

# **ROCHESTER RESOURCES LTD.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED MAY 31, 2026**

This discussion and analysis of financial position and results of operation is prepared as at September 28, 2026 and should be read in conjunction with the audited consolidated annual financial statements and the accompanying notes for the years ended May 31, 2026 and 2025 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](http://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, 2026, the Company had a working capital deficit of \$40,803,957 however excluding amounts payable and amounts due to directors and affiliates, the working capital deficit is \$16,337,466. The Company has been unable to make all concession payments when due and, as at May 31, 2026, has unpaid government concession payments and related carrying charges totalling \$7,509,171 (included in accounts payable and accrued liabilities). The Company is also in the process of resolving a dispute resulting from government audits. 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. Historically, the mineralized material processed has contained high levels of manganese, which has negatively impacted silver production. The plant modifications to increase silver production, are positively impacting silver recovery. 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 2026 and accumulated for fiscal 2026 and fiscal 2025 are provided in the table below:

| RESULTS                  | Q4<br>(Mar 1/26 - May 31/26) | Q3<br>(Dec 1/25 - Feb 28/26) | Q2<br>(Sep 1/25 - Nov 30/25) | Q1<br>(Jun 1/25 - Aug 31/25) | Accumulated<br>Fiscal 2026 | Accumulated<br>Fiscal 2025 |
|--------------------------|------------------------------|------------------------------|------------------------------|------------------------------|----------------------------|----------------------------|
| Tonnes Processed         | 12,764 tonnes                | 11,522 tonnes                | 8,748 tonnes                 | 10,008 tonnes                | 43,042 tonnes              | 42,414 tonnes              |
| Gold Grade               | 1.32 g/t                     | 1.36 g/t                     | 1.61 g/t                     | 1.55 g/t                     | 1.44 g/t                   | 1.50 g/t                   |
| Silver Grade             | 204.83 g/t                   | 198.65 g/t                   | 265.20 g/t                   | 264.34 g/t                   | 229.28 g/t                 | 231.09 g/t                 |
| Gold Recovery            | 99.32 %                      | 99.88 %                      | 99.47 %                      | 99.51 %                      | 99.60%                     | 96.76%                     |
| Silver Recovery          | 65.70 %                      | 69.90 %                      | 68.05 %                      | 63.10 %                      | 66.70%                     | 52.98%                     |
| Gold Produced            | 538 ounces                   | 503 ounces                   | 452 ounces                   | 496 ounces                   | 1,989 ounces               | 1,978 ounces               |
| Gold Sold                | 529.78 ounces                | 495.28 ounces                | 444.97 ounces                | 489.91 ounces                | 1,959 ounces               | 1,948 ounces               |
| Silver Produced          | 55,242 ounces                | 51,435 ounces                | 50,758 ounces                | 53,675 ounces                | 211,110 ounces             | 166,754 ounces             |
| Silver Sold              | 53,584 ounces                | 49,892 ounces                | 49,235 ounces                | 52,065 ounces                | 204,777 ounces             | 161,750 ounces             |
| Gold Equivalent Produced | 1,445 ounces                 | 1,380.57 ounces              | 1,059.54 ounces              | 1,091.74 ounces              | 4,977 ounces               | 3,873 ounces               |
| Developed Meters         | 949 meters                   | 840 meters                   | 514 meters                   | 509 meters                   | 2,812 meters               | 1,382 meters               |
| Samples Taken            | 4,000 samples                | 3,601 samples                | 3,439 samples                | 3,188 samples                | 14,228 samples             | 12,096 samples             |
| Diamond Drilling Meters  | 375.0 meters                 | 0 meters                     | 0 meters                     | 0 meters                     | 375.0 meters               | 852.0 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 6.96% higher than Q3 (538 ounces compared to 503 ounces) and silver production during Q4 was 7.4% higher than Q3 (55,242 ounces compared to 51,435 ounces) resulting in the gold equivalent produced during Q4 being 4.67% higher than Q3 (1,445 ounces compared to 1,380.57 ounces). The increases during Q4 is the result of a 1,242 tonne increase in tonnes processed during Q4 compared to Q3 (12,764 compared to 11,522).

The 12,764 tonnes processed during Q4 came from San Francisco as to 11,010 tonnes, Estanzuela Unit as to 1,652 tonnes and from tailings impoundment as to 102 tonnes. During Q3 the 11,522 tonnes came from San Francisco as to 9,129 tonnes and Estanzuela Unit as to 2,393 tonnes. The increase in tonnage in Q4 was possible due to improved

equipment availability and also a focus on improving deliverability from the mine. The process plant is working well and management is focused on improving deliverability of mineralized material.

### *Fiscal 2026 Compared to Fiscal 2025*

The gold equivalent produced during fiscal 2026 was 4,977 ounces as compared to 3,873 ounces during fiscal 2025 an increase of 1,104 ounces. The 1,104 ounce increase is a result of higher recoveries of both gold and silver during fiscal 2026 due to the completion of the first phase of the plant modifications during Q1/2026 (see “Plant Area Upgrades”) partially offset by slightly lower grades for both gold and silver of material processed.

### ***Plant Area Upgrades***

The Company has operated continuously in Mexico since 2007. Like many long-running silver operations, its mineralized material carries a naturally high manganese content, which occludes silver and interferes with conventional cyanide leaching, historically limiting recovery to only about half of the silver contained in the mineralized material.

In 2024, the Company focused its efforts on finding a solution to the impact of manganese content on silver recoveries. A rigorous laboratory testing program, evaluating mine mineralized material, tailings, and blends of both, identified a pretreatment combining ammonia bisulfite and sulphuric acid ahead of conventional cyanidation. The results were positive with substantial improvements in recoveries. A follow-up three-month industrial pilot at the plant confirmed the lab work, lifting silver recovery to 62% from mine mineralized material and 56% from tailings - up from a historical baseline near 43%.

Building on those results, Mina Real commissioned a conceptual engineering study for a full-scale circuit sized to treat 500 tons per day of tailings alongside 160 tons per day of fresh mineralized material, at an estimated capital cost of roughly US \$4,000,000. The project moved through engineering, permitting, procurement, and construction over the course of 2024, culminating in plant commissioning by year end.

With the design in place, the Company carried out a comprehensive revamp of both the mine and the plant. At the mine, new mucking and hauling equipment was brought in, water pumping stations were rehabilitated with new pumps, and electrical and compressed-air systems were upgraded. At the plant, the work included a new 6’ x 6’ ball mill, a centrifugal decanter that recovers water, residual values, and cyanide for reuse, a new electrical substation, an expanded tailings filtering station enabling dry-stacked (rather than wet) tailings storage, new stainless-steel process tanks, and revamped primary, secondary, and tertiary crushing circuits.

The results have been positive with improvements for both silver and gold recoveries. Improved cash flow followed, also aided in large part by improvement in commodity prices. The dry-stacking upgrade also reduces the operation’s environmental footprint, while the water and cyanide recovery system cuts fresh reagent consumption. Looking ahead, the Company is completing the addition of a larger pre-treatment tank by mid to late October 2026, which will allow for increased capacity through the mill.

### ***Drifting***

The allocation for drifting amongst areas during each quarter of fiscal 2026 and accumulated for fiscal 2026 and fiscal 2025 is as follows:

|                       | Q4         |             | Q3         |             | Q2         |             | Q1         |             | Fiscal 2026  |             | Fiscal 2025  |             |
|-----------------------|------------|-------------|------------|-------------|------------|-------------|------------|-------------|--------------|-------------|--------------|-------------|
| Area                  | Meters     | %           | Meters     | %           | Meters     | %           | Meters     | %           | Meters       | %           | Meters       | %           |
| Florida NW            | 322        | 34%         | 189        | 23%         | 0          | 0%          | 0          | 0%          | 511          | 18%         | 0            | 0%          |
| Florida IV            | 0          | 0%          | 0          | 0%          | 40         | 8%          | 18         | 3%          | 58           | 2%          | 0            | 0%          |
| San Francisco Project | 627        | 66%         | 651        | 77%         | 474        | 92%         | 491        | 97%         | 2,243        | 80%         | 1,382        | 100%        |
| <b>TOTAL DRIFTING</b> | <b>949</b> | <b>100%</b> | <b>840</b> | <b>100%</b> | <b>514</b> | <b>100%</b> | <b>509</b> | <b>100%</b> | <b>2,812</b> | <b>100%</b> | <b>1,382</b> | <b>100%</b> |

Distribution of the development during each quarter of fiscal 2026 and accumulated for fiscal 2026 and fiscal 2025 are as follows:

|                       | Q4         |             | Q3         |             | Q2         |             | Q1         |             | Fiscal 2026  |             | Fiscal 2025  |             |
|-----------------------|------------|-------------|------------|-------------|------------|-------------|------------|-------------|--------------|-------------|--------------|-------------|
| Type of Drifting      | Meters     | %           | Meters     | %           | Meters     | %           | Meters     | %           | Meters       | %           | Meters       | %           |
| Exploration           | 409        | 43%         | 354        | 42%         | 244        | 47%         | 261        | 51%         | 1,268        | 45%         | 540          | 37%         |
| Stope Preparation     | 540        | 57%         | 367        | 44%         | 119        | 23%         | 120        | 24%         | 1,146        | 41%         | 649          | 50%         |
| CAPEX Drifting        | 0          | 0%          | 119        | 14%         | 151        | 30%         | 128        | 25%         | 398          | 14%         | 193          | 13%         |
| <b>TOTAL DRIFTING</b> | <b>949</b> | <b>100%</b> | <b>840</b> | <b>100%</b> | <b>514</b> | <b>100%</b> | <b>509</b> | <b>100%</b> | <b>2,812</b> | <b>100%</b> | <b>1,382</b> | <b>100%</b> |

### *Exploration and Development Activities*

The Company has ongoing exploration and development programs at the Mina Real and San Francisco Properties to identify additional mineralized material that would provide mill feed for operations. Most recently, the Company has hired an additional mining contractor whose area of focus is to work on Mina Real properties. The objective is to increase the tonnes processed. The new contractor has established operations, and tonnes processed are increasing. Mine operating conditions present many challenges and one area where the company plans to focus in fiscal 2027 is processing of mineralized material from its tailing impoundment areas. Since 2007 when operations commenced the manganese content has negatively impacted silver recovery from mineralized material and over the many years of operation the Company has accumulated in its tailing impoundment areas significant tonnage of mineralized material that can be processed through the mill. This mineralized material is already mined, already crushed, and the economic returns merit processing of this material through the Company's upgraded mill, which can now deal with the higher manganese content. The Company is working to finalize a processing plan to process this mineralized material.

### **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 |              |              |
|-------------------------------------------------|---------------------------|--------------|--------------|
|                                                 | 2026<br>\$                | 2025<br>\$   | 2024<br>\$   |
| <b>Operations:</b>                              |                           |              |              |
| Revenues                                        | 25,946,223                | 13,288,820   | 12,699,164   |
| Cost of sales                                   | (21,715,146)              | (13,897,893) | (13,755,653) |
| Depletion and amortization                      | (663,602)                 | (506,270)    | (520,431)    |
| Provision for site restoration                  | (116,708)                 | (118,498)    | (128,911)    |
| Expenses, excluding impairment                  | (4,707,585)               | (635,122)    | (2,793,638)  |
| Impairment of exploration and evaluation assets | (566,470)                 | (450,139)    | (648,030)    |
| Income tax                                      | (848,270)                 | Nil          | Nil          |
| Comprehensive loss                              | (2,671,558)               | (2,319,102)  | (5,147,499)  |
| Basic and diluted loss per share                | (0.06)                    | (0.05)       | (0.11)       |
| Dividends per share                             | Nil                       | Nil          | Nil          |
| <b>Statement of Financial Position:</b>         |                           |              |              |
| Working capital (deficit)                       | (40,803,957)              | (37,609,399) | (14,048,480) |
| Total assets                                    | 12,562,231                | 8,355,401    | 5,640,393    |
| Total non-current liabilities                   | (1,648,650)               | (2,178,463)  | (21,500,105) |

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

| Three Month Period Ending               | Fiscal 2026     |                 |                 |                 | Fiscal 2025     |                 |                 |                 |
|-----------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                                         | May 31/26<br>\$ | Feb 28/26<br>\$ | Nov 30/25<br>\$ | Aug 31/25<br>\$ | May 31/25<br>\$ | Feb 28/25<br>\$ | Nov 30/24<br>\$ | Aug 31/24<br>\$ |
| <b>Operations:</b>                      |                 |                 |                 |                 |                 |                 |                 |                 |
| Revenues                                | 7,345,328       | 8,419,953       | 5,444,855       | 4,736,087       | 3,563,199       | 3,134,337       | 3,197,053       | 3,394,231       |
| Cost of sales                           | (7,209,735)     | (5,835,639)     | (4,649,604)     | (4,020,168)     | (3,416,387)     | (3,386,215)     | (3,658,963)     | (3,436,328)     |
| Depletion and amortization              | (179,832)       | (237,182)       | (147,590)       | (98,998)        | (138,222)       | (123,226)       | (125,032)       | (119,790)       |
| Provision for site restoration          | 7,484           | (42,681)        | (41,491)        | (40,020)        | (29,474)        | (29,216)        | (28,857)        | (30,951)        |
| (Expenses) income, excluding impairment | (758,348)       | (1,159,157)     | (1,473,514)     | (1,316,566)     | (216,959)       | (1,583,793)     | (627,667)       | 1,793,297       |

| Three Month Period Ending                       | Fiscal 2026     |                 |                 |                 | Fiscal 2025     |                 |                 |                 |
|-------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                                                 | May 31/26<br>\$ | Feb 28/26<br>\$ | Nov 30/25<br>\$ | Aug 31/25<br>\$ | May 31/25<br>\$ | Feb 28/25<br>\$ | Nov 30/24<br>\$ | Aug 31/24<br>\$ |
| Impairment of exploration and evaluation assets | (301,889)       | (118,184)       | (42,935)        | (103,462)       | (203,884)       | (103,378)       | (39,847)        | (103,030)       |
| Income tax                                      | (792,905)       | (55,365)        | Nil             | Nil             | Nil             | Nil             | Nil             | Nil             |
| Comprehensive (loss) income                     | (1,889,897)     | 971,745         | (910,279)       | (843,127)       | (441,727)       | (2,091,491)     | (1,283,313)     | 1,497,429       |
| Basic and diluted (loss) income per share       | (0.04)          | 0.02            | (0.02)          | (0.02)          | (0.01)          | (0.04)          | (0.03)          | 0.03            |
| <b>Statement of Financial Position:</b>         |                 |                 |                 |                 |                 |                 |                 |                 |
| Working capital (deficit)                       | (40,803,957)    | (38,633,440)    | (39,594,080)    | (38,681,974)    | (37,609,399)    | (13,188,525)    | (13,564,803)    | (12,441,470)    |
| Total assets                                    | 12,562,231      | 14,090,580      | 11,308,411      | 9,891,547       | 8,355,401       | 7,133,626       | 6,461,088       | 5,017,945       |
| Total non-current liabilities                   | (1,648,650)     | (2,261,224)     | (2,270,286)     | (2,227,275)     | (2,178,463)     | (25,011,512)    | (22,263,621)    | (21,550,810)    |

## Results of Operations

Fluctuation in the Company's comprehensive loss/income for each quarter is influenced mainly by the Company's income (or loss) from operations. Income from operations is affected by the amount of materials processed, the grade of the materials processed and the ability to recovery both silver and gold from the material in addition to fluctuating commodity prices. The Company's expenses and cash requirements will fluctuate from quarter to quarter depending on the level of activity and, therefore, lack some degree of comparability.

### *Three Months Ended May 31, 2026 ("Q4/26") Compared to Three Months May 31, 2025 ("Q4/25")*

During the three months ended May 31, 2026 ("Q4/2026") the Company reported comprehensive loss of \$1,889,897 compared to comprehensive loss of \$441,727 for the three months ended May 31, 2025 ("Q4/2025"), a fluctuation of \$1,448,170. The fluctuation is due to:

- (i) the Company recorded income tax of \$792,905 in Q4/2026 compared to \$nil in Q4/2025; and
- (ii) a \$572,533 fluctuation in foreign exchange from a foreign exchange gain of \$431,249 in Q4/2025 compared to a foreign exchange loss of \$141,284 in Q4/2026.

### *Year Ended May 31, 2026 Compared to Year Ended May 31, 2025*

During the year ended May 31, 2026 ("fiscal 2026") the Company recorded comprehensive loss of \$2,671,558 compared to comprehensive loss of \$2,319,102 for the year ended May 31, 2025 ("fiscal 2025"), an increase in loss of \$352,456. The increase in loss was primarily attributed to a fluctuation in foreign exchange from a gain of \$1,665,473 in fiscal 2025 to a loss of \$1,968,759 in fiscal 2026 due to the significant fluctuation of the Canadian Dollar to the Mexican Peso and United States dollars. The Company's net liabilities are predominantly denominated in Mexican Pesos and United States dollars. The foreign exchange fluctuation was partially offset by the recognition of operating income of \$3,450,767 in fiscal 2026 compared to an operating loss of \$1,233,841 in fiscal 2025.

### *Production*

During fiscal 2026 the Company sold 4,591 gold equivalent ounces and realized revenues of \$5,652 per gold equivalent ounce as compared to the sale of 3,787 gold equivalent ounces and realized revenues of \$3,509 per gold equivalent ounce during fiscal 2025.

The Company's cost of operations per gold equivalent ounce sold during fiscal 2026 was \$4,730 as compared to \$3,670 during fiscal 2025.

Direct operating cost of sales for fiscal 2026 and fiscal 2025 comprise the following:

|                          | 2026<br>\$        | 2025<br>\$        |
|--------------------------|-------------------|-------------------|
| Mine costs               | 9,600,631         | 5,276,414         |
| Mill costs               | 6,052,863         | 3,878,217         |
| Service department costs | 6,061,652         | 4,743,262         |
|                          | <u>21,715,146</u> | <u>13,897,893</u> |

General and administrative expenses of \$1,211,850 were reported for fiscal 2026 compared to \$980,546 during fiscal 2025, an increase of \$231,304. A summary of expenses is as follows:

|                                   | 2026<br>\$       | 2025<br>\$     |
|-----------------------------------|------------------|----------------|
| Accounting and administrative     | 51,350           | 54,920         |
| Audit                             | 95,350           | 92,750         |
| Director and officer compensation | 337,300          | 268,626        |
| Legal                             | 22,616           | 26,902         |
| Office                            | 305,923          | 202,958        |
| Professional fees                 | 12,410           | -              |
| Regulatory fees                   | 9,616            | 9,119          |
| Salaries and benefits             | 341,979          | 301,722        |
| Shareholder costs                 | 3,448            | 1,085          |
| Transfer agent fees               | 8,835            | 4,273          |
| Travel                            | 23,023           | 18,191         |
|                                   | <u>1,211,850</u> | <u>980,546</u> |

### *Exploration and Evaluation Assets*

During fiscal 2026 the Company incurred \$566,470 (2025 - \$450,139) 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 until the concession is returned to the owners. The Company also recorded an offsetting impairment charge of \$566,470 (2025 - \$450,139) to reflect management's determination to fully impair the Santa Fe property. During fiscal 2026 the Company made partial payments of US \$280,000 and as at May 31, 2026 US \$70,000 remained unpaid.

### *Property, Plant and Equipment*

|                                                    | Mineral<br>Properties<br>\$ | Land<br>\$         | Buildings<br>\$    | Mill and<br>Mine<br>Equipment<br>\$ | Construction<br>in<br>Progress<br>\$ | Total<br>\$         |
|----------------------------------------------------|-----------------------------|--------------------|--------------------|-------------------------------------|--------------------------------------|---------------------|
| <b>Cost:</b>                                       |                             |                    |                    |                                     |                                      |                     |
| 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 31, 2025                              | 33,934,944                  | 2,692,313          | 3,566,241          | 7,849,386                           | 2,043,575                            | 50,086,459          |
| Additions                                          | -                           | 294,038            | -                  | 425,995                             | 299,544                              | 1,019,577           |
| Transfer                                           | -                           | -                  | -                  | 2,343,119                           | (2,343,119)                          | -                   |
| ARO revision                                       | -                           | -                  | -                  | (564,751)                           | -                                    | (564,751)           |
| Disposal                                           | -                           | -                  | -                  | (6,206)                             | -                                    | (6,206)             |
| Balance, May 31, 2026                              | <u>33,934,944</u>           | <u>2,986,351</u>   | <u>3,566,241</u>   | <u>10,047,543</u>                   | <u>-</u>                             | <u>50,535,079</u>   |
| <b>Accumulated depletion<br/>and amortization:</b> |                             |                    |                    |                                     |                                      |                     |
| 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                              | (33,934,944)                | (2,692,313)        | (3,323,722)        | (7,276,819)                         | -                                    | (47,227,798)        |
| Depletion and amortization                         | -                           | -                  | (48,377)           | (399,901)                           | -                                    | (448,278)           |
| Balance, May 31, 2026                              | <u>(33,934,944)</u>         | <u>(2,692,313)</u> | <u>(3,372,099)</u> | <u>(7,676,720)</u>                  | <u>-</u>                             | <u>(47,676,076)</u> |
| <b>Carrying value:</b>                             |                             |                    |                    |                                     |                                      |                     |
| 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>    |
| Balance, May 31, 2026                              | <u>-</u>                    | <u>294,038</u>     | <u>194,142</u>     | <u>2,370,823</u>                    | <u>-</u>                             | <u>2,859,003</u>    |

Development and production activities conducted during fiscal 2026 are described in "Property Update" in this MD&A.

## *Financings*

During fiscal 2026 and 2025 the Company did not complete any equity financings.

## **Financial Condition / Capital Resources**

As at May 31, 2026, the Company had a working capital deficit of \$40,803,957 however excluding amounts due to directors and affiliates, the working capital deficit is \$16,337,466. 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 has now completed the initial phase of its 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.

The Company has been involved in an ongoing dispute on the Santa Fe property. As of May 31, 2026 the Company has recorded US \$70,000 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, 2026 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 2026 and 2025 the following amounts were incurred:

|                                | 2026<br>\$     | 2025<br>\$     |
|--------------------------------|----------------|----------------|
| Professional fees - Mr. DeMare | 66,480         | 55,980         |
| Professional fees - Mr. Luna   | 180,000        | 135,000        |
| Professional fees - Mr. Silva  | 24,820         | 25,146         |
|                                | <u>271,300</u> | <u>216,126</u> |

As at May 31, 2026 \$1,641,863 (2025 - \$1,390,977) remained unpaid.

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

(b) *Transactions with Other Related Parties*

- (i) During fiscal 2026 and 2025 the following amounts were incurred with respect to non-management directors (Marc Cernovitch, Joseph Keane and Michael Magrum) and the Corporate Secretary (Harvey Lim) of the Company:

|                                    | 2026<br>\$    | 2025<br>\$    |
|------------------------------------|---------------|---------------|
| Professional fees - Mr. Cernovitch | 18,000        | 13,500        |
| Professional fees - Mr. Keane      | 18,000        | 13,500        |
| Professional fees - Mr. Magrum     | 18,000        | 13,500        |
| Professional fees - Mr. Lim        | 12,000        | 12,000        |
|                                    | <u>66,000</u> | <u>52,500</u> |

As at May 31, 2026 \$318,500 (2025 - \$272,500) remained unpaid.

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

- (ii) During fiscal 2026 the Company incurred a total of \$51,350 (2025 - \$54,920) 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, 2026 \$nil (2025 - \$3,500) remained unpaid.

During fiscal 2025 the Company also recorded \$8,900 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, 2026 \$882,433 (2025 - \$881,121) of principal is due to Mr. Luna and \$74,785 (2025 - \$74,568) 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, 2026 \$3,688,354 (2025 - \$3,845,175) of principal is due to Mr. Luna and \$100,761 (2025 - \$31,771) 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, 2026 Mr. Luna holds \$202,000 (2025 - \$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, 2026 \$1,296,812 (2025 - \$1,296,812) of principal and \$1,587,438 (2025 - \$1,470,725) 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, 2026 \$672,830 (2025 - \$1,320,768) of principal is due to Mr. Luna.
- (h) See also "Financial Condition / Capital Resources".

## **Provisions**

- (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, 2026, has accrued a provision of \$750,000 (2025 - \$750,000) included in accounts payable and accrued liabilities.

The Company had pledged the Mexican office building as collateral and has paid an initial cash deposit of \$210,000 related to the ongoing litigation with the Mexican state of Nayarit's Secretary of Administration and Finance. On July 6, 2026 the Company paid a further cash deposit of \$625,000 and the collateral on the building was removed.

- (b) The Company has only made partial government concession payments and accrued carrying charges on its concessions. As at May 31, 2026 \$7,509,171 (2025 - \$5,834,430) of government concession payments remained unpaid and are included in accounts payable and accrued liabilities.

The Company has made arrangements to agreed upon on-going payments to the government. Non-payment of concession fees may result in the revocation of the Company's concessions, and although no notice of revocation has been received, this presents uncertainty as to the Company's continued ownership of its concessions.

## **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 28, 2026, there were 48,044,125 issued and outstanding common shares and share options to acquire 3,814,000 common shares of the Company at an exercise price of \$0.05 per common share on or before February 21, 2029.