite may render our estimates uneconomic and result in reduced reported mineralization or adversely affect our determinations of commercial viability. Any material reductions in estimates of mineralization, or of our ability to profitably extract graphite from our resources, could have a material adverse effect on our share price and the value of the Santa Cruz Graphite Mine.

Title to Assets

Although the Company has or will receive title for any concessions in which it has or will acquire a material interest, there is no guarantee that title to such concessions will be not challenged. The Company can never be certain that it or its option partners will have valid title to its mineral properties. Mineral properties sometimes contain claims or transfer histories that examiners cannot verify, and transfers under foreign law are often complex. The Company may or may not carry title insurance on its properties. In some countries, the system for recording title to the rights to explore, develop and mine natural resources is such that a title provides only minimal comfort that the holder has title. Also, in many countries, claims have been made and new claims are being made by aboriginal peoples that call into question the rights granted by the governments of those countries. A successful claim that the Company does not have title to a property could cause the Company to lose its right to that property, perhaps without compensation for its prior expenditures relating to the property.

Surface Rights and Access

Although the Company acquires the rights to some or all of the minerals in the ground subject to the mineral tenures that it acquires, or has a right to acquire, in most cases it does not thereby acquire any rights to, or ownership of, the surface to the areas covered by its mineral tenures. In such cases, applicable mining laws usually provide for rights of access to the surface for the purpose of carrying on mining activities, however, the enforcement of such rights through the courts can be costly and time consuming. It is necessary to negotiate surface access or to purchase the surface rights if long-term access is required. There can be no guarantee that, despite having the right at law to access the surface and carry on mining activities, the Company will be able to negotiate satisfactory agreements with any such existing landowners/occupiers for such access or purchase of such surface rights, and therefore it may be unable to carry out planned mining activities. In addition, in circumstances where such access is denied, or no agreement can be reached, the Company may need to rely on the assistance of local officials or the courts in such jurisdiction the outcomes of which cannot be predicted with any certainty. The inability of the Company to secure surface access or purchase required surface rights could materially and adversely affect the timing, cost or overall ability of the Company to develop the Santa Cruz Graphite Mine.

Requirement for New Capital

The Company will raise, by way of debt or equity financing or other means, considerable funds to meet its capital needs in the future to expand production. There is no assurance that sufficient funding will be available to the Company for further exploration and development of the Santa Cruz Graphite Mine or the Company's other property interests or to fulfill the Company's obligations under applicable agreements. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the Santa Cruz Graphite Mine and the Company's other projects. It is possible such additional capital will be raised through the issuance of additional equity which will result in dilution to the Company's shareholders.

As noted above under the heading "Negative Operating Cash Flow", funding has been arranged through the Stream Agreement to fund mine construction on the Santa Cruz Graphite Mine, but there is no guarantee that conditions applicable to delivery of proceeds under the Stream Agreement will be met or that the Company will receive the proceeds from SRSR. There is no guarantee that alternative funding sources for mine construction will be available if the Company does not receive the proceeds under the Stream Agreement.

Dilution

The Company will require additional financing in the future. The Company may issue securities on less than favourable terms to raise sufficient capital to fund its business plan. Any transaction involving the issuance of equity securities or securities convertible into Common Shares would result in dilution, possibly substantial, to present and prospective holders of Common Shares.

Operating Hazards and Risks

Exploration for natural resources involves many risks which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of resources, any of which could result in work stoppages, damage to persons or property and possible environmental damage. Although the Company has or may obtain liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable against, or the Company might not elect to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs that could have a material adverse effect upon its financial condition.

Fluctuating Commodity Prices

The Company's future revenues, if any, are expected to be in large part derived from the extraction and sale of graphite and other metals or interests related thereto. The price of those commodities has fluctuated widely, particularly in recent years, and is affected by numerous factors beyond the Company's control including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new extraction developments and improved extraction and production methods. Current and future price declines could cause commercial production to be impracticable. The Company's revenues and earnings could also be affected by the prices of other commodities. The effect of these factors on the price of graphite, and therefore the economic viability of any of the Company's exploration projects, cannot accurately be predicted.

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Development of Mineral Projects into Commercially Viable Mines

Development projects require significant expenditures during the development phase before production is possible. Development projects are subject to the completion of successful feasibility studies and environmental assessments, issuance of necessary governmental permits and availability of adequate financing. The economic feasibility of development projects is based on many factors such as: estimation of Mineral Reserves, anticipated metallurgical recoveries, environmental considerations and permitting, future mineral prices, and anticipated capital and operating costs of these projects. The Santa Cruz Graphite Mine has no operating history upon which to base estimates of future production and cash operating costs. Particularly for development projects, estimates of proven and probable mineral reserves and cash operating costs are, to a large extent, based upon the interpretation of geologic data obtained from drill holes and other sampling techniques, and economic studies that derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, expected recovery rates from the ore, estimated operating costs, anticipated climatic conditions and other factors. As a result, it is possible that actual capital and operating costs and economic returns will differ significantly from those currently estimated for a project prior to production.

Taxation

The Company has operations and conducts business in multiple jurisdictions and it is subject to the taxation laws of each such jurisdiction. These taxation laws are complicated and subject to change. The Company may also be subject to review, audit and assessment in the ordinary course. Any such changes in taxation law or reviews and assessments could result in higher taxes being payable or require payment of taxes due from previous years, which could adversely affect the Company's profitability. Taxes may also adversely affect the Company's ability to repatriate earnings and otherwise deploy its assets.

Environmental Factors

The Company's operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, release or emission of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which could result in environmental pollution. Failure to comply with such legislation may result in imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards and enforcement. These laws and regulations will require the Company to acquire permits and other authorizations for certain activities. There can be no assurance that the Company will be able to acquire such necessary permits or authorizations on a timely basis, if at all. Fines and penalties for non-compliance are also more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

Reclamation Costs

Land reclamation requirements are generally imposed on mineral exploration companies (as well as companies with mining operations) in order to minimize long term effects of land disturbance, and the Company is subject to such requirements at its mineral properties. Decommissioning liabilities include requirements to control dispersion of potentially deleterious effluents and reasonably re-establish pre-disturbance landforms and vegetation.

In order to carry out reclamation obligations arising from exploration and potential development activities, the Company may be required to allocate financial resources that might otherwise be spent on further exploration and development programs. Reclamation costs are uncertain and planned expenditures may differ from the actual expenditures required. If the Company is required to carry out unanticipated reclamation work, its financial position could be adversely affected.

Competition

The resource industry is intensely competitive in all its phases, and the Company competes with many other companies possessing greater financial resources and technical facilities than it has. Competition could adversely affect the Company's ability to acquire suitable properties for exploration in the future.

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Global Financial Conditions

Market events and conditions, including disruptions in the Canadian, United States and international credit markets and other financial systems, due to many factors, and the continued volatility of the Canadian, United States and global economic conditions, could, among other things, impede access to capital or increase the cost of capital, which would have an adverse effect on the Company's ability to fund its working capital and other capital requirements. Notwithstanding various actions by the United States and foreign governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions continue to be volatile and unpredictable. In addition, general economic indicators have deteriorated, including low levels of consumer sentiment and limited economic growth on a global basis. These disruptions in the current credit and financial markets have had, and could continue to have a material adverse impact on a number of financial institutions and have limited access to capital and credit for many companies, particularly junior resource enterprises such as the Company. These disruptions could, among other things, make it more difficult for the Company to obtain, or increase its cost of obtaining, capital and financing for its operations. The Company's access to additional capital may not be available on terms acceptable to the Company or at all.

Political and Economic Instability

The Company's operations may be adversely affected by political, legal, and economic uncertainty in the countries where it currently operates or may operate in the future. Foreign operations involve risks such as changes in government policies or regulations (including taxation, royalties, imports, exports, duties, currency controls, and environmental or mine-safety requirements), renegotiation or cancellation of contracts, expropriation or nationalization of assets, restrictions on production or earnings repatriation, and delays in obtaining or maintaining necessary permits. Political instability-including civil unrest, terrorism, war, or abrupt regulatory changes-may also impact mineral exploration and development activities. These risks are beyond the Company's control and could have a material adverse effect on its operations, financial condition, or ability to advance its projects.

The Company operates in Brazil and has projects in Brazil and the United States. The Company cannot guarantee that changes will not be made in the government or laws of the jurisdictions in which the Company's operations are located or changes in the regulatory environment for mining companies in general or companies not domiciled in these countries, which could adversely and materially affect the Company.

Anti-Bribery Laws

The Canadian Corruption of Foreign Public Officials Act and the U.S. Foreign Corrupt Practices Act and anti-bribery laws in other jurisdictions, prohibit companies and their intermediaries from making improper payments for the purposes of obtaining or retaining business or other commercial advantage. The Company's policies mandate compliance with these anti-bribery laws, which often carry substantial penalties. The Company operates in jurisdictions that have experienced governmental and private sector corruption to some degree, and, in certain circumstances, strict compliance with anti-bribery laws may conflict with certain local customs and practices. There can be no assurances that the Company's internal control policies and procedures will always protect it from reckless or other inappropriate acts committed by the Company's affiliates, employees or agents. Violations of these laws, or allegations of such violations, could have a material adverse effect on the Company's business, financial position and results of operations.

Foreign Exchange Rate Risk

The Company reports its consolidated financial statements in United States dollars with its operations currently in Canada, Brazil and United States. Consequently, the financial results of the Company's operations as reported in United States dollars are subject to changes in the value of the United States dollar relative to the Brazilian Real and Canadian Dollar. Activities in Brazil are funded through the Company's Brazilian subsidiary and are recorded in Brazilian Real and translated into United States dollars on the consolidated financial statements date. Exploration activities in Alabama are funded through the Company's Alabama subsidiary and are recorded in United States Dollar. Operations in Canada occur in a blend of Canadian and US dollars as recorded and tracked in US dollars. As a result, the Company can be exposed to significant fluctuations in the exchange rate between the Brazilian Real, Canadian Dollar and the United States dollar. The Company does not currently enter into any foreign exchange hedges to limit exposure to exchange rate fluctuations. The Board of Directors continually assesses the Company's strategy toward its foreign exchange rate risk, depending on market conditions.

Litigation Risk

The Company may be subject to claims (including class action claims and claims from government regulatory bodies) based on allegations of negligence, breach of statutory duty, breach of contract, public nuisance or private nuisance or otherwise in connection with its business or operations. Liability resulting from any such claim in the future may have a materially adverse effect on the Company's financial condition or operations.

Management and Dependence on Key Personnel

The Company is dependent upon the personal efforts and commitment of its management, which is responsible for the development of future business. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company. The Company is dependent on a relatively small number of key officers, consultants and employees, the loss of any of whom could have an adverse effect on the Company. Failure to retain key individuals or to attract or retain additional key individuals with necessary skills could have a materially adverse impact upon the Company's success.

Conflicts of Interest

Certain of the directors and officers of the Company may also serve as directors, officers and/or advisors of and to other companies involved in natural resource mining, exploration and development. Consequently, there exists the possibility for such directors and officers to be in a position of conflict. The Company expects that any decision made by any of such directors and officers involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders, but there can be no assurance in this regard. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest or which are governed by the procedures set forth in the *Business Corporations Act (British Columbia)* and any other applicable law.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities legislation. All information, other than statements of historical facts, included in this MD&A that address activities, events or developments that the Company expects or anticipates will or may occur in the future, including such things as future business strategy, competitive strengths, goals, expansion and growth of the Company's businesses, operations, plans and other such matters are forward-looking information.

When used in this MD&A, the words "estimate", "plan", "continue", "anticipate", "might", "expect", "project", "intend", "may", "will", "shall", "should", "could", "would", "predict", "forecast", "pursue", "potential", "believe" and similar expressions are intended to identify forward-looking information. This information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information.

Examples of such forward-looking information include information pertaining to, without limitation: the ability to finance additional construction costs on schedule and on terms acceptable to the Company; the realization of mineral resource and mineral reserve estimates; the timing and amount of estimated future production; the impact of inflation on costs of exploration, development and production; estimated production and mine life of the various mineral projects of the Company; the benefits of the development potential of the properties of the Company; the future price of graphite and graphite products; the market and global demand for graphite and graphite products; the estimation of mineral reserves and resources; success of exploration activities; currency exchange rate fluctuations; labour availability, costs and conditions; supply chain elasticity; inherent hazards associated with mining operations; costs of production, expansion of production capabilities; the ability to obtain surface rights to support planned infrastructure at the Corporation's exploration and development projects; requirements for additional capital; government regulation of mining operations; environmental risks and hazards; title disputes or claims; and limitations on insurance coverage.

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Factors that could cause actual results to vary materially from results anticipated by such forward-looking statements include: the availability and changing terms of financing; variations in ore grade or recovery rates; changes in market conditions, including, but not limited to, supply chain issues and inflation; risks relating to the availability and timeliness of permitting and governmental approvals; risks relating to international operations; fluctuating metal prices and currency exchange rates; changes in project parameters; the possibility of project cost overruns or unanticipated costs and expenses; labour disputes; and other risks of the mining industry, including but not limited to, the failure of plant, equipment or processes to operate as anticipated. For a more detailed discussion of these factors and other risks, see "Risks and Uncertainties" and the Company's most recent Annual Information Form that is available on the Company's profile on SEDAR+ at www.sedarplus.ca.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Forward-looking information contained herein is made as of the date of this MD&A. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers are cautioned not to place undue reliance on forward-looking information. Except as required by law, the Company does not assume the obligation to revise or update forward looking information after the date of this document or to revise such statements to reflect the occurrence of future unanticipated events.