

SIERRA MADRE GOLD AND SILVER LTD.

Management's Discussion and Analysis of the Financial Position and Results of Operations for the Three and Six Months Ended June 30, 2026

August 25, 2026

To Our Shareholders

Sierra Madre Gold and Silver Ltd. ("Sierra Madre" or the "Company") is a mineral extraction and exploration company incorporated in British Columbia, Canada, listed on the TSX Venture Exchange under the ticker symbol "SM," under the symbol "SMDRF" on the OTCQX Best Market, and under the symbol 409 on the Frankfurt Stock Exchange. The Company owns the Guitarra silver-gold mine (the "Guitarra mine" or "Guitarra") and related exploration concessions located in the historic Temascaltepec mining district in the state of México, México, the Del Toro silver mine, located in Chalchihuites, in the State of Zacatecas, México, and the Tepic silver-gold property located in the State of Nayarit, México.

This Interim Management's Discussion and Analysis ("MD&A") is dated and effective August 25, 2026, and provides information on the Company's activities for the three and six months ended June 30, 2026 ("Q2" and "H1" respectively), and subsequent activity to the date of this report. Consequently, this MD&A should be read in conjunction with the Company's June 30, 2026 condensed consolidated interim financial statements, prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS"), as applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. This MD&A should also be read in conjunction with the audited consolidated financial statements of the Company as at and for the year ended December 31, 2025, prepared in accordance with IFRS, and available for viewing at www.sedarplus.ca.

All amounts herein are expressed in U.S. dollars, unless otherwise stated in Canadian dollars ("CAD") or Mexican pesos ("MXN").

Overall Performance and Outlook

Highlights of the Company's activities during the period under review are presented as follows:

- In June 2026, the Company completed the acquisition of the Del Toro silver mine from First Majestic Silver Corp. ("First Majestic") and completed a concurrent financing (the "Concurrent Financing") for gross proceeds of CAD\$57.5 million (see *Acquisition of the Del Toro Silver Mine*);
- As at June 30, 2026, our cash balance totalled \$22.2 million and our working capital ⁽ⁱ⁾ was \$25.0 million;
- Net revenues for the quarter increased by 43% to \$8.23 million as compared to \$5.76 million in Q2 2025;
- Income before taxes of \$603 thousand in the quarter compared to \$443 thousand in Q2 2025;
- After-tax income was \$37 thousand or \$0.00 per share for the current quarter as compared to \$276 thousand or \$0.00 per share in Q2 2025;
- The Company averaged \$75.65 per silver ("Ag") ounce sold and \$4,529 per gold ("Au") ounce sold in the quarter, which compares to \$33.36 per Ag ounce sold and \$3,272 per Au ounce sold in Q2 2025;
- Cash costs for H1 2026 were \$48.65 per silver equivalent ("AgEq") ounce ⁽ⁱ⁾ produced, as compared to \$24.69 per AgEq oz produced in H1 2025, due to a number of factors including the US\$-MXN exchange rate and ramp up of operations at Coloso and Nazareno (see *Operational Highlights*);
- Adjusted EBITDA ⁽ⁱ⁾ of \$3.5 million for H1 2026 compares to \$2.6 million for H1 2025;
- During H1 2026, the Company sold 135,697 ounces of silver and 1,981 ounces of gold or 252,627 silver equivalent ounces, based on the ratio of silver and gold prices realized for each shipment in the quarter. This compares to 139,419 ounces of Ag and 2,118 ounces of Au or 338,655 AgEq ounces sold in H1 2025;
- The Company generated \$1.89 million of cash from operating activities in H1 2026 as compared to \$1.37 million in H1 2025;
- In 2025, the Company initiated a plan to expand production capacity at Guitarra in a two-phase program. Completion of the first phase ("Phase I") was anticipated by the end of Q2 2026, with the aim to increase our nameplate capacity from 500 tonnes per day ("tpd") to a range of 750-800 tpd. During the search for the required mill for Phase I, the Company located and purchased a larger-than-planned mill, with the expectation

that it would meet the milling requirements for both phases of the expansion. The additional foundation and electrical work for the larger mill, along with certain shipping delays for other components of the Phase I expansion, extended the planned completion of Phase I. We now anticipate that the increased production capacity will be achieved prior to the end of Q3 2026. The purchase of the larger mill puts the milling portion of our second phase (“Phase II”) ahead of schedule (see *Mineral Interests*);

- Modifications to the existing 7-foot x 10-foot ball mill were made and larger capacity pumps were installed on the cyclone system to increase milling capacity. This has resulted in an increase in the total existing mill circuit throughput capacity with daily production reaching as high as 672 t/d, a 35% increase over the prior 500 tpd capacity (see *Mineral Interests*);
- Completion of Phase II is anticipated by Q3 2027, with the aim of increasing the capacity to a range of 1,200-1,500 tpd. As part of the planned expansion, the Company has acquired a significant amount of surface and underground equipment (see *Mineral Interests*);
- Construction of the thickener tank was completed in mid-August 2026, and testing of the mechanical and electrical circuits is currently underway. Full functionality is expected by the end of September (see *Mineral Interests*);
- The Company has completed the installation of two 1,500 kW back-up diesel generators, which are anticipated to be sufficient to cover power needs for the plant in the case of power grid outages.
- In late April 2026, a special services contractor was selected to provide both equipment and manpower to accelerate mine development and production from the Coloso and Nazareno mines. The special contractor began mobilization to site in early May 2026 and began operations in mid-June (see *Mineral Interests*);
- In October 2025, the Company announced a \$3.50 million exploration program at the East District of the Guitarra mine complex and to date drilling permits have been obtained and a drilling contractor has been selected and a contract is in progress (see *Mineral Interests*); and
- Recently, the Company elected to proceed with construction of the permitted dry stack tailings storage facility (“TSF”) located to the south-west of the processing plant. Clearing of the trees and vegetation is scheduled to begin in October, the normal end of the rainy season. The initial construction phases of the TSF have been redesigned in order to reduce costs compared to the original First Majestic design. In addition to the TSF, a filter plant will be constructed in due course. As planned, a second thickener tank will be needed for the Phase II production expansion (see *Mineral Interests*).

- (i) The Company reports non-GAAP measures, which include Cash Cost of Production per Tonne, Cash Cost per AgEq ounce produced, All-in Sustaining Cash Cost per AgEq ounce produced, Average Realized Price per AgEq ounce sold, Adjusted EBITDA, and working capital. These measures are widely used in the mining industry as a benchmark for performance, but do not have standardized meanings and may differ from methods used by other companies with similar descriptions. See “Non-GAAP and Other Financial Measures” section below for definitions and reconciliations to GAAP measures.

The Company continues to be pleased with the positive results of commercial production at Guitarra since its restart in mid-2024. The team at the mine continues to fine-tune its activities and to ramp-up operations at Coloso and Nazareno and to expand our staffing in anticipation of the increase in production when Phase I of our current expansion plan is completed.

The mill continues to operate at its current nameplate capacity, and the Company looks forward to continued improvements in the mining and milling processes as new mining faces are accessed and new equipment is added to the operation.

The mine experienced significant power outages and resulting downtime during 2025. The Company has acquired a 1,250-kilowatt (“kW”) back-up diesel generator for use at Coloso and Nazareno and installation is underway. The Company has also acquired two 1,500 kW back-up diesel generators, which we anticipate will be sufficient to cover our power needs for the plant in the case of power grid outages. Excavation and groundwork at the plant site began in late May 2026. Installation of the Guitarra mine generators and support electrical equipment was completed in mid-August. Full functionality is expected during September. Once the diesel back-up generators are installed and commissioned, we anticipate fewer production interruptions.

The Company anticipates increased production from the recent re-start of operations at Coloso and Nazareno as the mine development proceeds, de-watering continues, and progress is made towards the higher-grade areas.

Acquisition of the Del Toro Silver Mine

On December 17, 2025, the Company signed a share purchase agreement (“SPA”) to acquire 100% of the issued shares of First Majestic Del Toro, S.A de C.V. (“Del Toro”), which holds a 100% interest in the Del Toro silver mine in Mexico (the “Transaction”) from First Majestic. The acquisition received shareholder approval and all regulatory approvals, and the transaction closed on June 19, 2026. The Del Toro concessions are subject to a 2% net smelter royalty and certain other royalty agreements.

The SPA provides for the Company to make the following payments and contingent payments to First Majestic:

- upon closing, the Company completed a cash payment of \$20 million and issued 10,870,000 common shares with a fair value of \$13.2 million;
- within 18 months of closing, the Company must make a payment of \$10 million in cash or, at the option of the Company, shares at market price, subject to a maximum of 10,575,385 shares provided that if the aggregate deemed valued based on the market price of the maximum number of shares does not equal \$10 million, the remaining balance will be paid in cash. The Company estimated the fair value of this obligation at approximately \$9.2 million using a discount rate of 5.36% and will accrete the discounted amount up to \$10.0 million over the 18-month period;
- contingent upon the Company completing a compliant technical report within 48 months of closing, demonstrating a mineral resource of a minimum of 100 million silver equivalent ounces, a payment of \$10 million, in cash or, at the option of the Company, shares at market price, subject to a maximum of 10,575,385 shares provided that if the aggregate deemed valued based on the market price of the maximum number of shares does not equal \$10 million, the remaining balance will be paid in cash;
- contingent upon the Company achieving commercial production averaging 4,000 tonnes per day within 60 months of closing, a payment of \$10 million, in cash or, at the option of the Company, shares at market price, subject to a maximum of 10,575,385 shares provided that if the aggregate deemed valued based on the market price of the maximum number of shares does not equal \$10 million, the remaining balance will be paid in cash;
- the Company has estimated the fair value of the two contingent payments above at approximately \$2.0 million based on certain assumptions and will periodically reassess though assumptions. Any changes in the fair value of the contingent payments will be capitalized to the Del Toro property, plant and equipment; and
- settlement of certain working capital adjustments.

The shares issued to First Majestic will be subject to certain resale restrictions.

The consideration paid in the Transaction was made up of the following:

Cash	\$ 20,000,000
Fair value of 10,000,000 common shares of the Company	
at CAD \$1.72 per share	13,193,423
Deferred acquisition cost payable	9,247,000
Contingent acquisition cost payable	1,983,000
Transaction costs	443,157
Estimated working capital adjustment	(286,000)
Total consideration paid	<u>\$ 44,580,580</u>

Since the Transaction did not meet the definition of a business combination in accordance with IFRS 3: *Business Combinations*, the Transaction was accounted for as an asset acquisition in accordance with IFRS 2: Share-based Payments with the identifiable assets and liabilities of Del Toro recognized at fair value at the closing date of the Transaction as follows:

Current assets, including cash of \$7,811	\$ 866,181
Fair value of the Del Toro mining interests	3,687,856
Fair value of the Del Toro property, plant and equipment	44,906,165
Long-term deposits	81,088
Current liabilities	(453,135)
Decommissioning liabilities assumed	(4,507,575)
Total consideration paid	<u>\$ 44,580,580</u>

Concurrent financing

As a condition of completing the Transaction, the Company was required to complete a minimum financing of CAD\$40 million. The Company entered into an agency agreement to raise up to CAD\$50 million by issuing up to 38,461,538 subscription receipts at a price of CAD\$1.30 with an agent's option to sell up to an additional 15% for additional proceeds of up to CAD\$7.5 million. On January 30, 2026, the Company issued 44,231,300 subscription receipts for total proceeds of CAD\$57,500,690, with all proceeds being deposited into escrow. Upon closing of the Transaction and satisfying all escrow conditions on June 19, 2026, each subscription receipt automatically converted into one common share of the Company.

The Company paid commissions of \$1.5 million, a corporate finance fee of \$233 thousand, and other fees of \$681 thousand in respect of the placement. In addition, the Company paid legal costs of \$246 thousand, filing fees of \$63 thousand, and issued 1,908,845 agents' compensation options allowing the agents to purchase up to 1,908,845 common shares of the Company at a price of CAD\$1.30 for a period of 24 months from the date of closing. The agents' compensation options were valued at \$1.1 million using the Black-Scholes Option-Pricing Model.

At December 31, 2025, the Company had received \$5.8 million in subscription receipts, which were subsequently paid into escrow and released to the Company upon closing of the financing in June 2026.

MINERAL INTERESTS

Guitarra

The Guitarra silver-gold mine is located in the historic Temascaltepec mining district in the municipalities of Temascaltepec, San Simón de Guerrero and Valle de Bravo, Estado de México, México and is held by La Guitarra Compania Minera, S.A. de C.V. ("La Guitarra").

Starting in January of 2023, a district-wide 1:2,000 geologic mapping program was begun starting in the eastern portion of the Temascaltepec mining district and transitioning to the West district including the Guitarra mine area. This mapping program identified over 53 kilometres of variably mineralized quartz veins, breccias, and stockwork zones along with numerous historic workings. Data derived from this work also allowed the property size to be reduced from 39,714 hectares to 25,320 hectares for a significant savings in project holding costs.

Concurrent with the mapping program, an audit of the Guitarra drill hole database commenced. The database contained over 236,500 meters of drilling and channel samples in 1,408 holes. The database was checked to historic hard copy and electronic files and appended where necessary. This work together with geologic modeling was used by TechSer Mining Consultants Ltd. ("TechSer") of Vancouver B.C. to prepare an updated, independent Mineral Resource Estimate prepared in accordance with NI 43-101 Standards of Disclosure for Mineral Projects and completed by David Thomas, P.Geo. and QP Geology, and Cristian Garcia, P.Eng. and QP Mining.

The following summarizes the estimated project-wide resources:

Class	Tonnes	AgEq (g/t)	Ag (g/t)	Au (g/t)	AgEq Ozs	Ag Ozs	Au Ozs
Indicated	3,842,000	220	146	0.96	27,207,000	18,073,000	118,000
Inferred	4,105,000	153	113	0.52	20,199,000	14,937,000	68,000

Notes for Mineral Resource Estimate:

1. Canadian Institute of Mining Metallurgy and Petroleum ("CIM") definition standards were followed for the resource estimate.
2. The 2023 resource models used nominal cutoff grades which are based on mining and milling costs of US\$50 for cut and fill mining, US\$38 per tonne for long-hole.
3. A net payable recovery of 70% (historical plant recovery plus an allowance for smelter deductions, refining costs, and concentrate transportation).
4. Silver price of US\$22 and a gold price of \$1,700 and a Gold Silver Ratio of 77.27:1.
5. Assays were capped at 825 g/t for silver and 6.55 g/t for gold.
6. Variable cut-off by deposit:
 - a. Nazareno and Coloso - Block Model 135 AgEq cut-off grade (COG) and a 1 m Minimum True Thickness;
 - b. Guitarra – Polygons Estimates 135 g/t AgEq COG and a 1 m Minimum Horizontal Width;
 - c. Los Angeles - Block Model Long Hole Mining 90 g/t AgEq COG;
 - d. Mina De Agua - East District Polygonal Estimate 135 g/t AgEq COG or 90 g/t AgEq COG and > 2 m Horizontal Width;
 - e. the tailings used a 30 g/t AgEq COG.
7. Mineral Resources that are not mineral reserves do not have economic viability.
8. Numbers may not add due to rounding.
9. *The estimate of mineral resources may be materially affected by: metal prices and exchange rate assumptions; changes in local interpretations of mineralization geometry and continuity; changes to grade capping, density and domain assignments; changes to geotechnical, mining and metallurgical recovery assumptions; ability to maintain environmental and other regulatory permits and ability to maintain the social license to operate.*
10. The 2023 Mineral Resource Estimate for the La Guitarra Project summarized here is from the technical report titled "NI 43-101 La Guitarra Technical Report, La Guitarra Mineral Resource Estimate, Guitarra Silver-Gold Project, Temascaltepec, Estado de Mexico" with an effective date of October 24, 2023, which was prepared for Sierra Madre Gold and Silver by Dave Thomas, P. Geo., and Cristian Garcia, P.Eng. of TechSer Mining Consultants Ltd. in accordance with NI 43-101 and is available under Sierra Madre's SEDAR+ profile at www.sedarplus.ca. David Thomas and Cristian Garcia are independent qualified person ("QP's") as defined by National Instrument 43-101.

Geologic mapping and sampling in the new development drives has resulted in a reinterpretation of the Guitarra mineralized system. In the San Rafael portion of the mine, the deepest mine area, this work has shown the Doncellas vein system consists of up to three closely spaced veins. Sampling has shown all three veins host economically interesting mineralization. In the upper portion of the Guitarra central area the Doncellas system has been found to consist of two separate veins both of which have been producing material for the mill. Construction of access ramps in the deeper portion of the central area is ongoing allowing mining of mineralized material in the main Guitarra vein, a segment of the Guitarra Perdida, and the Doncellas vein system. Much of the current mill feed from stopes is from vein material not contained within in the 2023 NI 43-101 La Guitarra Mineral Resource Estimate.

At the end of Q1 2025, the Company made the decision to re-start production at the Coloso mine, seven months earlier than originally planned. The Coloso estimated resource grades are on average 1.7 times higher in silver and 1.2 times higher in gold compared to the Guitarra veins. Indicated resources at Coloso are 432,000 tonnes grading 221 grams per ton ("g/t") silver and 1.67 g/t gold compared to Guitarra indicated resources of 1,649,000 tonnes grading 123 g/t silver and 1.25 g/t gold (please refer to the NI 43-101 La Guitarra Mineral Resource Estimate for details). Dewatering of the lower mine levels has been accelerated, and it is anticipated that production from resource blocks below the existing workings will commence in the second half of 2026.

The Company began development work in the Nazareno mine in September 2025. The estimated resources at Nazareno consist of 309,877 tonnes indicated grading 214 g/t silver and 0.55 g/t gold and 753,748 tonnes inferred grading 229 g/t silver and 0.29 g/t gold. Nazareno is accessed via an existing one-kilometre underground drive from the Coloso workings. Production sills were begun off the main Nazareno access drive and the ventilation connecting the access drive and level 150, a historic working, was cleaned and rehabilitated. In September 2025, 700 tonnes of mineralized material were delivered to the Guitarra mill for processing. A reconciliation of the grades mined to the estimated block model grades found the mined material to contain 40% more silver and 30% more gold. Mineralization in this area comes from two closely spaced veins with the intervening host rock containing economically interesting stockwork mineralization. The width of the mineralization averages 4.5 meters, suitable for low cost long-hole stoping techniques. Full production from the long hole stopes in the 180 level began in late April 2026.

On September 8, 2025, the Company announced that it expects to grow near term capacity to 750-800 tpd by the end of Q2 2026 (Phase I), with subsequent expansion anticipated to increase capacity to 1,200-1,500 tpd by Q3 2027 (Phase II).

During Q4 2025, Sierra Madre purchased a used 3-foot standard head crusher, which was refurbished and installation was completed in February of 2026. Following a five-week testing and evaluation period, the crusher was deemed operable and began full operation in April 2026, two months ahead of schedule. This addition, together with modifications to the primary crusher, are expected to allow the circuit to greatly exceed the 750-800 tpd Phase I objective as planned. Options to further increase crushing capacity are currently being evaluated.

In December 2025, the Company purchased a used 11-foot x 12.5-foot ball mill. Refurbishment of the mill and associated parts was completed at the end of Q1 2026. This has increased the rated capacity of the mill from the previously reported of 600-700 tpd to 800 tpd.

In April 2026, bid requests for installation were sent out and three contractors responded. One contractor's bid guaranteed functionality of the mill and related equipment for six months and that contractor was awarded the contract. Site work commenced on May 8, 2026. Since the end of Q2, the foundation work has been completed for the ball mill, support equipment, building enclosure, and an overhead crane installed.

We now anticipate that the increased production capacity will be achieved prior to the end of Q3 2026. The purchase of the larger mill puts the milling portion of our second phase ahead of schedule.

Modifications to the existing 7-foot x 10-foot ball mill were made and larger capacity pumps were installed on the cyclone system to increase milling capacity. This has resulted in an increase in the total existing mill circuit throughput capacity with daily production reaching as high as 646 t/d, a 28% increase over the prior 500 tpd capacity. The new ball mill, together with the modifications to the existing mills, will bring total milling capacity to approximately 1,450 tpd.

Construction of a thickener tank with a rated capacity of 800 tpd began in January 2026 with an estimated completion date of late June 2026. This target was not met due to shipping delays in equipment manufactured in Finland and delays at Mexican Ports of Entry caused by government mandated administrative and personnel changes. Construction of the thickener tank was completed in mid-August and testing of the mechanical and electrical circuits is currently underway. Full functionality is expected by the end of September. Tailings will be thickened to $\pm 60\%$ solids which will allow a significant portion of the tailings product to be pumped directly to open stopes below the main San Raphael mine level, using the existing tailings pumping equipment. This will preserve capacity in the current TSF. For deposition of additional thickened tailings into old workings more than 30-40 meters above the San Raphael level, the Company will need to source and install a high-capacity piston type pump and related distribution system.

The Company has elected to proceed with construction of the permitted dry stack TSF located to the southwest of the processing plant. Clearing of the trees and vegetation is scheduled to begin in October, the normal end of the rainy season. The initial construction phases of the TSF have been redesigned in order to reduce costs compared to the original design. In addition to the TSF a filter plant will be constructed during the same period. As planned, a second thickener tank will be needed for the Phase II production expansion.

Two 14 m³ and two 7 m³ haul trucks were purchased in April to replace rental trucks used for the tailings buttress program and for the haulage of material from the Coloso mine. This will lead to a significant reduction in operating costs. Two new scoop trams were acquired, in order to meet the mining production demands of the expansion plans.

Due to numerous and lengthy electrical grid power outages, which have impacted both silver and gold production and contributed significantly to the increase in production costs, the Company has purchased two diesel generators with a combined electrical output of 3000 kW. Excavation and groundwork at the plant site began in late May 2026. Installation of the Guitarra mine generators and support electrical equipment was completed in mid-August. Full functionality is expected during early September.

A 1250 kW generator was also purchased for the Coloso-Nazareno mine complex and installation is underway.

To meet the Phase I and II mine expansion plans, the Company reviewed various options to increase mine production from all three production centers. In late April 2026, a special services contractor was selected to accelerate production from the Coloso and Nazareno mines. The special contractor began mobilization to site in early May 2026 and began operations in mid-June. The Company has transferred its miners and equipment to the Guitarra mine in order to accelerate production. The transfer of the narrow profile Muki jumbo drill to the Guitarra mine will add a needed tool for the development and production of the narrower, higher-grade veins found in the San Raphael area and the Juliet vein in the lower central portion of the Guitarra mine. Subsequent to the end of Q2 2026, an existing 0.5 yard scoop

tram was rebuilt and commenced development work on the Juliet vein, it has proven an effective tool for both reducing production grade dilution and development mining costs. The Company is evaluating the purchase of smaller narrower profile scoop trams for use in other areas of the Guitarra mine. The combined equipment and manpower transfer and the use of a special contractor for the Coloso and Nazareno mines has significantly reduced future capital expenditure projections compared with other options that were evaluated.

On October 23, 2025, the Company announced the commencement of a \$3.50 million exploration program in the East District covering the historic Spanish Colonial Temascaltepec production center. The program consists of two parts - drill target definition followed by a phased drilling campaign.

Target definition work is underway with several old mine portals having been reopened, mapped, and sampled and several more currently being dewatered. In addition, the surface mapping and sampling program has been expanded with emphasis on the historic Rincon mine.

Drill permits have been received, and the Company has obtained drilling bids for the long-hole sub-horizontal drill program planned from the Tlacotal land position (see press release dated July 14, 2026). The Tlacotal property is owned by the Company and is a permitted area, which has been designated for mining. Long sub-horizontal drill holes from Tlacotal will allow numerous veins to be tested in each drill hole.

Additional information on Guitarra can be found in the Information Circular dated November 9, 2022, under "Information Concerning the Property". The related complete technical report is filed under the Company's profile on the SEDAR+ website at www.sedarplus.ca.

Del Toro

The Company completed the purchase of the Del Toro silver mine from First Majestic on June 19, 2026 (see *Acquisition of the Del Toro Silver Mine*).

The Del Toro silver mine is located in the northwest–west region of Zacatecas State, near the border with Durango State, Mexico, approximately 224 kilometres from Zacatecas City and about 125 kilometres from Durango City. Between 2015 and 2018, the underground mine produced an average of 2.54 million ounces of AgEq annually (or 1.42 million ounces of silver, plus 345.5 ounces of gold and 19.95 million pounds of lead annually) based on data disclosed in the Annual Information Forms of First Majestic for the years ended December 31, 2015 through 2018, dated March 31, 2016 through 2019, available for review under First Majestic's SEDAR+ profile at www.sedarplus.ca.

The operation includes three developed underground silver mines, Perseverancia, San Juan and Dolores. The processing plant is adjacent to the San Juan Mine and contains a 2,000 tpd flotation circuit, a 1,200 tpd precious metal leaching circuit along with a crushing and grinding circuit with a capacity of 2,300 tpd. Additional infrastructure includes a dry stack tailings facility with design capacity for twelve years of operations at a rate of 2,000 tpd, which is located approximately 800 metres from the process plant as well as power substations and power lines. Additional facilities include offices, warehouses, mechanic shops and laboratory buildings.

The Chalchihuites district was discovered between 1546 and 1556 during the Spanish colonial period. Although production records are limited, information indicates that during more recent times at least four mines were worked intermittently (San Juan, La Esmeralda, Magistral and La Perseverancia).

The mineralization at Del Toro is consistent with the carbonate replacement deposit ("CRD") model. Two structural systems are present, a NW–SE system and a N–S system. These structures are host to the vein style mineralization that were the primary source of First Majestic's production. At structural intersections, breccia zones and CRD chimney structures are present, with First Majestic's Cuerpo 3 deposit being the best example developed to date. There is evidence of Manto type CDR mineralization in surface exposures, old workings and intersections in the historic drilling. During due diligence of both the historic data base and examination of surface exposures a total of 23 CRD targets have been identified.

The Company has initiated a 1:2000 scale geologic mapping and sampling program, similar to the first program undertaken at Guitarra after its acquisition. Initial reconnaissance work has identified a thick stratigraphic horizon containing multiple old workings on mantos containing silver, zinc, lead and copper mineralization. A re-evaluation of existing geophysical surveys is underway and the options for addition surveys are being evaluated. A drilling program is expected to commence in mid-2027.

Tepic

The Tepic project is located approximately 27 kilometres south-southeast of the city of Tepic, the capital of the State of Nayarit, Mexico. The project consists of five mining concessions totaling 2,612.5 hectares.

In December 2017, the Company entered into an agreement providing it with the option to purchase a 100% interest in the Tepic project located in Nayarit, Mexico. Subsequently, the Company fulfilled all of the requirements under the agreement to the point of exercising its option. Due to the death of the principal of the optionor, the Company was not able to exercise its option in the normal course. Following a 2025 court hearing in Mexico, the concessions were transferred to the Company on an unencumbered basis. The Company is currently investigating the impact of the court settlement on the final payment and NSR components of the December 2017 agreement.

Operational Highlights – Quarter ended June 30

A summary of the operational highlights for Guitarra is as follows:

	Q2 2026	Q2 2025
Material processed (tonnes milled)	41,567	41,235
AgEq ounces produced ⁽ⁱ⁾	137,313	146,963
Ag ounces produced	64,315	66,011
Au ounces produced	945	1,048
Cash cost of production per tonne ⁽ⁱⁱⁱ⁾	\$ 142.44	\$ 78.51
Cash cost per AgEq ounce produced ⁽ⁱⁱ⁾	\$ 49.28	\$ 26.89
All-in Sustaining cash cost per AgEq ounce produced ⁽ⁱⁱⁱ⁾	\$ 54.73	\$ 32.54
AgEq ounces sold ⁽ⁱⁱ⁾	123,483	173,562
Ag ounces sold	66,691	65,683
Au ounces sold	943	1,096
Average realized price per AgEq ounce sold ⁽ⁱⁱ⁾	\$ 75.45	\$ 33.22
Ag metal recovery (%)	73.58	76.62
Au metal recovery (%)	67.97	77.95
Ag grade gpt ^(iv)	65.27	65.10
Au grade gpt ^(iv)	1.05	1.01
Development metres	1,188	591

- (i) AgEq ounces produced have been determined using a ratio of 77.27 Au:Ag for all periods based upon the ratio used in the 2023 technical report titled “NI 43-101 La Guitarra Technical Report, La Guitarra Mineral Resource Estimate, Guitarra Silver-Gold Project”.
- (ii) AgEq ounces sold have been determined using the actual Ag and Au prices obtained during the quarter. The determined ratio used was 60.22 Au:Ag for Q2 2026 and 98.43 Au:Ag for Q2 2025.
- (iii) The Company reports non-GAAP measures, which include Cash Cost of Production per Tonne, Cash Cost per AgEq ounce produced, All-in Sustaining Cash Cost per AgEq ounce produced and Average Realized Price per AgEq ounce sold, Adjusted EBITDA, and working capital. These measures are widely used in the mining industry as a benchmark for performance, but do not have a standardized meaning and may differ from methods used by other companies with similar descriptions. See “Non-GAAP and Other Financial Measures” section below for definitions and reconciliations to GAAP measures.
- (iv) Grammes per tonne (“gpt”)

Our Q2 2026 cash costs were negatively impacted by:

- the ramp up and extensive operating development work at Coloso and at Nazareno, which resulted in a significant portion of the production in the period coming from development drives which are subject to greater dilution and off-book lower-grade ore. Development work continued to progress since accessing additional production faces and new production faces were accessed in Q2 2026. We anticipate improved head grades of the mineralized material in the remainder of 2026 as we process a higher proportion of fresh ore from our resources resulting in a decrease in mining costs on a per-tonne and per-ounce basis going forward;
- declines in our gold and silver recoveries occurred as new areas were open up by ongoing development. At Nazareno low gold recovery was offset to a large degree by grades sustainably above the resource average. As a result of localized variation in recovery characteristics, a metallurgical lab has been built on site to optimize blending protocol;
- increased pay rates and a substantial increase in our staff complement, including employees, union workers and consultants, by approximately 56% in advance of the planned mill, mining and tailings expansions;
- higher commodity prices in Q2 2026 as compared to Q2 2025, which have increased the mine royalty payments and production taxes; and

- the impact of the strengthening Mexican peso against the US dollar on the peso denominated operating costs and inflationary impacts on many of our input costs, especially our transportation costs.

Our AISC increased in Q2 2026 as a result of the increase in cash costs as described above.

Results of Operations – Quarter ended June 30

The Company had net income of \$37 thousand for the quarter as compared to \$276 thousand for Q2 2025. A summary of the current and comparative results of operations is as follows:

	Q2 2026	Q2 2025
Revenues	\$ 8,232,135	\$ 5,756,997
Cost of sales	6,654,156	4,069,201
Gross profit	1,577,979	1,687,796
Other expenses	975,089	1,244,826
Income before taxes	602,890	442,970
Income tax expense	565,664	166,810
Income for the quarter	\$ 37,226	\$ 276,160

Revenues

Revenues consisted of:

	Q2 2026	Q2 2025
Silver	\$ 5,045,205	\$ 2,180,409
Gold	4,271,334	3,585,516
Provisional and final adjustments	(515,931)	399,582
	8,800,608	6,165,509
Smelting, treatment, and refining costs	(568,473)	(408,510)
	\$ 8,232,135	\$ 5,756,997

During Q2 2026, the Company completed deliveries totalling 805 dry metric tonnes (“DMT”) of silver/gold concentrates containing an estimated 66,691 ounces of silver and an estimated 943 ounces of gold. Silver revenues for the quarter totalled \$5.0 million (\$75.65 per ounce) and gold revenues totalled \$4.3 million (\$4,529 per ounce). Deliveries for Q2 2025, totalled 780 DMT containing an estimated 65,683 ounces of silver and an estimated 1,096 ounces of gold. Silver revenues for the Q2 2025, totalled \$2.2 million (\$33.36 per ounce) and gold revenues totalled \$3.6 million (\$3,271 per ounce). Net revenues increased to \$8.2 million from \$5.8 million in Q2 2025, mainly due to the increased commodity prices more than offsetting the decrease in silver and gold ounces delivered driven by the lower recoveries quarter on quarter.

Revenue on provisionally priced sales is recognized based on estimates of the fair value of the consideration receivable based on forward market prices and estimated quantities at the date of each delivery. At each reporting date, provisionally priced metal is marked to market based on the forward selling price for the quotational period stipulated in the contract. During Q2 2026, the Company recorded final settlement adjustments on all completed lots and assessed the marked to market adjustments of the provisional invoices, which were outstanding at June 30, 2026, and recorded a provisional and final settlement pricing loss of approximately \$516 thousand.

Mine operating costs

Mine operating costs consisted of:

	Q2 2026	Q2 2025
Direct production costs	\$ 5,920,500	\$ 3,237,402
Other costs	393,678	356,186
	<u>\$ 6,314,178</u>	<u>\$ 3,593,588</u>
AgEq ounces sold ⁽ⁱ⁾	123,483	173,562
Cost per AgEq ounce sold	\$ 51.13	\$ 20.70

(i) AgEq ounces sold have been determined using the actual Ag and Au prices obtained. The determined ratio used for Q2 2026 was 60.22 Au:Ag (Q2 2025 – 98.43).

During the quarter ending June 30, 2026, production costs per AgEq ounce sold were higher than anticipated due to a number of factors as detailed above in “*Operational Highlights*.” The higher cost per AgEq ounce in Q2 2026 was influenced in large part by the decline in silver prices relative to gold prices compared to Q2 2025, which resulted in a lower AgEq conversion ratio. This lower AgEq ratio reduced the number of reported AgEq ounces attributed to our gold production in Q1, making cash costs per AgEq ounce appear higher and less favourable despite strong performance and economic fundamentals. Applying the same ratio used for Q2 2025 to Q2 2026 would reduce the Q2 2026 cost by \$13.74 per AgEq ounce. However, as a primary silver producer, the current price environment remains favourable and strengthens the Company's overall economics. The cost increases also resulted from the lower-grade Ag mined in conjunction with development activities at Coloso and Nazareno; a decline in recoveries experienced from blending mill feed from three different mining centres; continuing power outages due to weather related incidents; increases in our workforce and pay rates in preparation for the planned expansions; increases in the mine royalty and production taxes due to higher commodity prices; the impact of the strengthening Mexican peso against the US dollar; inflationary impacts, and the estimate of Q2 2026 profit sharing due to mine workers in May 2027.

Other expenses

G&A expenses increased by \$415 thousand in Q2 2026, as compared to Q2 2025, and reflects the growth of the Company in the intervening year. Consulting fees as well as investor relations and promotion costs were higher over those of Q2 2025 due to the increased corporate activity in respect of the Company's review of additional projects and efforts to increase investor and market awareness of the Company and its growth plans. Management fees increased due to the additional time demands on key management personnel as Guitarra ramped up its capital expansion and expanded its mining and exploration operations, as the Del Toro acquisition process continued towards completion, and due to a change in how mine supervision fees are charged to La Guitarra.

Interest expense related to the \$5.0 million loan advanced by First Majestic decreased in the quarter due to the Company making a \$2.5 million principal payment on the loan in February 2026 and a final repayment of \$2.5 million in June 2026.

The Company recognized \$132 thousand (2025 - \$243 thousand) in share-based compensation (a non-cash item estimated using the Black-Scholes Option-Pricing Model), which is recognized over the vesting periods of the Company's stock option grants. Share-based compensation fluctuates due to the timing of stock option grants and their vesting periods.

The Company reported a \$230 thousand current income tax expense in the quarter (2025 - \$141 thousand tax expense) related to the extraordinary tax of 8.5% of the earnings of La Guitarra after certain allowable deductions. There is no current tax payable at the 30% Mexican tax rate for La Guitarra, due to the application of loss carry forwards. The Company reported \$335 thousand in deferred income tax expense (2025 - \$26 thousand) in respect of the tax benefits of utilizing a portion of the tax assets recorded in Q4 2025 to reduce current taxes payable in Mexico.

The Company continues to not recognize a deferred tax asset related to the non-capital losses and other tax assets in Canada or the other subsidiaries, including Del Toro, as we have determined that they do not yet meet the recognition criteria. The benefit of tax assets may only be recognized when it is determined that it is more likely than not that such tax assets will be used to reduce future taxable income.

Operational Highlights – Six-month period ended June 30

A summary of the operational highlights for the Guitarra mine for the six-month periods ended June 30, is as follows:

	H1 2026	H1 2025
Material processed (tonnes milled)	83,265	80,402
AgEq ounces produced (i)	280,790	294,484
Ag ounces produced	130,023	136,187
Au ounces produced	1,951	2,049
Cash cost of production per tonne (iii)	\$ 139.16	\$ 77.84
Cash cost per AgEq ounce produced (iii)	\$ 48.65	\$ 23.32
All-in sustaining cash cost per AgEq ounce produced (iii)	\$ 54.21	\$ 29.55
AgEq ounces sold (ii)	252,627	338,655
Ag ounces sold	135,697	139,419
Au ounces sold	1,981	2,118
Average realized price per AgEq ounce sold (ii)	\$ 80.30	\$ 31.68
Ag metal recovery (%)	72.78	77.92
Au metal recovery (%)	69.79	78.36
Ag grade gpt (iv)	63.41	66.03
Au grade gpt (iv)	1.02	0.98
Development metres	1,940	1,367

- (i) AgEq ounces produced have been determined using a ratio of 77.27 Au:Ag for all periods based upon the ratio used in the 2023 technical report titled “NI 43-101 La Guitarra Technical Report, La Guitarra Mineral Resource Estimate, Guitarra Silver-Gold Project”.
- (ii) AgEq ounces sold have been determined using the actual Ag and Au prices obtained during the period. The determined ratio used was 59.03 Au:Ag for H1 2026 and 94.07 Au:Ag for H1 2025.
- (iii) The Company reports non-GAAP measures, which include Cash Cost of Production per Tonne, Cash Cost per AgEq ounce produced, All-in Sustaining Cash Cost per AgEq ounce sold, Average Realized Price per AgEq ounce sold, and Adjusted EBITDA. These measures are widely used in the mining industry as a benchmark for performance, but do not have standardized meanings and may differ from methods used by other companies with similar descriptions. See “Non-GAAP and Other Financial Measures” section below for definitions and reconciliations to GAAP measures.
- (iv) Grammes per tonne (“gpt”)

Results of Operations – Six-month periods ended June 30

The Company had income of \$376 thousand for the six months ended June 30, 2026, as compared \$612 thousand for the six months ended June 30, 2025. A summary of the current and comparative results of operations is as follows:

	H1 2026	H1 2025
Revenues	\$ 18,340,202	\$ 10,717,884
Cost of sales	13,152,189	7,674,089
Gross profit	5,188,013	3,043,795
Other expenses	2,966,015	2,135,869
Income before taxes	2,221,998	907,926
Income tax expense	1,845,933	295,891
Income for the quarter	\$ 376,065	\$ 612,035

Revenues

Revenues consisted of:

	H1 2026	H1 2025
Silver	\$ 10,920,641	\$ 4,519,075
Gold	9,364,736	6,477,101
Provisional and final adjustments	(691,829)	519,227
	19,593,548	11,515,403
Smelting, treatment, and refining costs	(1,253,346)	(797,519)
	\$ 18,340,202	\$ 10,717,884

During H1 2026, the Company completed deliveries totalling 1,635 DMT of silver/gold concentrates containing an estimated 135,697 ounces of silver and an estimated 1,981 ounces of gold. Silver revenues for H1 totalled \$10.9 million (\$80.48 per ounce) and gold revenues totalled \$9.4 million (\$4,727 per ounce).

Revenue on provisionally priced sales is recognized based on estimates of the fair value of the consideration receivable based on forward market prices and estimated quantities at the date of each delivery. At each reporting date, provisionally priced metal is marked to market based on the forward selling price for the quotational period stipulated in the contract. During H1 2026, the Company recorded final settlement adjustments on all completed lots and assessed the marked to market adjustments of the provisional invoices, which were outstanding at June 30, 2026, and recorded a provisional and final settlement pricing loss of approximately \$692 thousand.

Mine operating costs consisted of:

	H1 2026	H1 2025
Direct production costs	\$ 11,172,024	\$ 6,341,079
Other costs	1,381,530	590,120
	<u>\$ 12,553,554</u>	<u>\$ 6,931,199</u>
AgEq ounces sold ⁽ⁱ⁾	252,627	338,655
Cost per AgEq ounce sold	<u>\$ 49.69</u>	<u>\$ 20.47</u>

(i) AgEq ounces sold have been determined using the actual Ag and Au prices obtained during the period. The determined ratio used was 59.03 Au:Ag for H1 2026 and 94.07 Au:Ag for H1 2025.

During the six months ending June 30, 2026, production costs per AgEq ounce sold were higher than anticipated due to a number of factors as detailed above in “Operational Highlights.” The higher cost per AgEq ounce in H1 2026 was influenced in large part by the decline in silver prices relative to gold prices compared to H1 2025, which resulted in a lower AgEq conversion ratio. This lower AgEq ratio reduced the number of reported AgEq ounces attributed to our gold production in H1, making cash costs per AgEq ounce appear higher and less favourable despite strong performance and economic fundamentals. Applying the same ratio used for H1 2025 to H1 2026 would reduce the cost by \$9.65 per AgEq ounce. However, as a primary silver producer, the current price environment remains favourable and strengthens the Company's overall economics. The cost increases also resulted from the lower-grade Ag mined in conjunction with development activities at Coloso and Nazareno; a decline in recoveries experienced from blending mill feed from three different mining centres; continuing power outages due to weather related incidents; increases in our workforce and pay rates in preparation for the planned expansions; increases in the mine royalty and production taxes due to higher commodity prices; the impact of the strengthening Mexican peso against the US dollar; inflationary impacts, and the estimate of H1 2026 profit sharing due to mine workers in May 2027.

Other expenses

G&A expenses increased by \$896 thousand in H1 2026, as compared to H1 2025, and reflects the growth of the Company in the intervening year. Consulting fees as well as investor relations and promotion costs were higher over those of H1 2025 due to the increased corporate activity in respect of the Company's review of additional projects and efforts to increase investor and market awareness of the Company and its growth plans. Management fees increased due to the additional time demands on key management personnel as Guitarra ramped up its capital expansion and expanded its mining and exploration operations, as the Del Toro acquisition process continued towards completion, and due to a change in how mine supervision fees are charged to La Guitarra.

Interest expense related to the \$5.0 million loan advanced by First Majestic decreased in the period due to the Company making a \$2.5 million principal payment on the loan in February 2026 and a final repayment of \$2.5 million in June 2026.

The Company recognized \$981 thousand (2025 - \$396 thousand) in share-based compensation (a non-cash item estimated using the Black-Scholes Option-Pricing Model), which is recognized over the vesting periods of the Company's stock option grants. Share-based compensation fluctuates due to the timing of stock option grants and their vesting periods. The Company granted a number of options in Q1 2026, which vested immediately, driving the higher amount recognized in the period.

The Company reported 633 thousand in current income tax expense in H1 2026 (H12025 - \$264 thousand) related to the extraordinary tax of 8.5% of the earnings of La Guitarra after certain allowable deductions. There is no current tax payable at the 30% Mexican tax rate for La Guitarra, due to the application of loss carry forwards. The Company

reported \$1.21 million in deferred income tax expense in H1 2026 (H1 2025 - \$32 thousand) in respect of the tax benefits of utilizing a portion of the tax assets recorded in Q4 2025 to reduce current taxes payable in Mexico.

The Company continues to not recognize a deferred tax asset related to the non-capital losses and other tax assets in Canada or the other subsidiaries, including Del Toro, as we have determined that they do not yet meet the recognition criteria. The benefit of tax assets may only be recognized when it is determined that it is more likely than not that such tax assets will be used to reduce future taxable income.

Cash Flows

The main components of the Company's cash flows for the six-month periods ended June 30 include the following:

	2026	2025
Income for the period	\$ 376,065	\$ 638,054
Items not involving cash	2,610,484	1,117,695
Changes in non-cash working capital items	(758,690)	(757,232)
Income tax paid	(588,039)	-
Finance expense	250,000	375,000
Cash provided by operating activities	1,889,820	1,373,517
Purchase of plant and equipment	(26,246,738)	(763,964)
Capitalized mine development costs	(1,164,511)	(112,880)
Capitalized exploration and evaluation	(505,218)	(362,493)
Increase in deposits on expansion project	(478,462)	-
Short-term investment redeemed	3,642,987	-
Cash acquired on acquisition	7,811	-
Cash used in investing activities	(24,744,131)	(1,239,337)
Shares issued for cash, net	37,853,157	466,496
Shares issued on exercise of options	2,721,043	-
Shares issued on exercise of agents' options	663,032	-
Shares issued on exercise of warrants	1,953,703	-
Loan repayment	(5,375,000)	-
Subscription receipts paid to escrow	(5,777,778)	-
Interest paid	(250,000)	(375,000)
Cash provided by (used in) financing activities	31,788,157	91,496
Increase in cash position	\$ 8,933,846	\$ 225,676

Cash provided by operating activities was \$1.9 million for the six-months ended June 30, 2026, as compared to \$1.4 million in H1 2025. This change is due primarily to the increase in sales of concentrates - the Company recorded \$18.3 million in revenues from La Guitarra in H1 2026 compared to \$10.7 million in H1 2025. This increase in revenues produced an increase in gross profit of approximately \$2.1 million over H1 2025. Items not involving cash totalled \$2.6 million and included significant amounts for non-cash expenses such as amortization, depreciation and depletion (\$734 thousand), deferred income tax expense (\$1,212 thousand), and share based compensation (\$981 thousand). Changes in non-cash working capital items totalled \$759 thousand. During 2025, the Mexican tax authorities began to approve our VAT refund filings on a more regular basis. During H1 2026, the Company received approximately \$1.6 million in VAT refunds. Subsequent to June 30, 2026, the Company received approximately \$800 thousand in additional VAT refunds. The Company's VAT refunds to December 31, 2025, have now been collected.

Cash used in investing activities for the period totalled \$24.7 million compared to \$1.2 million used in H1 2025 due primarily to the \$20 million cash payment made on the Del Toro mine acquisition being attributed to the purchase of property, plant and equipment at Del Toro. In addition, the Company made significant deposits on and purchases of plant and equipment and had an increase in mine development costs at the Guitarra mine, as part of Phase I of the expansion project (see *Mineral Interests*).

Cash provided by financing activities totalled \$31.8 million in H1 2026 as compared to \$91 thousand in H1 2025. During 2026, the Company received approximately \$37.9 million in respect of the Concurrent Financing. During 2025, the Company received approximately \$5.8 million from the subscription receipts in respect of the Concurrent

Financing, which was subsequently paid into escrow and released to the Company upon the closing of the financing. The Company also received approximately \$5.3 million from the exercise of stock options, warrants, and agents' compensation options. In February 2026, the Company made a principal payment of \$2.5 million to First Majestic on the project financing loan and in June 2026 repaid the balance of \$2.875 million in principal and deferred interest. The Company paid a total of \$224 thousand of interest on the First Majestic loan in H1 2026.

Quarterly Financial Data

Selected financial information set out below is based on and derives from the unaudited condensed consolidated interim financial statements of the Company for each of the quarters listed, which have been prepared in accordance with IFRS, as applicable to quarterly reporting:

	Jun. 30, 2026 (Q2) (\$)	Mar. 31, 2026 (Q1) (\$)	Dec. 31, 2025 (Q4) (\$)	Sep. 30, 2025 (Q3) (\$)	Jun. 30, 2025 (Q2) (\$)	Mar. 31, 2025 (Q1) (\$)	Dec 31, 2024 (Q4) (\$)	Sep. 30, 2024 (Q3) (\$)
Revenues	8,232,135	10,108,067	8,318,599	5,919,211	5,756,997	4,960,887	3,911,542	2,668,991
Gross profit	1,577,979	3,610,034	3,719,115	2,103,308	1,687,796	1,355,999	1,085,167	381,405
Share-based compensation	131,576	849,506	345,298	654,394	242,758	153,241	330,820	477,867
Income tax recovery (expense)	(565,664)	(1,280,269)	6,046,531	(185,308)	(166,810)	(129,081)	(44,084)	(5,791)
Income (loss) for the quarter	37,226	338,839	7,454,684	67,842	276,160	335,875	(37,936)	(855,766)
Income (loss) per share – basic and diluted	0.00	0.00	0.04	0.00	0.00	0.00	(0.00)	(0.01)

In 2025, the Company recorded a deferred income tax recovery of \$6.1 million upon determining that it was more likely than not that the tax assets of La Guitarra would be recovered against the estimated future taxable income of that subsidiary. As a result of the recognition of the deferred income tax asset in Q4 2025, we began recording deferred income tax expense in Q1 2026, at the Mexican tax rate of 30% until the benefit of these tax assets have been exhausted. Thereafter, Mexican taxes will be payable at 30% of taxable income, plus the 8.5% extraordinary tax, which is calculated based on earnings before certain prescribed deductions.

Share-based compensation (a non-cash item estimated using the Black-Scholes Option-Pricing Model) is recognized over the vesting periods of the Company's stock option grants. The Company granted a number of options in Q1 2026, which vested immediately, driving the higher amount recognized in the period.

Financial Position and Liquidity

The Company has historically funded its acquisition, exploration and development activities through equity financings and debt facilities. Since reaching commercial production at Guitarra on January 1, 2025, the Company has also financed its acquisition, exploration, development and operating activities from production cash flows.

The Company's cash position increased from \$13.7 million as at December 31, 2025, to \$22.2 million as at June 30, 2026 as a result of the \$31.8 million of cash provided by financing activities and the \$1.9 million provided by operating activities, exceeding the \$24.7 million used in investing activities. The Company's working capital position (current assets less current liabilities) increased from \$14.0 million as at December 31, 2025, to \$25.0 million as at June 30, 2026.

The Company may choose to undertake equity, debt, convertible debt or other financings, on an as-needed basis in order to facilitate its growth. On June 19, 2026, the Company closed a C\$57.5 million financing concurrently with the Del Toro acquisition – see *Acquisition of the Del Toro Silver Mine*. Management of the Company believes that operating cash flow and existing current assets will be sufficient to cover capital requirements and meet its short-term obligations for at least the next twelve months.

Financial Instruments

The Company's financial instruments include cash and cash equivalents, short-term investment, trade receivables, and accounts payable, which are measured at amortized cost. As at June 30, 2026, the fair value of trade receivables has been measured based on inputs other than quoted prices for the underlying commodity prices (silver and gold) to which the receivable relates as the trade receivables are provisionally priced at the time of sale. The carrying values of cash and cash equivalents and accounts payable, approximate their fair values due to their short-term nature.

Cash and cash equivalents of \$22.2 million (December 31, 2025 - \$13.7 million) are held through current operating and savings bank accounts and short-term guaranteed investment certificates with major Canadian financial institutions with high investment grade ratings and through major banks in Mexico, which also have high investment grade ratings.

Capital Resources and Commitments

The Company has ongoing cash requirements to meet its operating costs, overhead, and capital expenditures. Historically, the capital requirements of the Company have typically been met by equity and debt financings. Although the Company has been successful in the past in obtaining financing, there can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing will be favourable.

On May 8, 2024, the Company received \$5.0 million under a senior secured project financing loan from First Majestic, bearing interest at 15% per annum, which was due in full in 24 months with no early payment penalties. Interest for the first six months (\$375 thousand) was not payable until the maturity of the loan. Monthly interest payments on the loan commenced after the first six months. In May 2025, the loan was extended by an additional twelve months with all other terms of the agreement remaining unchanged. In February 2026, the Company made a principal repayment on the loan in the amount of \$2.5 million and repaid the loan in full in June 2026. First Majestic is the former parent of La Guitarra and a significant shareholder of the Company.

With its current working capital position and the expectation of continuing positive cash flows from mining operations, the Company believes it has sufficient working capital for at least the next twelve months.

Outstanding Share Data

A summary of the Company's outstanding equity instruments follows:

	August 25, 2026	June 30, 2026	December 31, 2025
Shares issued and outstanding	261,251,826	252,258,469	187,299,826
Outstanding stock options	17,157,000	8,487,000	13,037,834
Outstanding warrants	-	8,863,857	12,021,500
Outstanding agents' compensation options	1,908,844	1,908,844	1,299,700
Diluted shares outstanding	280,317,670	271,518,170	213,658,860

During H1 2026, the Company issued 10,870,000 common shares as part of the initial payment due to First Majestic under the Del Toro acquisition agreement and issued 44,231,300 shares and 1,908,844 agents' compensation options under the Concurrent Financing – see *Acquisition of the Del Toro Silver Mine*. In addition, 5,400,000 stock options, 3,157,643 warrants, and 1,299,700 agent options were exercised. During H1 2026, the Company granted 1,000,000 incentive stock options while 69,999 options were forfeited prior to vesting and 80,835 options expired unexercised. Subsequent to June 30, 2026, the Company granted an additional 8,800,000 stock options, 130,000 options and 8,863,357 warrants were exercised, and 500 warrants expired unexercised.

Note 9 to the Company's June 30, 2026 condensed consolidated interim financial statements provides additional details regarding share capital and stock option activity for the period.

Related Party Transactions and Key Management Compensation

The Company had transactions with related persons or corporations, which were undertaken in the normal course of operations. Key management includes directors and officers. The compensation paid or payable to key management and parties related to them for the periods ended June 30 is as follows:

	2026	2025
Accounting	\$ -	\$ 63,852
Administration	70,000	45,000
Director fees	45,699	32,636
Geological	19,585	15,963
Management and mine supervision	391,702	242,639
	<u>\$ 526,986</u>	<u>\$ 400,090</u>

In addition, the Company recorded share-based compensation of \$68 thousand (2025 - \$108 thousand), which relates to incentive stock options granted to directors and officers. Share-based compensation is a non-cash item calculated using the Black-Scholes Option-Pricing Model.

The Company had a project financing loan with First Majestic, which was fully repaid during H1 2026. The Company paid or accrued \$224 thousand (2025 - \$375) in interest on this loan. First Majestic is the former parent of La Guitarra and a significant shareholder of the Company.

Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements at June 30, 2026, or as at the date of this report.

Proposed Transactions

The Company had no proposed transactions at June 30, 2026, or as at the date of this report.

Changes in Accounting Policies

The material accounting policies of the Company are disclosed in Note 2 to the Company's December 31, 2025 audited consolidated financial statements. The Company has not adopted any new accounting policies or amendments since December 31, 2025, except as follows:

As a result of the acquisition of Del Toro, the Company adopted the following new policy regarding the future variable and contingent consideration payable:

Mineral property

The cost of property, plant and equipment includes an estimate of future variable and contingent consideration associated with its acquisition. A corresponding liability is recognized on the acquisition date and initially measured based on the estimated future variable payments. The liability is subsequently measured at fair value, with any changes in its carrying amount recognized as an adjustment to the cost of the related asset.

Critical Accounting Estimates and Judgements

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates, judgements, and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the period. Actual amounts could differ from these estimates. The Company's most significant accounting estimates and judgements relate to: the assessment of business combination versus asset acquisition; estimates in determining the fair value of consideration paid, the determination of fair values of mining interests, exploration assets, and property, plant and equipment acquired; the estimation of the fair value of future variable and contingent payments due in respect of asset acquisitions; impairment indicators for its mining interests, exploration and evaluation assets, and plant and equipment; determining decommissioning liabilities; and deferred tax asset recognition.

The determination of business combination versus asset acquisition involves significant judgement in the assessment of whether the target meets the definition of a business or not.

The determination of the fair values of mining interests, exploration and evaluation assets, and property, plant and equipment acquired in a purchase agreement involves significant judgement in relation to the valuation methodology employed, including management's selection of the most representative indicator of the fair values.

The fair value of future and variable contingent payments in respect of an asset acquisition is estimated using management's best judgement of the amount and probability of payment of such payments based on the facts and circumstances relevant to the payment requirement criteria. The estimate is monitored at each reporting date to determine any subsequent changes in fair value.

Management considers both external and internal sources of information in assessing whether there are any indications that the Company's plant and equipment, mining interests, and exploration and evaluation assets are impaired. External sources of information management considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of its plant and equipment and mining interests. Internal sources of information management consider include the manner in which mining properties and plant and equipment are being used or are expected to be used and indications of economic performance of the assets. Management has determined that acquisition, exploratory drilling, evaluation, development and related costs incurred which were capitalized have potential future economic benefits and are potentially economically recoverable, subject to impairment analysis. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

Mineral resource estimates affect the determination of recoverable value used in impairment assessments and the amortization rates for non-current assets using the units of production method. The figures for mineral resources are determined in accordance with National Instrument 43-101 Technical Report standards. There are numerous uncertainties inherent in estimating mineral resources, including many factors beyond the Company's control.

Such estimation is a subjective process and the accuracy of any mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgements used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position, results of operation and cash flows.

The Company's decommissioning liability represents management's best estimate of the present value of the future cash outflows required to settle the liability. Management assesses these provisions on an annual basis or when new information becomes available. This assessment includes the estimation of the future rehabilitation costs, the timing of these expenditures, inflation, and the impact of changes in discount rates, interest rates and foreign exchange rates. The actual future expenditures may differ from the amounts currently provided if the estimates made are significantly different than actual results or if there are significant changes in environmental and/or regulatory requirements in the future.

The Company has considered its operating results in its wholly owned subsidiary, La Guitarra, and has considered its estimates of future taxable income and has recognized the deferred tax assets available to reduce future taxable income on the basis of the determination that it is more likely than not, that these assets will be recovered. The Company has not recognized its deferred tax assets in Canada or for any of the other subsidiaries, as management does not currently consider it more likely than not that these assets will be recovered.

Risk Management

The Company is exposed to various financial risks as detailed below:

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's primary credit risk is associated with its cash and cash equivalent balances, which are held through major Canadian and Mexican financial institutions with high investment grade ratings, its short term fully insured guaranteed investment certificate, and its trade receivables.

Concentrate contracts are a common business practice in the mining industry. The terms of the concentrate contracts may require the Company to deliver concentrate that has a value greater than the payment received at the time of delivery, thereby introducing the Company to credit risk of the buyers of its concentrate. Should this counterparty not honour the purchase arrangement, or should it become insolvent, the Company may incur losses for products already shipped and be forced to sell its concentrate on the spot market or it may not have a market for its concentrate and therefore its future operating results may be materially adversely impacted. At June 30, 2026, the Company had a receivable balance associated with the buyer of its concentrate of \$1.4 million (December 31, 2025 - \$1.4 million). All of the Company's concentrate is sold to a well-known concentrate buyer. As at June 30, 2026, a 10% change to the underlying metal prices would result in a change in revenue and trade receivables of \$1.1 million, based on the total quantities of metals in sales contracts for which the provisional pricing periods were not yet closed.

The carrying value of the Company's cash and cash equivalents and trade receivables totalling \$23.5 million represents the Company's maximum exposure to credit risk at June 30, 2026 (December 31, 2025 - \$18.7 million). Management continually monitors and assesses the credit risk resulting from its concentrate sales and its trading counterparty. Except as noted above, the Company believes it is not exposed to significant credit risk.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value of the Company's financial instruments will fluctuate due to changes in exchange rates.

The Company presents its financial statements in U.S. dollars; however, the Company operates in jurisdictions that utilize other currencies. As a consequence, the financial results of the Company's operations as reported in U.S. dollars are subject to changes in the value of the U.S. dollar relative to local currencies. Since the Company's sales are denominated in U.S. dollars and a portion of the Company's operating costs and capital spending are in local currencies, the Company is negatively impacted by strengthening local currencies relative to the U.S. dollar and positively impacted by the inverse.

At June 30, 2026, the Company carried cash and accounts payable balances denominated in Mexican pesos and U.S. dollars in the Canadian dollar functional entities, which are subject to currency risk due to fluctuations in the exchange rates with the Canadian dollar. Due to the volatility of the exchange rates between the Canadian dollar, the peso, and the U.S. dollar, such currency risk could result in future gains or losses to the Company. Based on the Company's net monetary assets denominated in U.S. dollars in the Canadian dollar functional entity at June 30, 2026, a 10% increase in the number of Canadian dollars required to buy a U.S. dollar would result in a loss of approximately \$55 thousand and a 10% decrease would have the inverse effect. Based on the Company's net monetary assets denominated in Mexican pesos, a 10% increase in the number of Canadian dollars required to buy a Mexican peso would result in a gain of approximately \$23,000 and a 10% decrease would have the inverse effect.

At June 30, 2026, the Company carried cash, trade receivables, value added taxes receivable, accounts payable and payroll provision balances denominated in Mexican pesos in the U.S. dollar functional entities, which are subject to currency risk due to fluctuations in the exchange rates with the U.S. dollar. Due to the volatility of the exchange rates between the Mexican peso and the U.S. dollar, such currency risk could result in future gains or losses to the Company. Based on the Company's net monetary liabilities denominated in Mexican pesos in the U.S. dollar functional entity at June 30, 2026, a 10% decrease in the number of Mexican pesos required to buy a U.S. dollar would result in a loss of approximately \$394 thousand and a 10% increase would have the converse effect.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity risk by continuously monitoring forecasted and actual cash flows. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its expansion plans. The Company strives to maintain sufficient liquidity to meet its short-term business requirements, taking into account its anticipated cash flows from operations, its holdings of cash, and its committed loan facilities. In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments.

The following table summarizes the remaining contractual maturities of the Company's financial liabilities and operating commitments on an undiscounted basis as at June 30, 2026:

	< 1 year	1-2 years	2-5 years	>5 years	Total
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	4,241,671	-	-	-	4,241,671
Capital commitments ⁽ⁱ⁾	609,269	-	-	-	609,269
Deferred acquisition cost payable	-	10,000,000	-	-	10,000,000
	4,850,940	10,000,000	-	-	14,850,940

(i) Commitments related to purchase orders and contracts related to the Phase I and Phase II expansions at Guitarra.

(ii) The deferred acquisition cost may be paid in cash or shares at the option of the Company, subject on a maximum number of shares issuable with the difference payable in cash.

The Company's capital requirements have typically been met through equity and debt financings. Although the Company has been successful in the past in obtaining financing, there can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. The Company's working capital (current assets less current liabilities) at June 30, 2026, was \$25.0 million. The Company estimates that its current cash reserves and planned operating results will provide sufficient working capital for its present obligations and planned activities for at least the next twelve months.

Interest Rate Risk

Interest rate risk is the risk that the fair values and future cash flows of the Company will fluctuate because of changes in market interest rates. The Company monitors its exposure to interest rates and has not entered into any derivative contracts to manage this risk. The Company holds cash and cash equivalents, and a short-term investment in a guaranteed investment certificate, which earn nominal rates of interest. The Company does not consider its interest rate risk in respect of these instruments to be material. The Company's loan payable is at a fixed rate of interest and therefore not subject to the risk of fluctuations in market rates of interest.

Price risk

Metal price risk is the risk that changes in metal prices will affect the Company's income or the value of its related financial instruments. The Company derives its revenue from the sale of silver and gold concentrate. The Company's sales are directly dependent on metal prices that have shown significant volatility and are beyond the Company's control. Consistent with the Company's mission to provide equity investors with exposure to changes in precious metal prices, the Company's current policy is to not hedge the price of silver and gold.

Risk Factors

Investment in securities of the Company should be considered speculative due to the high-risk nature of the Company's business and the present stage of the Company's development. There is no assurance that the Company's exploration activities will result in the discovery of an economically viable mineral deposit at the Tepic, Del Toro, or Guitarra properties and there is no assurance that the operations at the Guitarra mine will be profitable. The Company's activities are subject to the risks normally encountered in the mining and exploration industry. Readers are strongly encouraged to review in detail the identified operational and financial risks as presented in the Company's 2025 annual MD&A. The risk factors described therein are not exhaustive and there may be additional risks that we are currently not aware of or are not currently considered material to our operations. Such risks could materially affect the Company's future cash flows, earnings, results of operations, and financial condition. Accordingly, actual results and events could differ materially from those described in forward-looking statements and forward-looking information.

Non-GAAP and other Financial Measures

The Company has included certain non-GAAP performance measures throughout this MD&A, including Cash Cost per AgEq Ounce Produced, Cash Cost of Production per Tonne, All-in Sustaining Cash Cost ("AISC") per AgEq Ounce Produced, Average Realized Price per AgEq Ounce Sold, Adjusted EBITDA, and working capital each as defined in this section.

In the current quarter, the Company changed from reporting its cash costs and all-in sustaining costs from being based on AgEq ounces sold to being based on AgEq ounces produced to be more consistent with our peers. We have also changed the method for determining AgEq ounces due to the extreme volatility of the ratio of gold and silver over the past many months. Rather than using the average monthly ratios to determine the AgEq ounces, we are using the ratio determined using our most recent resource report.

These performance measures are employed by the Company to measure its operating and financial performance internally, to assist in business decision-making, and provide key performance information to senior management. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors and other stakeholders also use these non-GAAP measures as information to evaluate the Company's operating and financial performance.

As there are no standardized methods of calculating these non-GAAP measures, the Company's methods may differ from those used by others and, accordingly, the Company's use of these measures may not be directly comparable to similarly titled measures used by others. Accordingly, these non-GAAP measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Cash Cost per AgEq Ounce Produced, All-in Sustaining Cash Cost ("AISC") per AgEq Ounce Produced, and Cash Cost of Production per Tonne

The non-GAAP measures of cash cost per AgEq ounce produced and cash cost of production per tonne are used by the Company to manage and evaluate operating performance at respective mining operations and are widely reported in the silver mining industry as benchmarks for performance, but do not have a standardized meaning. Cash costs are calculated based on the cash operating costs at our mining operation and, in the case of cash cost per AgEq ounce produced, also include the third party concentrate treatment, smelting and refining cost. Management of the Company believes that the Company's ability to control the cash cost per AgEq ounce produced and cash cost of production per tonne are two of its key performance drivers impacting both the Company's financial condition and results of operations. Having a low cash cost of production per tonne, when taken in connection with effective management of mining dilution, will improve the cash cost per AgEq ounce produced. Having a low-cost base per AgEq ounce of production allows the Company to continue operating during times of declining commodity prices and provides more flexibility in responding to changing market conditions. In addition, low-cost operations offer a better opportunity to generate positive cashflows, which improves the Company's financial condition. The Company believes these measures provide investors and analysts with useful information about the Company's underlying cash costs of operations and are relevant metrics used to understand the Company's operating profitability and ability to generate cashflow.

AISC is a non-IFRS measure and was calculated based on guidance provided by the World Gold Council ("WGC") in September 2013. WGC is not a regulatory industry organization and does not have the authority to develop accounting standards for disclosure requirements. Other mining companies may calculate AISC differently as a result of differences in underlying accounting principles and policies applied, as well as differences in definitions of sustaining versus development capital expenditures. AISC is a more comprehensive measure than cash cost per ounce for the Company's operating performance by providing greater visibility, comparability and representation of the total costs associated with producing Ag from our mining operation. The Company defines sustaining capital expenditures as, "costs incurred to sustain and maintain existing assets at current productive capacity and constant planned levels of productive output without resulting in an increase in the life of assets, future earnings, or improvements in recovery or grade. Sustaining capital includes costs required to improve/enhance assets to minimum standards for reliability, environmental or safety requirements." Consolidated AISC includes total production cash costs incurred at the Company's mining operations, which forms the basis of the Company's total cash costs. Additionally, the Company includes sustaining capital expenditures, corporate general and administrative expense, environmental costs, community relations costs, and reclamation cost accretion.

To facilitate a better understanding of these measures as calculated by the Company, the following table provides a detailed reconciliation between the cash cost of production per tonne, cash cost per AgEq ounce produced, and the Company's operating expenses as reported in the Company's consolidated statements of income (loss) and comprehensive income (loss) contained in or derived from the respective financial statements for the referenced periods.

	H1 2026 \$	H1 2025 \$
Direct production costs – per the interim consolidated financial statements	11,172,024	6,114,062
Finished goods inventory change	415,152	(236,150)
Adjusted direct production costs (A)	11,587,176	5,877,912
Other cost of sales	820,737	590,120
Concentrate treatment, smelting, and refining cost	1,253,346	797,519
Cash cost of AgEq produced (B)	13,661,259	7,265,551
Sustaining capital expenditures	728,047	734,886
Environmental costs	338,873	273,159
Community relations	99,945	52,808
Workers' profit sharing	426,013	-
General and administrative expenses ⁽ⁱ⁾	256,459	274,316
Accretion of decommissioning and retirement provision	126,182	122,171
Finished goods inventory change	(415,152)	236,150
All-in sustaining cash cost of AgEq produced (C)	15,221,626	8,959,041
Materials processed (tonnes milled) (D)	83,265	80,402
AgEq ounces produced (E)	280,790	294,484
Cash cost per AgEq ounce produced (B/E)	\$ 48.65	\$ 24.67
All-in sustaining cash cost per AgEq ounce produced (C/E)	\$ 54.21	\$ 30.43
Cash cost of production per tonne (A/D)	\$ 139.16	\$ 73.11

(i) Includes proportionate share of head office costs related to the management of La Guitarra.

Average Realized Price per Ag Eq Ounce Sold

Revenues are presented as the sum of invoiced revenues related to delivered shipments of silver and gold concentrates, after having deducted treatment, smelting and refining charges.

The following is an analysis of the gross revenues prior to treatment, smelting and refining charges, and shows deducted treatment, smelting and refining charges to arrive at the net reportable revenue for the period under IFRS. Gross revenues are divided by silver equivalent ounces sold to calculate the average realized price per AgEq ounce sold.

Average realized price per AgEq ounce sold is as follows:

	H1 2026 \$	H1 2025 \$
Net revenues, before marked to market adjustments	19,032,031	10,198,657
Add back: Treatment, refining, and smelter charges	1,253,346	797,519
Gross revenues, before marked to market adjustments	20,285,377	10,996,176
AgEq ounces sold	252,627	338,655
Average realized price per ounce of AgEq sold – gross	80.30	32.47
Average realized price per ounce of AgEq sold – net	75.34	30.12
Average market price of silver per London Silver Fix	78.91	32.77

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP measure in which net income is adjusted for income tax expense, finance and other income, interest expense, amortization, accretion and depletion, foreign exchange gains or losses, share-based compensation, and other non-recurring items, if any. Foreign exchange gains or losses may consist of both realized and unrealized losses. Under IFRS, entities must reflect in compensation expense the cost of share-based payments. In the Company's circumstances, share-based payments can involve a significant accrual of amounts that will not be settled in cash but are settled by the issuance of shares in exchange for cash based on the exercise price of the options. The Company discloses Adjusted EBITDA to aid in understanding of the results of the Company and is meant to provide further information about the Company's financial results to investors. The following table provides a reconciliation of Adjusted EBITDA:

	H1 2025 \$	H1 2025 \$
Income for the period	376,065	612,035
Add (deduct):		
Income taxes	1,845,933	295,891
Finance and other income	(278,464)	(13,065)
Interest expense	222,390	420,658
Amortization, accretion and depletion	728,825	872,225
Foreign exchange losses (gains)	(372,418)	(7,186)
Share-based compensation	981,082	395,999
Adjusted EBITDA for the period	3,503,413	2,576,557

Working Capital

The Company also discloses working capital, which is defined herein as current assets less current liabilities.

Cautionary Note

This document contains “forward-looking information” which includes, but is not limited to, statements with respect to the re-start and maintenance of production at the mine, future price of metals, historical estimates of mineralization, capital expenditures, success of exploration activities, permitting time lines, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage, the completion of regulatory approvals. In certain cases, forward-

looking information can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". In making statements containing forward looking information, the Company has applied certain factors and assumptions that it believes are reasonable, including that there is no material deterioration in general business and economic conditions; that the supply and demand for, deliveries of, and the level and volatility of prices of the Company's primary metals and minerals develop as expected; that the concessions for its current and future mineral properties are renewed and maintained in good standing; that the Company receives regulatory and governmental approvals for its mineral properties and any required operating permits on a timely basis; that the Company is able to obtain financing for the maintenance and development of its mining operations at Guitarra, and its care and maintenance activities at Del Toro, on reasonable terms; that the Company is able to procure equipment and supplies in sufficient quantities and on a timely basis; that any operational timetables for the Guitarra mine and the related capital cost plans for its projects are not incorrectly estimated or affected by unforeseen circumstances; that exploration timetables and capital costs for the Company's exploration plans are not incorrectly estimated or affected by unforeseen circumstances; that any environmental and other proceedings or disputes are satisfactorily resolved; and that the Company maintain its ongoing relations with the other parties to the surface rights agreements on the Guitarra, Del Toro, and Tepic properties. However, statements containing forward-looking information involve 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 the forward-looking statements. Such factors may include, among others, the actual timing and capital costs related to maintaining mining activities at Guitarra and care and maintenance activities at Del Toro; actual results of current exploration activities; future metal prices; accidents, labour disputes and other risks of the mining industry; the risk that the concessions and operating permits for the Guitarra and Del Toro properties are not renewed; delays in obtaining governmental or regulatory approvals or financing for the current mining and exploration activities; and that the concessions for the Tepic, Guitarra, and/or Del Toro properties are not renewed. 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. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

Approval

The Board of Directors of the Company has approved the disclosure contained in this Interim MD&A, a copy of which will be provided to any interested parties upon request.

Respectfully submitted,
On Behalf of the Board of Directors

"Alexander Langer"

Alexander Langer, President & CEO