

ROCHESTER RESOURCES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE NINE MONTHS ENDED FEBRUARY 29, 2024

This discussion and analysis of financial position and results of operation is prepared as at April 29, 2024 and should be read in conjunction with the unaudited condensed consolidated interim financial statements and the accompanying notes for the nine months ended February 29, 2024 of Rochester Resources Ltd. ("Rochester" or the "Company"). The following disclosure and associated financial statements are presented in accordance with International Financial Reporting 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.sedar.com 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. In addition, the Company has an agreement to acquire a 70% interest in the Santa Fe Property.

During the nine months ended February 29, 2024 the Company recorded a net loss of \$3,544,034 and, as at February 29, 2024, the Company had a working capital deficit of \$12,875,142 and non-current liabilities of \$21,149,446. The Company has been unable to make all concession payments when due and, as at February 29, 2024, has unpaid government concession payments and related carrying charges totalling \$5,150,133 (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 the market prices of gold and silver, its ability to continue improving its operations to maintain 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. 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 which holds the Mina Real and San Francisco Properties, gold and silver property located in the state of Nayarit, Mexico, east of the state capital city of Tepic. Mina Real also owns 70% of Compania Minera Santa Fe S.A. de C.V. (“Compania Minera”) which holds a 100% interest in the Santa Fe gold and silver property located immediately east of the Mina Real Property. Through Mina Real the Company has an agreement to acquire a 70% interest in one concession (the “Santa Fe Property”) located near the Mina Real Property. Under the terms of the agreement the Company agreed to implement a program of exploration to determine if the Santa Fe Property can be economically exploited. In addition, if the exploration work is successful, the Company agreed to provide the necessary capital to construct a processing plant capable of processing a minimum of 200 tonnes per day. To date, the Company has conducted limited exploration on the Santa Fe Property. The agreement was disputed by the 30% concession owners and the court has ordered the Company to return the Santa Fe property concession to the 30% concession owners, pay the ongoing monthly fee of US \$10,000 to the 30% concession until the concession is returned, pay US \$261,000 for a historical extraction and dissolve the Company’s subsidiary Compania Minera. The Company is currently in the negotiation process with the 30% concession owners. During the nine months ended February 29, 2024 the Company made total payments of US \$190,000 and, as at February 29, 2024, US \$341,000 (May 31, 2023 - US \$441,000) remained unpaid.

The Mina Real Property consists of 11 mining concessions and one mineral claim encompassing a total area of 21,367.42 hectares. The contiguous Santa Fe Property consists of one mining concession totaling 3,852.66 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, the Santa Fe Property or the San Francisco Property.

The Company has been processing mineralized material since 2007 when it commissioned a 200 tonne per day cyanidation plant.

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 the three months ended February 29, 2024 (“Q3”), the three months ended November 30, 2023 (“Q2”), the three months ended August 31, 2023 (“Q1”) the nine months (accumulated) ended February 29, 2024 (the “2024 Period”) and the nine months (accumulated) ended February 28, 2023 (the “2023 Period”) are provided in the table below:

RESULTS	Q3 (Dec 1/23 - Feb 29/24)	Q2 (Sep 1/23 - Nov 30/23)	Q1 (Jun 1/23 - Aug 31/23)	2024 Period (Jun 1/23 - Feb 29/24)	2023 Period (Jun 1/22 - Feb 28/23)
Tonnes Processed	10,224 tonnes	12,808 tonnes	13,427 tonnes	36,459 tonnes	43,365 tonnes
Gold Grade	1.71 g/t	2.13 g/t	2.32 g/t	2.08 g/t	2.26 g/t
Silver Grade	271.12 g/t	266.38 g/t	246.75 g/t	260.48 g/t	200.40 g/t
Gold Recovery	94.07 %	95.08 %	95.49 %	95.02 %	95.32 %
Silver Recovery	37.24 %	39.89 %	43.47 %	40.37 %	44.12 %
Gold Produced	530 ounces	833 ounces	957.52 ounces	2,320.52 ounces	3,003 ounces
Gold Sold	522.085 ounces	820.87 ounces	943.16 ounces	2,284.03 ounces	2,957.606 ounces
Silver Produced	33,190 ounces	43,401 ounces	46,312 ounces	123,248 ounces	123,269 ounces
Silver Sold	32,193.926 ounces	42,099.10 ounces	44,923 ounces	119,551.15 ounces	119,570.851 ounces
Gold Equivalent Produced	907 ounces	1,348 ounces	1,522 ounces	3,776.81 ounces	4,453 ounces
Developed Meters	249 meters	358.40 meters	428.10 meters	1035.50 meters	2,665 meters
Samples Taken	3,355 samples	3,578 samples	4,672 samples	11,605 samples	16,838 samples

RESULTS	Q3 (Dec 1/23 - Feb 29/24)	Q2 (Sep 1/23 - Nov 30/23)	Q1 (Jun 1/23 - Aug 31/23)	2024 Period (Jun 1/23 - Feb 29/24)	2023 Period (Jun 1/22 - Feb 28/23)
Diamond Drilling Meters	0 meters	0 meters	0 meters	0 meters	0 meters
Access Road Kilometers	0 kilometers	0 kilometers	0 kilometers	0 kilometers	0 kilometers

Q2 Compared to Q1

Production of gold during Q3 was 36.3% lower than Q2 (530 ounces compared to 833 ounces) and silver production was 23.5% lower than Q2 (33,190 ounces compared to 43,401 ounces) resulting in the gold equivalent produced being 32.7% lower than Q2 (907 ounces compared to 1,348 ounces). The decrease was mainly due to a 20.2% (2,584 tonnes) decrease in tonnes being processed during Q3 than Q2 due to liquidity issues for hauling equipment costs during the first half of Q3 and due to lower grade gold from mineralized materials from the Agua Negra and Cholita areas.

The grades and recoveries of both gold and silver fluctuate dependent upon which part the majority of the mineralized material processed is transported from. The three main areas materials were processed from during both Q3 and Q2 were the Cholita, Agua Negra and Lluvia de Oro Projects. Materials from the Cholita and Agua Negra area have higher amounts of manganese which causes lower silver recoveries and materials from the Lluvia de Oro Project have lower gold grades.

2024 Period Compared to 2023 Period

The gold equivalent produced during the 2024 period was 3,776.8 ounces as compared to 4,453 ounces during the 2023 period, a decrease of 676.2 ounces. The decrease is a result of the 6,906 tonne decrease in materials processed combined with lower silver and gold recoveries and lower gold grades during the 2024 period. In August 2023 the processing plant was down for one week due to the lack of electrical power which resulted in the decrease in materials processed and during Q2 and Q3 hauling of mineralized material decreased due to liquidity issues.

Drifting

The allocation for drifting amongst areas during each of Q3, Q2, Q1, the 2024 period and the 2023 period is as follows:

	Q3		Q2		Q1		2024 Period		2023 Period	
Area	Meters	%	Meters	%	Meters	%	Meters	%	Meters	%
Tajos Cuates	0	0%	0	0%	0	0%	0	0%	0	0%
Florida NW	0	0%	0	0%	0	0%	0	0%	0	0%
Florida SE Project	0	0%	0	0%	0	0%	0	0%	0	0%
San Francisco Project	249	100%	358	100%	428	100%	1,035	100%	2,665	100%
TOTAL DRIFTING	249	100%	358	100%	428	100%	1,035	100%	2,665	100%

Distribution of the development during each of Q3, Q2, Q1, the 2024 period and the 2023 period, by activity, is as follows:

	Q3		Q2		Q1		2024 Period		2023 Period	
Type of Drifting	Meters	%	Meters	%	Meters	%	Meters	%	Meters	%
Exploration	112	45%	156	44%	108	25%	376	36%	1,149	43%
Stope Preparation	96	39%	58	16%	69	26%	223	22%	1,072	40%
CAPEX Drifting	41	16%	144	40%	251	59%	436	42%	444	17%
TOTAL DRIFTING	249	100%	358	100%	428	100%	1,035	100%	2,665	100%

During the 2024 period drifting was decreased due to a lack of experienced drilling personnel and the availability of required equipment.

Exploration and Development Activities

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

Mill Area

During the 2024 period changing of the liners on the 6' x 12' mill was completed resulting in the 6' x 12' mill now being in good working order. The 10' x 10' mill remains out of operation awaiting specialized parts. Preliminary work on the 10' x 10' mill is ongoing at the shop. In November 2023 the 4' x 4' mill was halted due to problems with the speed reducer. In January 2024 the mill was sent to the shop for the repair.

Selected Financial Data

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

Three Month Period Ending	Fiscal 2024			Fiscal 2023				Fiscal 2022
	Feb 29/24 \$	Nov 30/23 \$	Aug 31/23 \$	May 31/23 \$	Feb 28/23 \$	Nov 30/22 \$	Aug 31/22 \$	May 31/22 \$
Operations:								
Revenues	2,287,944	3,437,386	3,701,296	3,756,469	3,120,733	3,265,679	3,489,068	3,888,512
Cost of sales	(3,034,141)	(3,661,814)	(3,381,830)	(4,270,448)	(3,287,324)	(3,612,867)	(3,647,375)	(2,810,726)
Depletion and amortization	(133,570)	(134,523)	(134,523)	(163,157)	(144,823)	(143,522)	(147,293)	(238,847)
Provision for site restoration	(32,198)	(31,753)	(31,897)	(38,470)	(36,744)	(35,223)	(32,507)	(21,607)
(Expenses) income, excluding impairment	(928,202)	(695,714)	(522,217)	(1,235,965)	(623,656)	(1,033,216)	(820,710)	(1,427,196)
Impairment of exploration and evaluation assets	(104,612)	(63,262)	(78,801)	(43,632)	(95,938)	(89,402)	(38,728)	(38,935)
Comprehensive loss	(1,944,779)	(1,149,680)	(449,575)	(1,995,203)	(1,067,752)	(1,648,551)	(1,197,545)	(648,799)
Basic and diluted loss per share	(0.04)	(0.02)	(0.01)	(0.05)	(0.02)	(0.03)	(0.03)	(0.01)
Statement of Financial Position:								
Working capital (deficit)	(12,875,142)	(11,287,316)	(10,456,038)	(10,152,769)	(27,235,183)	(25,977,045)	(24,437,965)	(23,509,745)
Total assets	5,566,821	9,298,224	6,599,270	6,029,194	5,780,163	5,664,403	6,015,402	6,099,482
Total non-current liabilities	(21,149,446)	(20,926,064)	(20,739,878)	(20,709,115)	(1,966,241)	(1,865,629)	(1,957,350)	(1,831,036)

Results of Operations

Three Months Ended February 29, 2024 ("Q3") Compared to Three Months Ended November 30, 2023 ("Q2")

During Q3 the Company reported a comprehensive loss of \$1,944,779 compared to a comprehensive loss of \$1,149,680 for Q2, an increase in loss of \$795,099. The increase in loss was due to:

- (i) an operating loss of \$911,965 during Q3 compared to an operating loss of \$390,704 in Q2; and
- (ii) an increase in general and administrative expenses of \$198,005 from \$202,246 in Q2 to \$400,251 in Q3.

Nine Months Ended February 29, 2024 Compared to Nine Months Ended February 28, 2023

During the nine months ended February 28, 2024 (the "2024 period") the Company recorded comprehensive loss of \$3,544,034 compared to comprehensive loss of \$3,913,848 for the nine months ended February 28, 2023 (the "2023 period"), a decrease in loss of \$369,814. The decrease in loss was attributed to a decrease in operating loss of \$62,575 from an operating loss of \$1,212,198 in the 2023 period to an operating loss of \$1,149,623 in the 2024 period and a \$595,377 decrease in foreign exchange loss from a loss of \$1,193,084 in the 2023 period to a loss of \$597,707 in the 2024 period. The decrease was offset by an increase in general and administrative expenses of \$246,988 from \$581,980 in the 2023 period to \$828,968 in the 2024 period.

Production

During the 2024 period the Company sold 2,286 gold equivalent ounces and realized revenues of \$4,124 per gold equivalent ounce as compared to the sale of 4,364 gold equivalent ounces and realized revenues of \$2,263 per gold equivalent ounce during the 2023 period.

The Company's cost of operations per gold equivalent ounce sold during the 2024 period was \$4,627 as compared to \$2,541 during the 2023 period.

Direct operating cost of sales for the 2024 and 2023 period comprise the following:

	2024 \$	2023 \$
Mine costs	3,588,847	4,605,214
Mill costs	2,624,525	2,779,688
Service department costs	3,864,413	3,162,664
	<u>10,077,785</u>	<u>10,547,566</u>

General and administrative expenses of \$828,968 were reported for the 2024 period compared to \$581,980 during the 2023 period, an increase of \$246,988 mainly due to an increase in professional fees for consultants engaged to provide corporate advisory services. A summary of expenses are as follows:

	2024 \$	2023 \$
Accounting and administrative	46,750	44,000
Audit	74,854	66,624
Director and officer compensation	45,609	45,463
Legal	13,027	14,348
Office	134,243	151,608
Professional fees	245,407	12,558
Regulatory fees	6,203	7,566
Salaries and benefits	248,086	229,407
Transfer agent fees	1,925	1,791
Travel	12,864	8,615
	<u>828,968</u>	<u>581,980</u>

Exploration and Evaluation Assets

During the 2024 period the Company incurred \$246,675 (2023 - \$224,068) 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 \$246,675 (2023 - \$224,068) to reflect management's determination to fully impair the Santa Fe property.

Property, Plant and Equipment

	Mineral Properties \$	Land \$	Buildings \$	Mill and Mine Equipment \$	Total \$
Cost:					
Balance, May 31, 2022	33,934,944	2,692,313	3,517,234	7,766,238	47,910,729
Additions	-	-	49,007	8,165	57,172
Balance, May 31, 2023	33,934,944	2,692,313	3,566,241	7,774,403	47,967,901
Additions	-	-	-	2,307	2,307
Balance, February 29, 2024	<u>33,934,944</u>	<u>2,692,313</u>	<u>3,566,241</u>	<u>7,776,710</u>	<u>47,970,208</u>
Accumulated depletion, amortization and impairment:					
Balance, May 31, 2022	(33,934,944)	(2,692,313)	(3,178,591)	(6,346,602)	(46,152,450)
Depletion and amortization	-	-	(48,377)	(370,699)	(419,076)
Balance, May 31, 2023	(33,934,944)	(2,692,313)	(3,226,968)	(6,717,301)	(46,571,526)
Depletion and amortization	-	-	(36,282)	(205,668)	(241,950)
Balance, February 29, 2024	<u>(33,934,944)</u>	<u>(2,692,313)</u>	<u>(3,263,250)</u>	<u>(6,922,969)</u>	<u>(46,813,476)</u>
Carrying value:					
Balance, May 31, 2023	<u>-</u>	<u>-</u>	<u>339,273</u>	<u>1,057,102</u>	<u>1,396,375</u>
Balance, February 29, 2024	<u>-</u>	<u>-</u>	<u>302,991</u>	<u>853,741</u>	<u>1,156,732</u>

Development and production activities conducted during the 2024 period are described in “Property Update” in this MD&A.

Financings

During the 2024 and 2023 periods the Company did not complete any equity financings.

Financial Condition / Capital Resources

During the 2024 period the Company incurred a net loss of \$3,544,034 and, as at February 29, 2024, the Company had a working capital deficit of \$12,875,142 and non-current liabilities of \$21,149,446. 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 maintain 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. 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.

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, 2023 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 the 2024 and 2023 periods the following amounts were incurred:

	2024 \$	2023 \$
Professional fees - Mr. DeMare	18,360	18,360
Professional fees - Mr. Silva	18,249	18,130
	<u>36,609</u>	<u>36,463</u>

No fees were incurred with respect of Mr. Luna, in the 2024 and 2023 periods.

As at February 29, 2023 \$1,186,518 (May 31, 2023 - \$1,166,322) remained unpaid.

During the 2024 period certain officers and directors of the Company agreed to not demand repayment of a total of \$1,102,980 (May 31, 2023 - \$1,083,820) of past accrued professional fees until May 31, 2025.

(b) *Transactions with Other Related Parties*

- (i) During the 2024 period \$9,000 (2023 - \$9,000) was incurred to the Company's Corporate Secretary (Mr. Harvey Lim). As at February 29, 2024 \$229,000 (May 31, 2023 - \$228,000) remained unpaid to the Company's non-executive directors and the Company's Corporate Secretary on account of past amounts accrued.
- (iii) During the 2024 period the Company incurred a total of \$46,750 (2023 - \$44,000) 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 February 29, 2024 \$3,804 (May 31, 2023 - \$7,452) remained unpaid on account of past accrued fees.
- (c) The Company has received ongoing advances which bear interest at a rate of 9% per annum and the parties have agreed to not demand payment until May 31, 2025. As at February 29, 2024 \$874,952 (May 31, 2023 - \$876,035) of principal is due to Mr. Luna and \$73,549 (May 31, 2023 - \$73,728) is due to a private corporation controlled or affiliated with Mr. DeMare.
- (d) The Company has received ongoing advances which bear interest at a rate of 12% per annum and the parties have agreed to not demand payment until May 31, 2025. As at February 29, 2024 \$3,317,682 (May 31, 2023 - \$3,325,750) of principal is due to Mr. Luna and \$11,771 (May 31, 2023 - \$11,771) is due to a private corporation controlled or affiliated with 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 February 29, 2024 Mr. Luna holds \$202,000 (May 31, 2023 - \$202,000) of the Debentures and has agreed to not demand payment until May 31, 2025.
- (f) Indebtedness of \$3,631,000 is secured by the assets of the Company and interest is calculated at 9% per annum. As at February 29, 2024 \$1,296,812 (May 31, 2023 - \$1,296,812) of principal and \$1,324,274 (May 31, 2023 - \$1,236,659) of accrued interest was owed to a private corporation associated with Mr. DeMare. The private corporation has agreed to not demand payment until May 31, 2025.
- (g) On August 7, 2023 the Mexican state of Nayarit's Secretary of Administration and Finance ("Nayarit SAF") initiated steps seeking to collect amounts owing relating to the ongoing dispute, as described in Note 16(a). The Company is in the process of pledging security of its office building in Tepic to the Nayarit SAF to satisfy collection efforts. As a result of these collection efforts, as at February 29, 2024 the Company received loan advances totalling \$2,710,778 (US \$1,992,849) from its Chairman and CEO to provide short-term funding to the Company while it resolves the dispute. In January 2024 the Company repaid \$2,378,772 (US \$1,782,849) on advances received. As at February 29, 2024 \$284,970 (US \$210,000) of principal is due to Mr. Luna.

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. During fiscal 2023, one of two claims against the Company by the Nayarit SAF was annulled reducing the potential liability to \$580,000. The Company

continues to work with legal counsel to review and respond to the reassessment and as at February 29, 2024, has accrued a provision of \$580,000 (May 31, 2023 - \$580,000).

- (b) The Company has only made partial government concession payments and accrued carrying charges on its concessions. As at February 29, 2024 \$5,150,133 (May 31, 2023 - \$4,365,853) of government concessions 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 April 29, 2024, there were 47,144,125 issued and outstanding common shares.