

ROCHESTER RESOURCES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED MAY 31, 2025

This discussion and analysis of financial position and results of operation is prepared as at September 29, 2025 and should be read in conjunction with the audited consolidated financial statements and the accompanying notes for the years ended May 31, 2025 and 2024 of Rochester Resources Ltd. ("Rochester" or the "Company"). The following disclosure and associated financial statements are presented in accordance with IFRS Accounting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis ("MD&A") are quoted in Canadian dollars.

Forward-Looking Statements

This MD&A contains certain statements that may constitute "forward-looking statements". Forward-looking statements include but are not limited to, statements regarding future anticipated exploration programs and the timing thereof, and business and financing plans. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward looking statements as a result of various factors, including, but not limited to, the Company's ability to identify one or more economic deposits on its properties, to produce minerals from its properties successfully or profitably, to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies.

Historical results of operations and trends that may be inferred from this MD&A may not necessarily indicate future results from operations. In particular, the current state of the securities markets for junior resource companies may render it difficult or impossible for the Company to raise the funds necessary to continue operations.

All of the Company's public disclosure filings, including its most recent management information circular, material change reports, press releases and other information, may be accessed via www.sedarplus.ca and readers are urged to review these materials.

Company Overview and Going Concern

The Company is a junior natural resource company engaged in the exploration and development of the Mina Real and San Francisco Projects located in Mexico. The Company holds 100% undivided interests in the Mina Real and San Francisco Properties.

As at May 31, 2025, the Company had a working capital deficit of \$37,609,399 however excluding amounts due to directors and affiliates, the deficit is \$12,531,840. The Company has been unable to make all concession payments when due and, as at May 31, 2025, has unpaid government concession payments and related carrying charges totalling \$5,834,430 (included in accounts payable and accrued liabilities). The Company is also in the process of resolving a dispute resulting from government audits and, as a result has relied on advances from its Chairman and CEO, as described in "Related Party Disclosures". The Company's ongoing operations are dependent on extracting mineralized material from the Mina Real and San Francisco properties and therefore, on the Company's ability to preserve its interest in the underlying mineral property interests. In the immediate term the Company's ability to continue as a going concern is dependent on the market prices of gold and silver, its ability to continue improving its operations to generate positive operating cash flow on a consistent basis, the continued financial support of its directors, shareholders and creditors and from the sale of additional common shares or other equity or debt instruments. The Company has taken steps to improve operating results (see "Property Update"). See also "Contingent Liabilities and Commitments".

The Company is a reporting issuer in British Columbia, Alberta and Saskatchewan and trades on the TSX Venture Exchange ("TSXV") under the symbol "RCT", the Frankfurt Stock Exchange Open Market under the trading Symbol

“R5IA” and on the Pink OTC Markets under the symbol “RCTFF”. The Company’s head office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7.

Property Update

The Company holds a 100% interest in Mina Real Mexico SA de CV which holds the Mina Real and San Francisco gold and silver properties located in the state of Nayarit, Mexico, east of the state capital city of Tepic. The Mina Real Property consists of 11 mining concessions and one mineral claim encompassing a total area of 21,367.42 hectares. The San Francisco Property consists of twelve mining concessions encompassing 18,125.05 hectares.

The terrain on the properties is rugged and steep with deeply incised valleys. Elevations range from 800 to 1,600 meters above sea level. The climate is sub-tropical and characterized by a dry and a wet season.

At present there is no Canadian Institute of Mining, Metallurgy and Petroleum (“CIM”) or National Instrument (“NI”) 43-101 compliant Resources or Reserves for the Mina Real Property or the San Francisco Property.

In 2007, the Mina Real processing plant began treating mineralized material from the Estanzuela Unit, with additional material from the San Francisco Unit since 2014. As of the date of this MD&A substantially all material is coming from the San Francisco Unit. The plant employs a conventional cyanidation process, including crushing, grinding, and chemical treatment. The plant is currently processing 140 tonnes per day of mineralized material. See also “*Plant Area Upgrades*”

Historically, the mineralized material processed has contained high levels of manganese, which has negatively impacted silver production. Starting in October 2024, the Company has been actively making plant modifications to increase silver production. The Company initially conducted pilot testing during the first quarter of calendar 2024 to test the new production process with favorable results. See also “*Operations - Plant Area Upgrades*”.

The Company has conducted mining operations without defined mineral resources and the production decision was not based on a feasibility study of mineral reserves that has demonstrated technical or economic viability.

Operations

A mining study to establish the technical feasibility and economic viability of the Mina Real Property has not been completed nor does the project host a mineral resource. As a result there is increased uncertainty and risk of economic and technical failure.

Mill operating statistics for each quarter of fiscal 2025 and accumulated for fiscal 2025 and 2024 are provided in the table below:

RESULTS	Q4 (Mar 1/25 - May 31/25)	Q3 (Dec 1/24 - Feb 28/25)	Q2 (Sep 1/24 - Nov 30/24)	Q1 (Jun 1/24 - Aug 31/24)	Accumulated Fiscal 2025	Accumulated Fiscal 2024
Tonnes Processed	10,750 tonnes	8,423 tonnes	11,523 tonnes	11,718 tonnes	42,414 tonnes	45,671 tonnes
Gold Grade	1.42 g/t	1.77 g/t	1.50 g/t	1.39 g/t	1.50 g/t	2.07 g/t
Silver Grade	258.33 g/t	266.78 g/t	202.43 g/t	208.62 g/t	231.09 g/t	262.12 g/t
Gold Recovery	97.98 %	94.64 %	95.47 %	98.42 %	96.76%	95.28 %
Silver Recovery	60.36 %	46.17 %	45.93 %	58.05 %	52.98%	43.69 %
Gold Produced	480 ounces	454 ounces	530 ounces	514 ounces	1,978 ounces	2,895 ounces
Gold Sold	473 ounces	447 ounces	522 ounces	506 ounces	1,948 ounces	2,852 ounces
Silver Produced	53,552 ounces	33,182 ounces	34,441 ounces	45,579 ounces	166,754 ounces	167,819 ounces
Silver Sold	51,945 ounces	32,186 ounces	33,408 ounces	44,211 ounces	161,750 ounces	162,783 ounces
Gold Equivalent Produced	1,034 ounces	827 ounces	937 ounces	1,075 ounces	3,873 ounces	4,891 ounces
Developed Meters	409 meters	400 meters	331 meters	242 meters	1,382 meters	1,330 meters
Samples Taken	3,230 samples	2,626 samples	3,087 samples	3,153 samples	12,096 samples	15,116 samples
Diamond Drilling Meters	0.0 meters	0 meters	96 meters	756 meters	852.0 meters	1,306.8 meters
Access Road Kilometers	0 kilometers	0 kilometers	0 kilometers	0 kilometers	0 kilometers	0 kilometers

Q4 Compared to Q3

Production of gold during Q4 was 5.73% higher than Q3 (480 ounces compared to 454 ounces) and silver production was 61.39% higher than Q3 (53,552 ounces compared to 33,182 ounces) resulting in the gold equivalent produced

being 25% higher than Q3 (1,034 ounces compared to 827 ounces). The increases during Q4 are a result of higher recoveries of gold and significantly higher recoveries of silver plus a 2,327 tonne increase in tonnes processed during Q4 compared to Q3 (10,750 compared to 8,423).

The grades and recoveries of both gold and silver fluctuate dependent upon which part the majority of the mineralized material processed is transported from. Material processed from the Cholita and Agua Negra areas have higher amounts of manganese and lower gold grades of gold and silver.

Fiscal 2025 Compared to Fiscal 2024

The gold equivalent produced during fiscal 2025 was 3,873 ounces as compared to 4,891 ounces during fiscal 2024 period a decrease of ounces. The 1,018 ounce decrease is a result of a 3,257 tonne decrease in materials processed combined with lower gold and silver grades during fiscal 2025. In August 2024 (fiscal 2025) the processing plant was down for one week due to the lack of electrical power which resulted in the decrease in materials processed coupled with the lack of available equipment and personnel during Q3/2025 reflecting the decrease in tonnes processed.

Drifting

The allocation for drifting amongst areas during each quarter of fiscal 2025 and accumulated for fiscal 2025 and 2024 is as follows:

Area	Q4		Q3		Q2		Q1		Fiscal 2025		Fiscal 2024	
	Meters	%	Meters	%	Meters	%	Meters	%	Meters	%	Meters	%
Tajos Cuates	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Florida NW	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Florida SE	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
San Francisco Property	409	100%	400	100%	331	100%	242	100%	1,382	100%	1,329	100%
TOTAL DRIFTING	409	100%	400	100%	331	100%	242	100%	1,382	100%	1,329	100%

Distribution of the development during each quarter of fiscal 2025 and accumulated for fiscal 2025 and 2024 are as follows:

Type of Drifting	Q4		Q3		Q2		Q1		Fiscal 2025		Fiscal 2024	
	Meters	%	Meters	%	Meters	%	Meters	%	Meters	%	Meters	%
Exploration	177	43%	192	48%	120	36%	51	21%	540	37%	404	30%
Stope Preparation	161	40%	190	47%	153	46%	145	60%	649	50%	449	34%
CAPEX Drifting	71	17%	18	5%	58	18%	46	19%	193	13%	476	36%
TOTAL DRIFTING	409	100%	400	100%	331	100%	242	100%	1,382	100%	1,329	100%

Exploration and Development Activities

The Company has ongoing exploration and development programs at the Mina Real and San Fransico Properties to identify additional mineralized material to provide mill feed for operations.

Plant Area Upgrades

Historically mineralized material processed has contained high levels of manganese, which has negatively impacted silver production. In the first quarter of calendar 2024 the Company identified a process utilizing certain reagents which could improve recoveries of silver and gold. Pilot testing was conducted and this confirmed that recoveries could be increased. In October 2024 the Company began making the necessary plant modifications to increase recoveries and as of March 21, 2025 the new circuit commenced operations. In addition to improving recoveries of new mineralized material the Company is also looking to reprocess material from its dry staked tailings.

The complete plant modifications are projected to cost approximately US \$ 3,000,000. The implementation will occur in stages, with the initial phase costing approximately US \$1,450,000 with funding provided by Company Chairman, Eduardo Luna alongside DNN Investments Ltd. ("DNN"), a company affiliated with Company CEO, Nick DeMare.

The balance of the funding needed to fully complete the plant modifications will come from operations but additional funding may be required from Mr. Luna and DNN.

Funding has been by debt on repayment terms to be finalized once the plant modifications are fully working. The debt will bear interest at 24%. The interest rate was approved by the independent directors on February 14, 2025.

The initial results from the new processing system have improved recoveries but, at this time it is too early to make definitive conclusions.

Selected Financial Data

The following selected financial information is derived from the audited annual consolidated financial statements of the Company.

	Fiscal Years Ended May 31		
	2025 \$	2024 \$	2023 \$
Operations:			
Revenues	13,288,820	12,699,164	13,631,949
Cost of sales	(13,897,893)	(13,755,653)	(14,818,014)
Depletion and amortization	(506,270)	(520,431)	(598,795)
Provision for site restoration	(118,498)	(128,911)	(142,944)
Expenses, excluding impairment	(635,122)	(2,793,638)	(3,713,547)
Impairment of exploration and evaluation assets	(450,139)	(648,030)	(267,700)
Comprehensive loss	(2,319,102)	(5,147,499)	(5,909,051)
Basic and diluted loss per share	(0.05)	(0.11)	(0.13)
Dividends per share	Nil	Nil	Nil
Statement of Financial Position:			
Working capital (deficit)	(37,609,399)	(14,048,480)	(10,152,769)
Total assets	8,355,401	5,640,393	6,029,194
Total non-current liabilities	(2,178,463)	(21,500,105)	(20,709,115)

The following selected financial information is derived from the unaudited condensed consolidated interim financial statements of the Company.

Three Month Period Ending	Fiscal 2025				Fiscal 2024			
	May 31/25 \$	Feb 28/25 \$	Nov 30/24 \$	Aug 31/24 \$	May 31/24 \$	Feb 29/24 \$	Nov 30/23 \$	Aug 31/23 \$
Operations:								
Revenues	3,563,199	3,134,337	3,197,053	3,394,231	3,272,538	2,287,944	3,437,386	3,701,296
Cost of sales	(3,416,387)	(3,386,215)	(3,658,963)	(3,436,328)	(3,677,868)	(3,034,141)	(3,661,814)	(3,381,830)
Depletion and amortization	(138,222)	(123,226)	(125,032)	(119,790)	(117,815)	(133,570)	(134,523)	(134,523)
Provision for site restoration	(29,474)	(29,216)	(28,857)	(30,951)	(33,063)	(32,198)	(31,753)	(31,897)
Income (expenses), excluding impairment	(216,959)	(1,583,793)	(627,667)	1,793,297	(645,902)	(928,202)	(695,714)	(522,217)
Impairment of exploration and evaluation assets	(203,884)	(103,378)	(39,847)	(103,030)	(401,355)	(104,612)	(63,262)	(78,801)
Comprehensive income (loss)	(441,727)	(2,091,491)	(1,283,313)	1,497,429	(1,603,465)	(1,944,779)	(1,149,680)	(449,575)
Basic and diluted income (loss) per share	(0.01)	(0.04)	(0.03)	0.03	(0.02)	(0.04)	(0.02)	(0.01)
Statement of Financial Position:								
Working capital (deficit)	(37,609,399)	(13,188,525)	(13,564,803)	(12,441,470)	(14,048,480)	(12,875,142)	(11,287,316)	(10,456,038)
Total assets	8,355,401	7,133,626	6,461,088	5,017,945	5,640,393	5,566,821	9,298,224	6,599,270
Total non-current liabilities	(2,178,463)	(25,011,512)	(22,263,621)	(21,550,810)	(21,500,105)	(21,149,446)	(20,926,064)	(20,739,878)

Results of Operations

Three Months Ended May 31, 2025 ("Q4") Compared to Three Months February 28, 2025 ("Q3")

During Q4 the Company reported a comprehensive loss of \$441,427 compared to comprehensive loss of \$2,091,491 for Q3, a fluctuation of, \$1,649,764. The fluctuation was mainly due to a fluctuation in foreign exchange of \$2,550,946, from a foreign exchange loss of \$885,473 in Q3 to a foreign exchange gain of \$1,665,473 in Q4.

Three Months Ended May 31, 2025 Compared to Three Months Ended May 31, 2024

During the three months ended May 31, 2025 (“Q4/2025”) the Company reported comprehensive loss of \$441,727 compared to comprehensive loss of \$1,603,465 for the three months ended May 31, 2024 (“Q4/2024”), a fluctuation of \$1,161,738. The fluctuation is due to:

- (i) the Company recording an operating loss of \$20,884 in Q4/2025 compared to an operating loss of \$556,208 in Q4/2024, a fluctuation of \$535,324; and
- (ii) a \$601,862 fluctuation in foreign exchange from a foreign exchange loss of \$170,613 in Q4/2024 compared to a foreign exchange gain of \$431,249 in Q4/2025.

Year Ended May 31, 2025 Compared to Year Ended May 31, 2024

During the year ended May 31, 2025 (“fiscal 2025”) the Company recorded comprehensive loss of \$2,319,102 compared to comprehensive loss of \$5,147,499 for the year ended May 31, 2024 (“fiscal 2024”), a decrease in loss of \$2,828,397. The decrease in loss was primarily attributed to a decrease in operating loss of \$471,990 from an operating loss of \$1,705,831 in fiscal 2024 to an operating loss of \$1,233,841 in fiscal 2025, a \$2,433,793 fluctuation in foreign exchange, from a foreign exchange loss of \$768,320 in fiscal 2024 to a foreign exchange gain of \$1,665,473 in fiscal 2025. The large fluctuation in foreign exchange is due to the significant fluctuation of the Canadian Dollar to the Mexican Peso. The Company’s net liabilities are predominantly denominated in Mexican Pesos and United States dollars.

Production

During fiscal 2025 the Company sold 3,787 gold equivalent ounces and realized revenues of \$3,509 per gold equivalent ounce as compared to the sale of 4,788 gold equivalent ounces and realized revenues of \$2,652 per gold equivalent ounce during fiscal 2024.

The Company’s cost of operations per gold equivalent ounce sold during fiscal 2025 was \$3,670 as compared to \$2,873 during fiscal 2024.

Direct operating cost of sales for fiscal 2025 and 2024 comprise the following:

	2025 \$	2024 \$
Mine costs	5,276,414	4,858,038
Mill costs	3,878,217	3,602,252
Service department costs	4,743,262	5,295,363
	<u>13,897,893</u>	<u>13,755,653</u>

General and administrative expenses of \$980,546 were reported for fiscal 2025 compared to \$1,064,387 during fiscal 2025, a decrease of \$83,841. A summary of expenses are as follows:

	2025 \$	2024 \$
Accounting and administrative	54,920	57,250
Audit	92,750	74,944
Director and officer compensation	268,626	60,871
Legal	26,902	17,520
Office	202,958	173,478
Professional fees	-	320,647
Regulatory fees	9,119	7,604
Salaries and benefits	301,722	330,470

	2025 \$	2024 \$
Shareholder costs	1,085	-
Transfer agent fees	4,273	2,893
Travel	18,191	18,710
	<u>980,546</u>	<u>1,064,387</u>

Exploration and Evaluation Assets

During fiscal 2025 the Company incurred \$450,139 (2024 - \$648,030) additions on exploration and evaluation assets for the Santa Fe property, mainly due to ongoing monthly fees of US \$10,000 to the 30% concession owners and annual mineral concession payments. The Company also recorded an offsetting impairment charge of \$450,139 (2024 - \$648,030) to reflect management's determination to fully impair the Santa Fe property.

Property, Plant and Equipment

	Mineral Properties \$	Land \$	Buildings \$	Mill and Mine Equipment \$	Construction in Progress \$	Total \$
Cost:						
Balance, May 31, 2023	33,934,944	2,692,313	3,566,241	7,774,403	-	47,967,901
Additions	-	-	-	4,031	-	4,031
Balance, May 31, 2024	33,934,944	2,692,313	3,566,241	7,778,434	-	47,971,932
Additions	-	-	-	70,952	1,721,566	1,792,518
ARO revision	-	-	-	-	322,009	322,009
Balance, May 28, 2025	<u>33,934,944</u>	<u>2,692,313</u>	<u>3,566,241</u>	<u>7,849,386</u>	<u>2,043,575</u>	<u>50,086,459</u>
Accumulated depletion, and amortization and impairment:						
Balance, May 31, 2023	(33,934,944)	(2,692,313)	(3,226,968)	(6,717,301)	-	(46,571,526)
Depletion and amortization	-	-	(48,377)	(274,223)	-	(322,600)
Balance, May 31, 2024	(33,934,944)	(2,692,313)	(3,275,345)	(6,991,524)	-	(46,894,126)
Depletion and amortization	-	-	(48,377)	(285,295)	-	(333,672)
Balance, May 31, 2025	<u>(33,934,944)</u>	<u>(2,692,313)</u>	<u>(3,323,722)</u>	<u>(7,276,819)</u>	<u>-</u>	<u>(47,227,798)</u>
Carrying value:						
Balance, May 31, 2024	-	-	290,896	786,910	-	1,077,806
Balance, May 31, 2025	<u>-</u>	<u>-</u>	<u>242,519</u>	<u>572,567</u>	<u>2,043,575</u>	<u>2,858,661</u>

Development and production activities conducted during the 2025 period are described in "Property Update" in this MD&A.

Financings

During fiscal 2025 and 2024 the Company did not complete any equity financings.

Financial Condition / Capital Resources

As at May 31, 2025, the Company had a working capital deficit of \$37,609,399 however excluding amounts due to directors and affiliates, the deficit is \$12,531,840. The Company's ongoing operations are dependent on extracting mineralized material from the Mina Real property and, therefore, on the Company's ability to preserve its interest in the underlying mineral property interests. In the immediate term, the Company's ability to continue as a going concern is dependent upon its ability to improve its operations to generate positive operating cash flow from the Mina Real property on a consistent basis, to raise additional capital to fund its ongoing business operations and exploration projects and repay indebtedness as they come due. Additional capital may be sought from existing shareholders and creditors and from the sale of additional common shares or other equity or debt instruments. There is no assurance such additional capital will be available to the Company on acceptable terms or at all. In the longer term, the Company's ability to continue as a going concern will be dependent upon the discovery of economically recoverable

reserves and the achievement of profitable operations. The Company is implementing a plant modification project to improve silver recoveries, as described in “Operations - Plant Area Upgrades”. Whether the Company can generate positive cash flow on a consistent basis and, ultimately, achieve profitability is uncertain. These uncertainties cast significant doubt upon the Company’s ability to continue as a going concern. e Company’s ability to continue as a going concern.

The Company has been involved in an ongoing dispute on the Santa Fe property. As of May 31, 2025 the Company has recorded US \$230,000 in current liabilities of estimated amounts payable and amounts in dispute.

See also “Contingent Liabilities and Commitments”.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Proposed Transactions

The Company has no proposed transactions.

Changes in Accounting Policies

There are no changes in accounting policies. A detailed summary of all the Company’s significant accounting policies and accounting standards and interpretations issued but not yet effective, is included in Note 3 to the May 31, 2025 audited annual consolidated financial statements.

Related Party Disclosures

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the reporting period.

(a) Transactions with Key Management Personnel

The Company considers its key management to consist of the Company’s Chairman (Mr. Eduardo Luna) the Chief Executive Officer (“CEO”) (Mr. Nick DeMare) and the Chief Financial Officer (“CFO”) (Mr. Jose Manuel Silva). During fiscal 2025 and 2024 the following amounts were incurred:

	2025	2024
	\$	\$
Professional fees - Mr. DeMare	55,980	24,480
Professional fees - Mr. Luna	135,000	-
Professional fees - Mr. Silva	25,146	24,391
	<u>216,126</u>	<u>48,871</u>

As at May 31, 2025 \$1,390,977 (2024 - \$1,191,008) remained unpaid.

During fiscal 2025 the Company also recorded \$21,000 (2024 - \$nil) for share-based compensation on share options granted to its key management personnel.

(b) Transactions with Other Related Parties

(i) During fiscal 2025 and 2024 the following amounts were incurred with respect to non-management directors (Mark Cernovitch, Joseph Keane and Michael Magrum) and the Corporate Secretary (Harvey Lim) of the Company:

	2025 \$	2024 \$
Professional fees - Mr. Cernovitch	13,500	-
Professional fees - Mr. Keane	13,500	-
Professional fees - Mr. Magrum	13,500	-
Professional fees - Mr. Lim	12,000	12,000
	<u>52,500</u>	<u>12,000</u>

As at May 31, 2025 \$272,500 (2024 - \$228,000) remained unpaid.

During fiscal 2025 the Company also recorded \$20,500 (2024 - \$nil) for share-based compensation on share options granted to non-executive directors and officer of the Company.

- (ii) During fiscal 2025 the Company incurred a total of \$54,920 (2024 - \$57,250) to Chase Management Ltd. (“Chase”), a private corporation owned by Mr. DeMare, for accounting and administration services provided by Chase personnel, excluding Mr. DeMare’s services. As at May 31, 2025 \$3,500 (2024 - \$nil) remained unpaid.

During fiscal 2025 the Company also recorded \$8,900 (2024 - \$nil) for share-based compensation on share options granted to Chase.

- (c) The Company has received ongoing advances which bear interest at a rate of 9% per annum and the advances are due on demand. As at May 31, 2025 \$881,121 (2024 - \$877,150) of principal is due to Mr. Luna and \$74,568 (2024 - \$73,913) is due to a private corporation controlled by Mr. DeMare.
- (d) The Company has received ongoing advances which bear interest at a rate of 12% per annum and the advances are due on demand. As at May 31, 2025 \$3,845,175 (2024 - \$3,334,062) of principal is due to Mr. Luna and \$31,771 (2024 - \$11,771) is due to a private corporation controlled by Mr. DeMare.
- (e) Principal amounts under a secured debenture financing (the “Debentures”) are subject to a monthly interest charge equivalent to \$12.67 multiplied by the greater of: (a) the monthly production of mineralized material from the Company’s San Francisco Property, and (b) the average monthly production of mineralized material from the San Francisco Property, provided, however, that the monthly interest has a minimum monthly payment based on 6.4% per annum and a maximum payment based on 20% per annum. As at May 31, 2025 Mr. Luna holds \$202,000 (2024 - \$202,000) of the Debentures are due on demand.
- (f) Indebtedness of \$3,631,000 is secured by the assets of the Company and interest is calculated at 9% per annum. As at May 31, 2025 \$1,296,812 (2024 - \$1,296,812) of principal and \$1,470,725 (2024 - \$1,353,692) of accrued interest was owed to a private corporation associated with Mr. DeMare and is due on demand.
- (g) The Company has received ongoing advances from its Chairman and a shareholder to provide funding to implement an upgrade to its mill and plant facility. The advances bear interest at a rate of 24% per annum and are due on demand. As at May 31, 2025 \$1,320,768 (2024 - \$nil) of principal is due to Mr. Luna.
- (h) See also “Financial Condition / Capital Resources”.

Contingent Liability and Commitments

- (a) From time to time the Company becomes involved in various claims and litigation, including various governmental audits, as part of the normal course of operations. The Company continues to work with legal counsel to review and respond to the reassessment and, as at May 31, 2025, has accrued a provision of \$750,000 (2024 - \$750,000). The Company has pledged the Mexican office building with an assessed value of \$690,000 and has paid a cash deposit of \$210,000 related to the ongoing litigation with the Mexican state of Nayarit’s Secretary of Administration and Finance.

- (b) The Company has only made partial government concession payments and accrued carrying charges on its concessions. As at May 31, 2025 \$5,834,430 (2024 - \$5,958,636) of government concession payments remained unpaid and are included in accounts payable and accrued liabilities.

Risks and Uncertainties

The Company advises that it did not base its production decision on a feasibility study of mineral reserves, demonstrating economic and technical viability, and, as a result, there may be an increased uncertainty of achieving any particular level of recovery of minerals or the cost of such recovery, including increased risks associated with developing a commercially mineable deposit. Historically, projects which proceed without a feasibility study have a much higher risk of economic and technical failure.

The Company competes with other mining companies, some of which have greater financial resources and technical facilities, for the acquisition of mineral concessions, claims and other interests, as well as for the recruitment and retention of qualified employees.

The Company is in compliance in all material regulations applicable to its exploration activities. Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted. Before production can commence on any properties, the Company must obtain regulatory and environmental approvals. There is no assurance that such approvals can be obtained on a timely basis or at all. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations.

The Company's activities are conducted in Mexico. Consequently, the Company is subject to certain risks, including currency fluctuations and possible political or economic instability which may result in the impairment or loss of mining title or other mineral rights, and mineral exploration and mining activities may be affected in varying degrees by political stability and governmental regulations relating to the mining industry.

Outstanding Share Data

The Company's authorized share capital is unlimited common shares without par value. As at September 29, 2025, there were 47,144,125 issued and outstanding common shares and share options to acquire 4,714,000 common shares of the Company at an exercise price of \$0.05 per common share on or before February 21, 2029.