DEFIANCE SILVER CORP.

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE THREE MONTHS ENDED
SEPTEMBER 30, 2024

Introduction

The following Interim Management's Discussion and Analysis ("**MD&A**") is an overview of all material information about Defiance Silver Corp. (the "**Company**" or "**Defiance**") operations, liquidity and capital resources for the three months ended September 30, 2024. The interim MD&A should be read with the unaudited condensed consolidated interim financial statements for the three months ended September 30, 2024, and the related notes contained therein which have been prepared under International Accounting Standard 34 – Interim Financial Reporting as issued by the International Accounting Standards Board. The following should also be read in conjunction with the audited consolidated financial statements for the year ended June 30, 2024, and the related notes contained therein which have been prepared under International Financial Reporting Standards ("IFRS"), and all other disclosure documents of the Company. All amounts are stated in Canadian dollars unless otherwise indicated. The information contained herein is not a substitute for detailed investigation or analysis on any particular issue. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com and the Company's website at www.defiancesilver.com. The effective date of this MD&A is November 27, 2024.

All financial information in this MD&A has been prepared in accordance with IFRS Accounting Standards and all dollar amounts are quoted in Canadian dollars, the reporting and functional currency of the Company, unless specifically noted.

Going Concern

These consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since its inception and the ability of the Company to continue as a going concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Management is actively targeting sources of additional financing through other business and financial transactions which would assure continuation of the Company's operations and exploration programs. At September 30, 2024, the Company had cash and cash equivalents of $986,780 (June 30, 2024 - $265,834) and a working capital of $525,973 (June 30, 2024 - $480,489 deficit). The Company's continuation as a going concern is dependent upon the successful results from its exploration activities and its ability to attain profitable operations and generate funds therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations. Although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Forward-Looking Statements

Except for historical information, this MD&A may contain forward-looking statements. The statements involve known and unknown risks, uncertainties, and other factors that may cause the Company's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievement expressed or implied by these forward-looking statements.

The factors that could cause actual results to differ materially include, but are not limited to, the following: general economic conditions; changes in financial markets; the impact of exchange rates; political conditions and developments or criminal activity in countries in which the Company operates; changes in the supply, demand and pricing of the metal commodities which the Company hopes to find and successfully mine; changes in regulatory requirements impacting the Company's operations; the sufficiency of current working capital and the estimated cost and availability of funding for the continued exploration and development of the Company's exploration properties.

This list is not exhaustive and these and other factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. As a result of the foregoing and other factors, no assurance can be given as to any such future results, levels of activity or achievements and neither the Company nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements (except as required by applicable law). The Company does not assume the obligation to update any forward-looking statement.

Description of Business

The Company is a publicly listed company on the TSX Venture Exchange ("TSX-V") trading under the symbol DEF. The Company is an exploration-stage company and engages principally in the acquisition and exploration of exploration and evaluation assets primarily in Mexico. To date, equity financings and short-term loans have provided the main source of financing.

The recovery of the Company's investment in its mineral rights is dependent upon the discovery of economically recoverable mineral reserves and the ability to raise sufficient capital to finance these operations. The ultimate outcome of these operations cannot presently be determined because they are contingent on future matters.

Liquidity

The Company is in the acquisition and early exploration stage and therefore has no incoming cash flows from operations. At September 30, 2024, the Company had cash and cash equivalents of $986,780 (June 30, 2024 - $265,834) and a working capital of $525,973 (June 30, 2024 - $480,489 deficit).

In July 2024, the Company closed a non-brokered private placement by issuing 16,113,075 units at a price of $0.20 per unit for gross proceeds of $3,222,615. Each unit consists of one common share and one-half of one common share purchase warrant. Each Warrant is exercisable to purchase one common share at a price of $0.35 per share for a period of two (2) years following the date of issuance of the warrants.

At present, the Company's operations do not generate positive cash flows and its financial success is dependent on management's ability to discover economically viable mineral deposits. The mineral exploration process can take many years and is subject to factors that are beyond the Company's control.

The Company is considered to be in the exploration and evaluation stage. Thus, it is dependent on obtaining regular financings in order to continue its exploration and evaluation programs. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. The Company's cash is invested in business accounts with quality financial institutions, is available on demand for the Company's programs, and is not invested in any asset backed commercial paper.

Overall Performance/Significant Events

Significant events

- On October 31, 2024, the Company through its wholly owned subsidiary, Minera Santa Remy S.A., has, at the Vendor's request, agreed to extend the term of its option to acquire 100% of the San Acacio property in the Zacatecas district. As a result of this amendment, the scheduled payment due September 27, 2024, has now been changed to December 31, 2024. There were no changes to the economic terms of the option agreement.
- On October 31, 2024, the Company announced that it had acquired six (6) licenses spanning 636.25 hectares for USD$20,000 + VAT. The acquisition of these licenses is part of our exploration program at Tepal. Based on the interpretation of regional airborne magnetics, our technical team believes the structural controls of the porphyry style Au-Cu-Mo mineralization in the Tepal project extends

to these newly acquired concessions. Public domain information from the SGM (Geologic Survey of Mexico) indicates the presence of anomalous concentrations of gold and copper. Previous works performed by the vendor also identified similar anomalies.

- On October 31, 2024, the Company has entered into an investor relations service agreement ("the Agreement") with an arm's length party, San Diego Torrey Hills Capital Inc. ("Torrey Hills"), starting on November 1st, 2024 to perform services for the Company, including investor relations activities, as defined in accordance with the policies of the TSXV and applicable securities laws. Pursuant to the agreement, Torrey Hills will receive a monthly payment of USD$5,000 for a minimum term of four (4) months.
- On July 1, 2024, the Company engaged an arm's length party, AXINO Media GmbH ("AXINO") to perform services for the Company, including investor relations activities, as defined in accordance with the policies of the TSX Venture Exchange and applicable securities laws.
- On April 15th, 2024, the Company reported on the delineation of high-grade polymetallic and precious metal systems on the Lucita property.
- On February 15, 2024, the Company received the favourable ruling of the Mexican Court to restore its rightful ownership to the mining concessions forming part of the Tepal Project. In its judgement, the Court notably confirmed the nullity of the transfer of the concessions, ordered the cancellation of such transfer title and recognized Geologix Explorations Mexico, S.V de C.A, a subsidiary of the Company, as legitimate and the rightful owner of the concessions.
- On February 2, 2024, following a continuous disclosure review by the British Columbia Securities Commission, the Company issued a news release to clarify some of its technical disclosure relating to its current technical reports for its Tepal and San Acacio projects (see the Company's February 2, 2024 news for more details). As a result of this review, the Company announced its intention to file an amended technical report for the Tepal project and a new technical report for the San Acacio project. On the Tepal project, after consultation with its technical advisors, some of whom participated in the preparation of the original technical report, the Company has concluded that it will be incapable of providing an amended report given that some of the sections requiring amendments were prepared by persons who are no longer Qualified Persons under National Instrument 43- 101 – Standards of Disclosure for Mineral Projects. In light of this regrettable situation beyond its control, the Company has worked with its technical advisors to prepare a new technical report that will replace the current report for its Tepal and San Acacio projects. The Company has completed and submitted both technical reports for Tepal and San Acacio projects for the review by the British Columbia Securities Commission.
- On January 15, 2024, the Company announced the results of the 2023 San Acacio diamond drill program, which returned wide intervals of well-developed silver, zinc, and lead mineralization with elevated gold and copper values. This release contains results from DDSA-23-67 through DDSA-23-72. Defiance drilled 33.76m of 104.99 g/t Ag and 0.31 g/t Au along with 0.97% Pb and 1.80% Zn in hole DSA23-70 and encountered increasing Cu grades at San Acacio Project.
- On January 11, 2024, the Company has successfully restructured the option to acquire 100% of the San Acacio Silver Project. The project vendor has agreed to extend the option agreement terms by one year from September 27, 2023 to September, 27, 2024. The Company will now be making quarterly payments, over the year, to the property vendor totaling US$539,721.51, with the final option payment of US$2,300,000 due September 27, 2024. In accordance with the original agreement, the vendor retains a 2.5% NSR which may be purchased for US$2,500,000.

- On January 10, 2024, the Company acquired 100% ownership of the Lucita Property from Pan American Silver Corp. (“Pan American”), while Pan American retains a 2% NSR. The option terms included an initial payment of US$100,000 upon signing; US$100,000 on or before the first-year anniversary; US$500,000 on or before the second-year anniversary; and a final payment of US$800,000 on or before the third-year anniversary. The terms were successfully completed as of December 2023 with total payments of US$1,500,000 being made.
- On October 24, 2023, the Company appointed George Cavey P.Geo, to its Board of Directors replacing Dunham L. Craig. The Company announced that Dunham L. Craig has resigned as a director of the Company effective October 12, 2023, so that he can focus his efforts on other commitments.

Exploration and Evaluation Assets Review

Minera Santa Remy SA de CV Projects

<u>*Qualified Person*</u>

The review of the Minera Santa Remy SA de CV Projects for the periods October 2011-October 2019 was prepared by the geological staff under the supervision of Bruce Winfield, P.Geo., a Consultant of the Company, and a Qualified Person (“QP”) as defined by National Instrument 43-101 (Standards of Disclosure for Exploration and Evaluation Projects).

Subsequent to November 1, 2019, the review of the Minera Santa Remy SA de CV Projects has been prepared by the geological staff under the supervision of George Cavey, P.Geo., Vice President of Exploration for the Company and a Consultant of the Company, and a Qualified Person (“QP”) as defined by National Instrument 43-101 (Standards of Disclosure for Exploration and Evaluation Projects) and has approved the technical information concerning the Company’s material mineral properties contained in the disclosure document. He has verified that the data disclosed is in accordance with the published results of the reports described exploration plans of the San Acacio, Lagartos and Lucita Projects.

The Company currently has the right to acquire an interest in two properties, the San Acacio property, and the Lucita Property both located in Zacatecas State, Mexico, through the San Acacio purchase option agreement and the Lucita purchase option agreement. The company owns the Lagartos licenses 100% outright through a purchase agreement with MAG Silver.

San Acacio Property

The Company entered into an option agreement on October 24, 2011, subsequently the subject of several amendments, with the Mexican owners (“the Vendors”) for an option to purchase a 100% interest in the San Acacio property consisting of 10 mining concessions and associated surface rights and tailings. The San Acacio property is located approximately 6.5 km north of the city of Zacatecas, Mexico.

During the year ended June 30, 2020, the Company renegotiated and extended the terms of its San Acacio Silver Project option agreement by three years from September 27, 2020, to September 27, 2023. In addition, 80% of the option payments due before March 27 and June 27, 2020, were deferred as a part of this extension. The Company will make quarterly payments, over three years, to the property vendor. Below is the schedule of payments as at September 30, 2024:

	Letter Of Intent Payment	Option Payment	Lease Payment	Interest Payment	Total	
By September 27, 2012	USD 25,000	USD -	USD -	USD -	USD 25,000	(paid)
By September 27, 2013	-	250,000			250,000	(paid)
By September 27, 2014	-	-	150,000		150,000	(paid)
By September 27, 2015	-	-	225,000		225,000	(paid)
By September 27, 2016	-	100,000	150,000		250,000	(paid)
By September 27, 2017	-	200,000	150,000		350,000	(paid)
By September 27, 2018	-	600,000	150,000		750,000	(paid)
By September 27, 2019	-	600,000	200,000	107,600	907,600	(paid)
By September 27, 2020	-	500,000	100,000	-	600,000	(paid)
By September 27, 2021	-	400,000	283,334	86,063	769,397	(paid)
By September 27, 2022	-	400,000	283,333	76,063	759,396	(paid)
By September 27, 2023	-	400,000	283,333	66,063	749,396	(paid)
By December 27, 2023	-	-	137,500	185,661	323,161	(paid)
By March 27, 2024	-	-	68,750	39,530	108,280	(paid)
By June 27, 2024	-	-	68,750	39,530	108,280	(paid)
On December 31, 2024	-	2,300,000	-		2,300,000	
Total	USD 25,000	USD 5,750,000	USD 2,250,000	USD 600,510	USD 8,625,510	

The property is subject to a 2.5% net smelter return royalty ("NSR") payable to the vendors on production from the property. The Company will have the right to purchase the NSR at any time for US$2,500,000 which will escalate with the official Mexican Inflation Index after a five-year period. Should the agreement be terminated prior to September 27, 2023, a break fee equal to 5% of the outstanding option balance shall be paid to the property vendor.

Following the first anniversary of the purchase of the Assets, the Company must make minimum annual royalty payments of US$125,000. The minimum royalty commitment terminates in the event that the production royalty paid is equal to or higher than the equivalent to the minimum that would have been due during six consecutive months.

During the year ended June 30, 2024, the Company has restructured the option to acquire 100% of the San Acacio property in the Zacatecas district. The project vendor has agreed to extend the option agreement terms by one year from September 27, 2023 to September, 27, 2024. The Company will make quarterly payments, over the year, to the property vendor totalling US$539,722, with the final option payment of US$2,300,000 due September 27, 2024. In accordance with the original agreement, the vendor retains a 2.5% NSR which may be purchased for US$2,500,000.

Subsequent to September 30, 2024, the Company and the Vendors mutually agreed and extended the term of its San Acacio Silver Project option agreement. As a result of this amendment, the scheduled payment due by September 27, 2024 was moved to December 31, 2024. In the event of an extension after December 31, 2024 and the parties agree on new terms, the Company shall pay, upon signing of such extension, USD $500,000. The amendment was signed by both parties and is pending the notarized and ratification to become fully executed.

The property is subject to a 2.5% NSR payable to the vendors on production from the property. The Company will have the right to purchase the NSR at any time for US$2,500,000 which will escalate with the official Mexican Inflation Index after a five-year period.

The Veta Grande vein, which pinches and swells along strike, produced approximately 200M ounces of silver from high-grade shoots in the swells, with an estimated 100M ounces of silver from high-grade shoots on

Defiance's portion of the Veta Grande (Reference R. Burk, July 1994, Summary of Property Evaluation Veta Grande, San Acacio for Minera Teck S.A. de C.V.). Mapping, mineralogical studies and drilling to date indicate that the pinching and swelling continues along strike and the mineralized system hosting the San Acacio deposit is tilted to the southeast. With only a few shallow historic exploration shafts and minor modern exploration, there is significant potential for the discovery of multiple intact, high grade silver shoots in this area. Over 4.4 km of Defiance's 5.6 km holdings along the Veta Grande vein have not seen historical production nor been systematically explored, providing Defiance the opportunity to potentially grow the resource along strike.

Surface rights agreements

In August 2014, the Company obtained authorization to temporarily occupy and explore certain land holdings on the San Acacio property. In order to keep the agreement in good standing, the Company is required to make semi-annual payments during the exploration phase and the development phase. The agreement will be valid for twenty years with the option to extend in the future. During the year ended June 30, 2022, the Company entered into a land purchase agreement to purchase the certain land holdings on the San Acacio property. The Company acquired the land for $385,057 (6,183,000 Mexican peso).

On February 27, 2015, the Company entered into a Surface Rights Agreement with the Ejido called "Sauceda de la Borda", Municipality of Vetagrande, State of Zacatecas, for the right to occupy and perform exploration work on common use lands of such Ejido, specifically 681.00 Hectares. The Company had the authorization to explore the surface of the property for a term of three years which could be extended for an additional three years at the Company's choice, by making annual advance payments and by paying a one-time fee on the execution of the agreement.

On February 26, 2018, the Company exercised its right to extend the term of the agreement above mentioned for an additional three years by making a one-time payment and was required to make semi-annual payments. All required payments have been made.

On March 30, 2021, the Company entered into an Agreement to extend the Surface Rights Agreement with the Ejido called "Sauceda de la Borda", Municipality of Vetagrande, State of Zacatecas, where it was agreed that the Company could continue with its exploration works exclusively in the Ejido's lands for three additional years, being the Surface Rights Agreement valid until March 12, 2024. During the year ended June 30, 2024, the Company extended the Surface Rights Agreement for a term of three additional years.

On August 13, 2021, the Company entered into a Temporary Occupancy and Right of Way Agreement in common use lands for exploration with the Rural Fractioning (Fraccionamiento) "Fraccionamiento Sauceda de la Borda", Municipality of Vetagrande, State of Zacatecas, in which the Company is authorized to temporarily use a certain part of its land, exclusively for mining exploration works. This agreement is valid until August 13, 2026.

On March 31, 2023, the Company entered into a Surface Rights Agreement with the Ejido called "Panuco", Municipality of Panuco, State of Zacatecas, for the right to occupy and perform exploration work on common use lands of such Ejido. The Company had the authorization to explore the surface of the property for a term of five years which could be extended for an additional five years at the Company's choice, by making annual advance payments and by paying a one-time fee on the execution of the agreement.

Property Background

The San Acacio mining concessions control approximately 5.6 kilometers of the 8.5-kilometer-long Veta Grande vein system, one of the three major vein systems within the Zacatecas Silver District that has produced over 700 million ounces of silver since 1548. Veta Grande is a classic epithermal silver rich vein system with accessory gold and base metal credits. The San Acacio Deposit has been exploited over a strike length of 1.2 kilometer to an approximate depth of 200 meters. Three shallow exploration shafts were also made prior to 1910 along the vein for an additional 900 meters along strike to the southeast. The structure, which is believed to exist over a further 3.5 kilometers of strike length to the southeast, has not had any modern exploration.

On January 15th, 2015, the Company announced a new resource estimation (Giroux and Cuttle, Sept 26, 2014) with additional ounces of silver (AgEq) as well as significantly higher grade (AgEq). On Feb 2, 2024, the BCSC determined that there were some deficiencies in the 2014 NI43-101 technical report and asked the Company to correct those deficiencies. Therefore the 2014 resource estimate is no longer considered current. A new technical report has been commissioned.

Since the date of the Giroux and Cuttle report and from a period of Dec 2014 through to Dec 2017, Defiance drilled 32 additional diamond drill holes for a total of 10,194m. These holes tested the Veta Grande vein system; at depth beneath the resource area as defined by older resource estimates as well as along strike beyond the limits of the other resource estimates, a number of holes intercepted encouraging mineralization below the limits of the previous resource estimates.

In December 2020, the Company commenced a new drill program and since that time has intercepted many mineralized intervals below the historic resource that will be incorporated into a future resource estimate.

The Company continued with its diamond drill program in 2022 and 2023.

On March 16th, 2023, the Company provided the final results from seven drill holes drilled during the 2022 drill program. These holes were designed to improve the main Veta Grande structural model and to test splays to the Veta Grande system, including the footwall San Herculano structure.

Note: At this stage of the project, reliable metallurgy has yet to be completed, and the reader is cautioned that 100% recoveries are never achieved. Typical metals recoveries for other silver deposits in the area are in the 85-95% range. Therefore, all silver equivalent AgEq numbers must be reduced to reflect the 85-95% recoveries. True thickness is assumed to be 50%-80% of downhole width.

Highlights of Results

- DDSA-22-62 – Encountered a base metal rich portion of the Veta Grande structure, returning 2.58m of 423 g/t AgEq (from 213.40m to 215.98m) within a wider 11.22m intercept of 152 g/t AgEq (from 205.15m to 216.37m).
- DDSA-22-61 – Returned 1.49m of 399 AgEq (from 231.28m to 232.77m) within a wider interval of 4.97m of 142 g/t AgEq (from 230.04m to 235.01m). This hole tested up dip of historical holes SAD-15-09 and SAD-15-10, and below hole DDSA-22-59 (2.42m of 123 g/t AgEq, reported in this release). Historic workings were encountered higher in the hole, while drilled mineralization occurred between the main VG structure and a hanging wall splay.
- DDSA-22-60 – Returned 6.98m of 114 g/t AgEq (from 31.10m to 38.08m) on the Veta Grande and encountered historic workings from a downhole depth of 33.25m to 34.75m.
- DDSA-22-59 – From surface returned 9.57m of 175 AgEq (from 1.38m to 10.95m). This hole drilled reportable grade in three locations: surface waste dumps, the main Veta Grande structure, and possible San Herculano structure. In-situ vein material from Veta Grande grades 2.42m of 123 g/t AgEq (from 27.30m to 29.72m).

Discussion of Results

On June 7th, 2023, the Company released the drill results from drill holes DDSA-23-64, DDSA-23-65, DDSA-23-66 and 66A. Drilling encountered the highest-grade and widest-width mineralization ever drilled at the San Acacio project. Drill hole DDSA-23-66 returned the widest width drilled to date: 41.83 m of 157.30 g/t Ag (from 225.60 m to 267.43 m) including 15.96 metres of 379.90 g/t Ag (from 251.47 m to 267.43 m). Within this interval is a sub-interval grading 5510 g/t Ag or 6014 g/t AgEq from 265.54 m to 265.80 m.

Highlights of Results

- DDSA-23-66 – Returned the widest width and highest grade that the company has drilled to date at the Zacatecas District project. Drilling returned an intercept of 41.83 m (from 225.60 m to 267.43 m) of 157.30 g/t Ag or 169 g/t AgEq. This interval returned high-grade sub-intervals including 15.96 m (from 251.47 m to 267.43 m) of 379.90 g/t Ag or 407 g/t AgEq. Included in this intercept is 3.43 m (from 251.47 m to 254.90 m) of 653.38 g/t Ag or 684 g/t AgEq and 1.00 m (from 264.80 m to 265.80 m) of 2350 g/t Ag or 2500 g/t AgEq with a very high-grade sub-interval from 265.54 m to 265.80 m of 5510 g/t Ag or 6014 g/t AgEq. This hole encountered historical workings in two locations (from 238.60 m to 240.00 m and 254.90 m to 260.30 m) for which a zero value was applied to the composited results. Additional drilling in this area is planned to follow up on these exceptional results.
- DDSA-23-66A – Intercepted 9.86 m of 98.52 g/t Ag (from 260.00 m to 269.86 m) or 116 g/t AgEq, including an interval of 1.54 m of 467.40 g/t Ag (from 264.34 m to 265.88 m) or 529 g/t AgEq.
- DDSA-23-64 – Encountered two significant zones of appreciable silver grade: 4.80 m of 349.37 g/t Ag (from 236.72 m to 241.52 m) or 376 g/t AgEq including 1.32 m of 1264 g/t Ag (from 239.07 m to 240.39 m) or 1358 g/t AgEq and 3.21 m of 200.05 g/t Ag (from 256.22 m to 259.43 m) or 243 g/t AgEq.

Discussion of Results

Defiance undertook a DDSA-23-64 was drilled near the northwest boundary of the San Acacio property to test and better define hanging wall veinlet zones that typically contain high-grade silver in this part of the property. Three hanging wall veinlet zones with silver mineralization, including two with appreciable width, were intersected in this hole. These intercepts and their structural data will be used to constrain the mineralized hanging wall zones for the upcoming resource update.

The upper zone from 218.84 m to 220.47 m returned 136.44 g/t Ag or 152 g/t AgEq, while the lower zones intersected 4.80 m of 349.37 g/t Ag (from 236.72 m to 241.52 m) or 376 g/t AgEq including 1.32 m of 1264 g/t Ag (from 239.07 m to 240.39 m) or 1358 g/t AgEq and 3.21 m of 200.05 g/t Ag (from 256.22 m to 259.43 m) or 243 g/t AgEq within a wider zone of 4.65m of 144.63 g/t Ag or 158 g/t AgEq (from 255.38 m to 260.03 m). The main Veta Grande structure was intersected at 392.54 m, and while mineralized, contained lower grades than the hanging-wall splays.

DDSA-23-65 was drilled in the central zone of the San Acacio resource area and specifically targeted an apparent high-grade hanging wall structure previously tagged in an historical underground drill hole. Hole DDSA-23-65 intersected several splay zones, including 1.12 m at 101 g/t AgEq from 452.95 m to 454.07 m. Historical drilling appears to have drilled along a narrow splay zone rather than perpendicular to the splay structure. Additionally, the Veta Grande structure was encountered below these splay zones and intersected a zone of anomalous silver including 1.50 m at 100 g/t AgEq.

DDSA-23-66 was drilled in the eastern portion of the San Acacio resource area near the zone with the deepest known historical workings. This hole was designed as an infill hole within the resource area and a structural hole to increase the confidence of both the locations and grades of the hanging wall splays and the Veta Grande structure in this zone. High grades were encountered in both the hanging wall splays and in the Veta Grande structure itself. This hole drilled the widest mineralized interval and the highest silver grade to date in historical and recent diamond drilling at San Acacio.

Several historical workings within the reported intervals were encountered in this hole (from 238.60 m to 240.00 m and from 254.90 m to 260.30 m); regardless, the grades and widths intersected in this hole support the hypothesis that significant mineralized material and bonanza grades remain within the historical San Acacio mine area. The reported interval includes 41.83 m (from 225.60 m to 267.43 m) of 157.30 g/t Ag or 169 g/t AgEq, and several sub-intervals, as highlighted above, including 15.96 m (from 251.467 m to 267.43 m) of 379.90 g/t Ag or 407 g/t AgEq, and a very high-grade sub-interval from 265.54 m to 265.80 m of 5510 g/t Ag or 6014 g/t AgEq. Metal values for the composited intervals that include the empty historic workings were calculated using zero grade for the downhole widths that returned no material. The hole was lost in an old mine tunnel beneath the Veta Grande at 297.10 m and re-entered as DDSA-23-66A.

DDSA-23-66A is the continuation of DDSA-23-66, with core drilling started from 260 m down hole, bypassing the working where DDSA-23-66 was lost. This hole intersected a similar interval of the main Veta Grande structure and high-grade footwall veinlets, with 9.86 m of 98.52 g/t Ag (from 260.00 m to 269.86 m) or 116 g/t AgEq and includes an interval of 1.54 m of 467.40 g/t Ag (from 264.34 m to 265.88 m) or 529 g/t AgEq.

Table of Results

Hole	From (m)	To (m)	Interval (m)	Ag g/t	Au g/t	Pb %	Zn %	AgEq g/t
DDSA-23-64	218.84	220.47	1.63	136.44	0.10	0.06	0.20	152
DDSA-23-64	236.72	241.52	**4.80**	**349.37**	0.14	0.14	0.35	**376**
Including	239.07	240.39	**1.32**	**1264.42**	**0.52**	0.51	**1.20**	**1358**
DDSA-23-64	255.38	260.03	**4.65**	**144.63**	0.08	0.04	0.18	**158**
Including	256.22	259.43	**3.21**	**200.05**	0.09	**1.07**	0.21	**243**
Including	258.59	259.43	0.84	**728.00**	0.32	0.17	0.72	**781**
DDSA-23-659	452.95	454.07	1.12	64.94	0.18	0.15	0.54	101
DDSA-23-65	611.50	613.00	1.50	85.06	0.11	0.04	0.14	100
DDSA-23-66	216.84	217.85	1.01	**237.02**	0.07	0.02	0.04	**245**
DDSA-23-66	225.60	267.43	**41.83**	**157.30**	0.07	0.05	0.16	**169**
Including	251.47	267.43	**15.96**	**379.90**	0.15	0.12	0.37	**407**
Including	251.47	254.90	**3.43**	**653.38**	0.24	0.10	0.28	**684**
Including	264.80	265.80	1.00	**2350.20**	**0.51**	0.77	**2.78**	**2500**
Including	265.54	265.80	0.26	**5510.00**	**1.51**	**2.63**	**9.86**	**6014**
DDSA-23-66A	260.00	269.86	**9.86**	98.52	0.10	0.08	0.24	**116**
DDSA-22-63								**0**
Including	264.34	269.86	**5.52**	**144.39**	0.11	0.09	0.33	**166**
Including	264.34	265.88	1.54	**467.40**	0.29	0.28	0.96	**529**

Table 1. Silver equivalent is calculated using the following formula: Silver-Equivalent (AgEq) = [(Au_ppm x 64.18635)+(Ag_ppm x 0.784156)+(Pb_ppm x 20.94389)+(Zn_ppm x 24.69174)]/ 0.784156. Metal price assumptions are Au: $1996.42, Ag: $24.39, Pb: $0.95, Zn: $1.12. A 30-day metal price average is used to determine USD metal prices, and 100% recovery has been assumed for all metals. At this stage of the project, reliable metallurgy has yet to be completed, and the reader is cautioned that 100% recoveries are never achieved. Typical metals recoveries for other silver deposits in the area are in the 85-95% range. Therefore, all silver equivalent AgEq numbers must be reduced to reflect the 85-95% recoveries. True thickness is assumed to be 50%-80% downhole width.

On October 2nd, 2023, the Company reported the results from new sampling of historic drill core which has revealed previously unrecognized zones with high grade and wide widths within the San Acacio project area. Significant results are reported in holes SAD-15-05, SAD-15-06, SAD-15-07, SAD-15-08, SAD-17-14, SAD-17-15, and SAD-17-16; these holes were drilled during the 2015 and 2017 drilling campaigns. Notable silver mineralization over wide widths was encountered.

Highlights of Results:

- SAD-17-14 – discovered wide widths of appreciable grades including 6.83m of 157 g/t AgEq (from 283.2 – 290.04m) including 2.30 m of 376 g/t AgEq (from 284.65 – 286.95m) with a high-grade sub interval of 1180 g/t Ag and 2.23 g/t Au or 1369 g/t AgEq (from 284.65 – 285.00m).
- SAD-17-15 – returned a significant interval of silver mineralization of 36.70m of 154.80 g/t Ag or 162 g/t AgEq (from 191.30 – 228.00m) when composited with the previously released results (See October 25th, 2017 News Release). Other notable results in this wide interval include 6.81m of 296 g/t AgEq (from 203.01 – 209.82m), including a high-grade sub-interval of 629 g/t AgEq over 2.82m (from 207.00 – 209.82m). A further wide sub-interval of 15m of 137.91 g/t Ag or 145 g/t AgEq was encountered from 213.00 – 228.00m.
- SAD-17-16 – encountered 2.31m of 202 g/t AgEq (from 219.40 – 221.71m) in the Veta Navidad zone.

Table of Results

Hole ID	From (m)	To (m)	Interval (m)	Ag g/t	Au g/t	Pb %	Zn %	AgEq g/t
SAD-15-05	98.00	99.00	1.00	**98**	**0.10**	**0.01**	**0.03**	**107**
SAD-15-05	105.15	109.80	4.65	**91**	**0.15**	**0.08**	**0.28**	**114**
Including	105.15	106.00	0.85	308	0.06	0.05	0.16	319
SAD-15-05	127.76	130.48	2.72	**153**	**0.02**	**0.05**	**0.13**	**161**
SAD-15-06	155.00	157.50	2.50	**118**	**0.08**	**0.03**	**0.04**	**127**
SAD-15-07	156.35	157.47	1.12	**235**	**0.30**	**0.07**	**0.16**	**267**
SAD-15-07	166.07	169.84	3.77	**89**	**0.16**	**0.13**	**0.51**	**123**
Including	169.00	169.84	0.84	283	0.26	0.12	0.52	324
SAD-15-08	97.65	99.28	1.63	**158**	**0.06**	**0.02**	**0.07**	**165**
SAD-15-08	131.15	132.69	1.54	**201**	**0.10**	**0.02**	**0.09**	**212**
SAD-17-14	283.21	290.04	6.83	**129**	**0.25**	**0.06**	**0.18**	**157**
Including	284.65	286.95	2.30	319	0.59	0.08	0.22	376
Including	284.65	285.00	0.35	**1180**	2.23	0.07	0.18	1369
SAD-17-15	191.30	228.00	36.70	**155**	**0.02**	**0.06**	**0.14**	**162**
Including	195.00	211.85	16.85	200	0.02	0.07	0.19	210
Including	203.01	209.82	6.81	**279**	**0.03**	**0.12**	**0.32**	**296**
Including	207.00	209.82	2.82	595	0.07	0.27	0.65	629
Including	208.44	209.82	1.38	**854**	0.06	0.28	0.27	876

Including*	209.82	213.00	3.18	285	0.02	0.05	0.17	294
Including	213.00	228.00	15.00	**138**	**0.02**	**0.07**	**0.11**	**145**
Including	221.41	228.00	6.59	228	0.03	0.14	0.19	241
Including	225.00	228.00	3.00	435	0.06	0.28	0.37	460
SAD-17-16	219.40	221.71	2.31	**192**	**0.10**	**0.02**	**0.05**	**202**
Including	219.40	219.75	0.35	**810**	0.44	0.07	0.10	851

Table 1 – Silver equivalent is calculated using the following formula: Silver-Equivalent AgEq g/t= (Au_ppm x 61.71492) + (Ag_ppm x 0.761168) + (Pb_% x 22.44413) + (Zn_% x 24.40404)/(0.761168). Metal price assumptions are Au: $1919.55, Ag: $23.67, Pb: $1.02 Zn: $1.10. A 30-day price average is used to determine USD metal prices, and 100% recovery has been assumed for all metals. At this stage of the project, reliable metallurgy has yet to be completed, and the reader is cautioned that 100% recoveries are never achieved. Typical metals recoveries for other silver deposits in the area are in the 85-95% range. Therefore, all silver equivalent AgEq numbers must be reduced to reflect the 85-95% recoveries. True thickness is assumed to be 50% -- 80% of downhole width.

**previously reported intercept (See October 25th, 2017 News Release)*

Discussion of Results

Re-logging and sampling of historic drill holes was designed to identify and subsequently sample mineralization that was not analyzed during previous drill campaigns. The updated geologic models and new assays confirm and expand upon the mineralized vein splays and veinlet zones that were identified during recent drilling campaigns. These zones of high-grade silver veinlets and stockwork zones are significant ongoing exploration targets and are actively being incorporated into the deposit model. Reported intervals were dominantly found in the hanging-wall (HW) of the main Veta Grande structure. The technical team believes that understanding the splays and veinlet zones as well as the structural controls on grade distribution are key to expanding the San Acacio resource.

The following drill holes are discussed in spatial order, beginning in the northwest (NW) and moving towards the southeast (SE). SAD-17-16, SAD-15-07, SAD-15-08, SAD-15-05, SAD-15-06 are part of the NW zone where significant HW grade is found in unassuming veinlet array zones. Holes SAD-17-14 and SAD-17-15, in the central to SE portion of the San Acacio resource area, begin to delineate vein splays, including the historically identified Veta Intermedio; grade is dominantly located in more formal HW structures and associated veinlet swarms. These learnings are being incorporated into the current grade and geologic model to guide future drilling at the project.

SAD-17-16 encountered 2.31m of 191.98 g/t Ag or 202 g/t AgEq (from 219.40 – 221.71m) in the Veta Navidad zone. The Veta Navidad zone is in the NW extent of the San Acacio resource area, and this style of mineralization has been encountered in nearby holes. Structural review and modelling are currently underway to define this zone, and future oriented core drilling is planned for this area.

SAD-15-07 and SAD-15-08 were drilled from the same pad. SAD-15-08 intersected the Veta Navidad zone high in the hole. During re-logging, additional mineralized veinlet zones in the HW and FW were noted and sampled. These intercepts returned 1.63m of 165 g/t AgEq from 97.65m, and 1.54m of 212 g/t AgEq from 131.15m. The newly reported intervals in SAD-15-07 are from the recently identified mineralized HW veinlet splay zones. The shallower splay zone returned 1.12m of 267 g/t AgEq from 156.35m, while the lower zone returned 3.77m of 123 g/t AgEq from 166.07m. The new sampling expands the footprint of the mineralized zone in this location, and structural modelling is underway to incorporate this data into the resource model and design future drill targets.

SAD-15-05 and SAD-15-06, were drilled from the same pad. Both holes intersected multiple HW veinlet-array splay zones, which continue to build the continuity of mineralized zones in the Veta Grande hanging wall. In this portion of the Veta Grande, three mineralized HW splays are known. Recent sampling of additional splay zones has yielded further intercepts of interest, and oriented structural data collection and detailed geologic cross-sections continue to guide interpretation and modelling of these mineralized zones.

SAD-15-06 encountered 2.50m at 127 g/t AgEq from 155m, and SAD-15-05 returned 2.72m at 161 g/t AgEq from 127.76m; these two intercepts demonstrate down-dip continuity along the same HW splay. SAD-15-05 intersected two reportable intercepts on the third interpreted splay above the Veta Grande, including 4.65m of 114g AgEq from 105.15m.

SAD-17-14 encountered a high-grade zone in a hanging-wall vein splay above the historically identified Veta Intermedio, 6.83m of 157 g/t AgEq from 283.21m, which includes 0.35m of 1369 g/t AgEq from 284.65m. This intercept further demonstrates the high-grade potential of the HW vein splays in the central zone of the San Acacio resource area.

SAD-17-15 encountered wide widths of significant mineralization from the Veta Grande HW through to the Veta Intermedio HW zone. This hole intersected a well-mineralized shoot with historic workings, and the majority of the mineralized shoot remains in the ground. Re-logging and sampling suggest that high-grade silver is hosted in veinlet swarms and vein splays that were previously unrecognized. These observations and results will be incorporated into the geologic model and used for future drill targeting.

This hole encountered 36.70m of 162 g/t AgEq from 191.30m, including 6.81m at 296 g/t AgEq from 203.01m. The mineralogy is dominantly primary silver, lead, and zinc sulfides (argentite-acanthite-galena-sphalerite) and quartz as gangue material. This mineralization style is representative of both the historically and currently mined material in the Ag-dominant epithermal vein systems of the Zacatecas district.

On January 15th, 2024, the Company reported the final results of the 2023 San Acacio diamond drill program in holes DDSA-23-67 through DDSA-23-72, which returned wide intervals of well-developed silver, zinc, and lead mineralization with elevated gold and copper values.

Highlight of Results

Almaden Zone

- DDSA-23-68 – returned 7.79m of 391 g/t AgEq (from 53.26m to 61.05m) within a 12.82m interval grading 310 g/t AgEq with 223.53 g/t Ag from (53.26m to 66.08m).
- DDSA-23-69 – encountered 32.32m of 195 g/t AgEq from (43.18m to 75.50m), including 6.39m of 316 g/t AgEq with 4.56% Zn, 1.70% Pb, 0.26% Cu (from 69.11 to 75.50m) hosted in a base-metal rich semi-massive to massive sulfide mineralization phase. Copper values were not included in the AgEq calculation for this release.
- DDSA-23-70 – returned 15.02m of 353 g/t AgEq (from 86.96m to 101.98m) within a longer interval of 33.76m grading 217 g/t AgEq (from 73.44m to 107.20m). This includes a 4.47m interval of 265.31 g/t Ag, 0.75 g/t Au, 5.10% Pb, 3.29% Zn, 0.31% Cu from 91.44m and a 0.62m subinterval of 1345 g/t Ag from 91.44m.
- Increasing copper grades and the presence of semi-massive to massive sulfide mineralization near surface is encouraging, particularly given the location of the San Acacio project. The project is adjacent to Capstone Mining's (TSE: CS) Cozamin Cu-Ag mine, an operating copper mine located approximately 3km away.
- Both *in-situ* and previously-mined material (backfill) were encountered in this zone. Backfill represents significant mine/mill feed in operating mines in Mexico. Previously-mined material drilled in the holes reported in this release is on par with material currently being mined in the district.

San Acacio SE

- DDSA-23-72 – represents the deepest interception of the VG system at the San Acacio project to date and encountered anomalous epithermal-style silver mineralization, including 0.97m of 130 g/t AgEq and 117.00 g/t Ag from (655.02m to 655.99m), within 1.76m grading 94 g/t AgEq from (654.23m to 655.99m).

Select Table of Results

Hole ID	From (m)	To (m)	Interval (m)	Ag g/t	Au g/t	Cu %	Pb %	Zn %	AgEq g/t	Material type
DDSA-23-68	0.00	5.00	5.00	161.86	0.07	0.01	0.08	0.08	173	b
DDSA-23-68	31.35	33.82	2.47	105.33	0.07	0.00	0.02	0.05	114	a
Including	33.57	33.82	0.25	**808.00**	0.60	0.01	0.16	0.39	**877**	a
DDSA-23-68	53.26	66.08	**12.82**	**223.53**	0.36	0.02	0.45	**1.31**	**310**	a,b
Including	53.26	61.05	**7.79**	**306.86**	0.32	0.02	0.41	**1.36**	**391**	b
Including	61.05	66.08	**5.03**	94.48	0.42	0.03	0.51	**1.23**	**185**	a
DDSA-23-69	12.20	21.60	**9.40**	**123.99**	0.02	0.01	0.02	0.06	**128**	b
DDSA-23-69	43.18	75.50	**32.32**	**120.03**	0.20	0.06	0.41	**1.43**	**195**	a,b
Including	50.20	69.11	**18.91**	**165.86**	0.18	0.01	0.12	0.52	**202**	b
Including	69.11	75.50	**6.39**	81.44	0.43	**0.26**	**1.70**	**4.56**	**316**	a
Including	73.83	75.50	1.67	79.48	**0.51**	**0.44**	**2.61**	**6.81**	**419**	a
DDSA-23-70	73.44	107.20	**33.76**	104.99	0.31	0.07	0.97	**1.80**	**217**	a,b
Including	86.96	101.98	**15.02**	**162.23**	**0.60**	0.14	**2.10**	**2.49**	**353**	a
Including	91.44	95.91	**4.47**	**265.31**	**0.75**	**0.31**	**5.10**	**3.29**	**574**	a
Including	91.44	92.06	0.62	**1345.00**	**0.63**	0.04	0.75	**3.22**	**1526**	a
Including	97.70	99.89	2.19	**260.00**	0.49	0.04	0.22	**1.73**	**365**	b
DDSA-23-71	171.08	175.36	**4.28**	**126.20**	0.05	0.01	0.10	0.29	**143**	a
DDSA-23-71	185.60	190.66	**5.06**	113.31	0.14	0.01	0.08	0.34	**139**	a,b
Including	190.11	190.66	0.55	**549.00**	0.42	0.01	0.18	0.46	**605**	a
DDSA-23-72	654.23	655.99	1.76	84.55	0.01	0.01	0.06	0.21	94	a
Including	655.02	655.99	0.97	**117.00**	0.02	0.01	0.08	0.29	**130**	a

Table 1. *– Drilled intercepts from Defiance's San Acacio project reported in this release. Silver equivalent is calculated using the following formula: Silver-Equivalent AgEq g/t= (Au_ppm x 65.29973) + (Ag_ppm x 0.760043) + (Pb_% x 20.06204) + (Zn_% x 25.35313) / (0.760043). Metal price assumptions are Au: $2031, Ag: $23.64, Pb: $0.91, Zn: $1.15. A 30-day price average is used to determine USD metal prices, and 100% recovery has been assumed for all metals. At this stage of the project, reliable metallurgy has yet to be completed, and the reader is cautioned that 100% recoveries are never achieved.* Typical metals recoveries for other silver deposits in the area are in the 85-95% range. Therefore, all silver equivalent AgEq numbers must be reduced to reflect the 85-95% recoveries. *True thickness is assumed to be 50% — 80% of downhole width.*

Material type:

- *a- in-situ mineralized material*
- *b- possible previously-mined material*

Drill results in Table 1 are reported as entire drilled intervals, and some of the larger composited intervals may include possible previously-mined material, as denoted with the letter b in the 'material type' column. Our understanding of what constitutes previously-mined material vs oxidized/fault-hosted in-situ *material is evolving; however, where possible the company has reported possible previously-mined material in separate subintervals. Previously-mined material and* in-situ *material have not been combined to calculate reported subintervals.*

Locations of historic mine workings at the project are variably known, and historic workings both with and without backfill material are encountered from time to time. Precise location validation of historic mine workings is not possible at this time due to limited safe underground access.

Discussion of Results

<u>NW San Acacio Project – Almaden Zone</u>

DDSA-23-68 was designed as an infill hole between historic holes SAD95-10 and SAD95-11. It was the first of several holes in the Almaden zone targeting the Veta Grande system at previously undrilled shallow levels. DDSA-23-68 encountered three levels of mineralization: 5.00m of 173 g/t AgEq from surface (surface waste dump material), 2.47m of 114 g/t AgEq from 31.35m, including 0.25m at 877 g/t AgEq from 33.57m (hanging wall veinlet array beneath surface amethyst veinlet zone), and 12.82m of 310 g/t AgEq (from 53.26 to 66.08m) in the main Veta Grande structure. The main Veta Grande (VG) structure appears historically mined from 53.26 to 61.05m downhole and contains possible previously-mined material with recoveries greater than 80%.

DDSA-23-69 was drilled ~45m southeast of DDSA-23-68 and ~60m above hole DDSA-21-47. Hole DDSA-23-69 was targeted to test below outcropping amethyst stockwork zones and the main Veta Grande at the Almaden Pit. The hole encountered 9.40m of 128 g/t AgEq (from 12.20 to 21.60m) in an amethyst-bearing hanging wall veinlet array, which appears to contain previously-mined material with recoveries greater than 80%.

A wide intercept of the main Veta Grande structure returned 32.32m of 195 g/t AgEq (from 43.18 to 75.70m) and encountered three distinct zones within the Veta Grande structure: an upper veinlet array zone, a possible previously-mined material zone, and a base-metal rich zone that historic miners left in place likely due to processing constraints. The base metal phase encountered in this hole returned a polymetallic interval of 6.39m of 316 g/t AgEq with 4.56% Zn, 1.70% Pb, and 0.26% Cu (from 69.11m), including 1.67 m of 419 g/t AgEq (with 2.61% Pb, 6.81% Zn, 0.44% Cu from 73.83m). Possible previously-mined material was encountered from 50.22 – 69.11m; recoveries were greater than 80%.

DDSA-23-70, ~100m southeast of DDSA-23-69, encountered a 31.57m wide, very well mineralized zone of intact Veta Grande mineralization (from 73.44 – 97.70m). A small historic working (2.19m from 97.70m) was encountered near the footwall contact of the Veta Grande structure, containing possible previously-mined material; a mineralised veinlet array zone was encountered in the footwall to the VG. This hole followed up on encouraging down-dip results from previous holes DDSA-21-36, DDSA-21-37 and DDSA-21-48.

A precious and base-metal-rich intercept of the Veta Grande returned 33.76m of 217 g/t AgEq consisting of 104.99g/t Ag and 0.31g/t Au along with 0.97% Pb and 1.80% Zn (from 73.44m to 107.20m), including 15.02m of 353 g/t AgEq (from 86.96m) within the intact, *in-situ* portion of the VG. Included in this zone is an intercept of 4.47m of 574 g/t AgEq from 91.44m, which contains high-grade polymetallic mineralization of 265.31 g/t Ag, 0.75 g/t Au, 5.10% Pb, 3.29% Zn, and 0.31% Cu hosted in a semi-massive to massive sulfide phase; this mineralization phase appears to be correlated with increasing copper grades. The highest grades of lead and copper to date at San Acacio were encountered in this hole (0.33m of 13.9% Pb and 0.87% Cu from 92.06m); a 0.62 m interval with 1345 g/t Ag was drilled from 91.44m.

DDSA-23-71 was targeted to test the eastern extent of the Almaden zone and investigate potential structural offsets. The hole encountered 4.28m of 143 g/t AgEq in a hanging wall veinlet-array zone above the Veta Grade. It also intercepted the Veta Grande structure ~65m down-dip of DDSA-23-70. An interval of 5.06 m of 139 g/t AgEq was encountered in the Veta Grande, including 0.55m of 605 g/t AgEq.

The mineralized Veta Grande structure appears faulted in this location, and the massive-sulfide phase is not present. Oriented core structural data is currently being used in conjunction with mapping data to understand potential structural offsets and to plan future drilling in this zone.

SE San Acacio Project

DDSA-23-72 was drilled near the far southeastern extent of the resource area and was designed to test the Veta Grade system deep, below underground workings encountered in hole DDSA-21-43. Hole DDSA-23-72 deviated away from its projected target – an interpreted mineralized shoot – but still encountered the projected Veta Grande system. The hole intersected significant epithermal-style silver mineralization and strong hydrothermal alteration, returning 1.76m of 94 g/t AgEq, including 0.97m of 130 g/t AgEq. This intersection is 61m below the deepest known underground workings at the historical San Acacio mine and demonstrates the prospectivity of the system at depth.

DDSA-23-67 was drilled directly southeast of the resource area near the end of the historic San Acacio mine. This hole was drilled to collect the oriented structural data required to advance the structural model in the southeast zone, which is an area of structural discontinuity. Several anomalous zones were encountered. Valuable structural data was collected and is being used to more effectively target the continuation of the Veta Grande system.

Continuing San Acacio program in 2025

Planned 2025 drilling at the Zacatecas project includes programs for developing a new resource estimate, metallurgical testing, brownfields exploration, and greenfields exploration, including:

1. Historical resource expansion drilling that will be focused in the resource area, designed to delineate additional tonnage of mineralisation outside of the previous resource estimates.
2. Brownfields exploration designed to test newly recognized hanging wall and footwall vein splays, offset structures at depth, and additional targets in close proximity to the historical workings.
3. Commencement of a program of surface trenching over the Veta Grande structure.
4. Permits will be submitted for additional exploration holes as a follow up to the property-wide surface geochemistry and mapping program at San Acacio.

Lagartos Project

Defiance has the Lagartos database covering an additional 135,000 hectares in the Zacatecas silver district providing the opportunity to acquire further concessions. All of the Lagartos concessions are located within the Zacatecas silver district, which has produced an estimated 700 million ounces of silver, principally before 1895. Zacatecas lies along the "Fresnillo Silver Trend" a regional structural zone that has yielded over 5 billion ounces of silver. The four largest districts along the trend; Guanajuato, Zacatecas, Sombrerete and Fresnillo are all characterized by multiple sets of parallel silver-gold veins with high-grade oreshoots located periodically along their lengths. The Zacatecas District is characterized by six major sets of such parallel veins. This consolidation gives Defiance control of over 65% of the Veta Grande vein, which historically produced an estimated 200 million oz of silver within the district. A number of the other newly acquired Lagartos concessions are adjacent to other important vein systems in the Zacatecas Silver District including:

the Malanoche vein system currently being mined by Capstone Mining Corp.; the Cantera - El Bote vein system; and the Panuco vein system controlled by Zacatecas Silver Corp. and Pan American Silver Corp. It is believed that all the known deposits were found in outcrop 350 to 500 years ago, while new "blind" vein systems remain to be discovered.

MAG's exploration programs successfully identified a number of broad (10s of meters wide) hydrothermal alteration zones along structures up to 4 kilometers long that appear to represent the upper-level manifestations of deeper Zacatecas and/or Fresnillo (Juanicipio)-style epithermal vein mineralization. Selected grab samples are not necessarily representative of the mineralization hosted on the property.

Highlights of the Lagartos acquisition:

- 800 hectares of mining rights in 14 concessions
- Exploration digital data bank including a drill hole database totaling 90 holes, extensive geochemistry, geophysics, satellite imagery, and detailed drill logs from over 135,000ha of ground stretching from the Zacatecas Silver District to the Fresnillo Silver District
- All core drilled by MAG Silver in the district.

Exploration plans at the Lagartos project area for fiscal 2025

1) Detailed surface mapping to integrate the mineral system into a geologic model.
2) Review of the historic drill core.
3) Permit applications for surface diamond drilling.

Lucita Project

On November 30, 2020, the Company entered into a definitive option agreement with Pan American Silver Corp. ("Pan American") to acquire a 100% interest in Pan American's Lucita property consisting of 28 mining concessions, located adjacent to the Company's San Acacio project. In December 2023, the Company acquired 100% ownership of the Lucita Property from Pan American Silver Corp. ("Pan American"), while Pan American retains a 2% NSR. The option terms included an initial payment of US$100,000 upon signing; US$100,000 on or before the first-year anniversary; US$500,000 on or before the second-year anniversary; and a final payment of US$800,000 on or before the third-year anniversary. The terms were successfully completed as of December 2023 with total payments of US$1,500,00 being made. The property is subject to a 2% NSR payable to the vendors on production from the property.

Highlights of the Acquisition Include:

- Defiance's Zacatecas District landholding interests increased from 1,600 Ha to over 4,300 Ha, including more than 10 known veins that returned drill results including 3.25m of 325 g/t Ag and 1.25m of 775 g/t Ag.
- Acquired the on-strike extension of Zacatecas Silver Corporation's 19-million-ounce Ag-Equivalent Panuco Deposit (2016 Mineral Resource Estimate, Panuco Deposit, Zacatecas Mexico for SantaCruz Silver Mining by V. Bui and G. Giroux). Defiance Silver's qualified person and technical team have been unable to verify this information, and that the information is not necessarily indicative of the mineralization on the Lucita property.
- Lucita hosts the undrilled Palenque vein structure, a 12-metre-wide structure that has a 4km strike length and has return historical in situ grab and dump samples ranging from 25g/t Ag to over 700g/t Ag.
- Other priority high-grade vein structures also exist on the southern license area.

The 2,674 Ha Lucita property consists of a number of mineralized zones in the Lucita North, the Lucita South zone (Palenque vein system), and an additional area in Lucita South adjacent to Defiance's San Acacio project. These areas were previously referred to as the Panco Project. The mineralization within the Lucita land package is characterized as a low to intermediate sulfidation epithermal Ag-Au vein, breccia, and stockwork system. While historical work in the central Lucita area has been limited to first-pass regional geological mapping and sampling, the northern license area of Panuco has historical high-grade drill results and multiple drill ready exploration targets.

Pan American Silver previously conducted geological mapping, sampling, and two drilling campaigns in the Lucita North license area. Historical drilling of veins from 20 holes completed by Pan American in 2011-2012 returned encouraging results including 3.35m of 325 g/t Ag from hole LU11-16 (Veta Lucero) and 1.25m of 775 g/t Ag from hole LU11-9 (Veta San Andres). Phase I drilling in 1996 comprised 10 holes and 1,409.85 metres of drilling. Phase II drilling was carried out in late 2011 and early 2012, comprising 20 drill holes with 3,693.41 metres drilled. Both drill campaigns intersected mineralized veining typical of a high-level epithermal system.

Within the Lucita North, there are at least 10 known mineralized structures over a strike length of more than 4km, including the on-strike extension of the Panuco and Panuco Norte (Tres Cruces) vein systems currently being explored by Zacatecas Silver Corp (TSX-V: ZAC). Zacatecas Silver Corp. recently released a series of high-grade drill results on the Panuco Norte (Tres Cruces vein system) within 500m to the northwest of Defiance's property boundary. Given the proximity of these high-grade drill holes on the Panuco Norte (Tres Cruces) and the mapped continuation of mineralized Panuco Norte (Tres Cruces) vein system onto the Lucita property, the extension of the Panuco Norte vein system represents a prospective exploration target for Defiance Silver.

Within the central Lucita South Palenque vein system, work limited to surface sampling and first pass mapping had been completed prior to Defiance's involvement. Defiance has since completed extensive geological mapping and sampling and first pass drilling on the Lucita South project (Palenque). Work to date on central Lucita has shown that there are number of prospective structures suited for follow up exploration, including drilling.

In early November 2021, the Company commenced the first-ever regional drill program on the central Lucita land package. To date, the Company has completed over 4,750 metres of regional drilling at the central Lucita land package. The drill program is the first ever to be completed at the central Lucita asset (Palenque vein system), which is currently under option from Pan American Silver Corp (See News Release dated December 2nd, 2020). First phase drilling has been completed, with further assays pending for an additional 8 holes (DDLU-21-06 to DDLU-21-13). The initial results presented are highly encouraging and warrant extensive follow-up exploration work.

On April 13, 2022, the Company released the results from a portion of the first 4,750m of drilling.

Highlights of Results

- DDSA-21-50 returned a downhole interval of 1.15m of 1,603.90 g/t Ag, within a downhole interval of 3.33m grading 709.04 g/t Ag (from 115.82m to 119.15m).

- DDLU-21-05 returned multiple results greater than 100 g/t Ag, including 3.48m of 513.57 g/t Ag (from 152.52m to 156.00m), with a high-grade interval of 1.90m of 940.18 g/t Ag (from 154.10m to 156.00m). Individual intercepts in this interval grade up to 3,260 g/t Ag (from 154.10m to 154.35m).

- The inaugural drill program at Lucita South (Palenque vein system) confirmed the presence of high-grade, near surface, Fresnillo-style, low to intermediate-sulfidation epithermal silver mineralization consisting of pyrargyrite (high-level sulfosalt) and silver sulfides that potentially indicate the higher-level setting of a zoned epithermal system.

Select Table of Results

Hole ID		From	To	Interval	Au, g/t	Ag, g/t
DDSA-21-50		115.82	119.15	3.33	0.06	**709.04**
	including	116.25	117.40	1.15	0.11	**1603.90**
DDLU-21-01		171.06	172.00	0.94	0.11	106.82
DDLU-21-04		114.95	117.68	2.73	0.16	102.07
	including	114.95	116.53	1.58	0.11	134.00
DDLU-21-05		152.52	156.00	3.48	0.02	**513.57**
	including	154.10	156.00	1.90	0.03	**940.18**
	including	154.10	154.35	0.25	0.07	**3260.00**
DDLU-21-05		164.40	165.45	1.05	0.19	**317.00**
DDLU-21-05		219.53	223.62	4.09	0.10	137.40
	including	219.53	220.13	0.60	0.28	**618.00**
DDLU-21-05		229.35	230.86	1.51	0.76	191.92

Table 1 - Drill Results: *True thicknesses are unknown at this time but are assumed to be between 50%-90% of the core length. **Drill holes DDSA-21-49, DDSA-21-51, DDLU-21-01, DDLU-21-02, DDSA21-03 did not return significant mineralization.

Discussion of Results

The dominant silver mineralization consists of pyrargyrite-proustite, acanthite, and argentite hosted in polyphase quartz and calcite veins, breccias, and stockwork veinlet zones. As is common in the Zacatecas and Fresnillo districts, at least two structural events are evident, as well as wide zones of shallow-level alteration with elevated pathfinder element geochemistry. The style of mineralization in the central portion of the Palenque vein system is dominantly silver and gold, with little to no lead and zinc. This metal assemblage differs from the Veta Grande system in Defiance's San Acacio project, which has a more polymetallic signature. Initial interpretations are that the central portion of Palenque is a shallow, low-sulfidation epithermal-style vein system. Future exploration and analysis of results will expand on the genesis of the vein systems at the company's Zacatecas district project.

DDSA-21-50 – The first hole of the campaign was drilled at the Tahures vein system. It encountered near-surface, high-grade silver mineralization. Wide zones of hydrothermal alteration and veinlets were also encountered within the holes, indicating significant fluid flow and potentially highlighting a target at depth.

DDSA-21-51 – This hole was the second hole drilled in the Tahures area, designed to follow up on the shallow results encountered in hole DDSA-21-50. However, the hole did not encounter significant mineralization. Updated modelling indicates that the drill hole did not intersect the target structure due to the proximity of high-angle offset faulting, though wide-spread alteration and veining similar to hole DDSA-21-50 were encountered.

DDLU-21-01 – This was the first hole in the central Lucita area, which tested the Palenque vein below historic workings. A mineralized vein was encountered at the predicted projection of the vein structure, as informed from surface mapping, but did not carry adequate grade at this elevation.

DDLU-21-02 & DDLU-21-03 – These holes followed up on early results from DDLU-21-01. A vein system was also encountered here at the predicted vein projection; however, as in DDLU-21-01, it was not well mineralized at this elevation.

DDLU-21-04 – This hole stepped out to the east along strike of the Palenque vein, where historic workings and an interesting cross-structure were mapped at surface. This drill hole encountered several prospective intervals near the projection of the mapped Palenque vein, with the deepest interval yielding the best silver grade.

DDLU-21-05 – Encouraging results from DDLU-21-04 prompted the western and deeper step over for this hole. Targeting under this less-exposed part of the vein and at a slightly deeper target depth yielded the highest-grade silver to date in the Palenque vein system. This hole intersected multiple intervals of silver-bearing quartz-calcite veins, breccias, and stockwork veinlet zones.

On August 9, 2022, the Company released the results from the balance of the drilling included in the first 4,750m of drilling at Lucita South. This release summarized the results from an additional 8 holes (DDLU-21-06 to DDLU-21-13).

Highlights of Results

- DDSA-22-10 discovered several different styles of mineralization, including a new blind high-grade interval at depth. The hole returned multiple results over 100 g/t Ag, and individual intercepts grade up to 737 g/t Ag (from 398m). Intercepts include 3.05m of 264 g/t Ag and 0.20 g/t Au (from 370.23 to 373.28m), 4.01m of 166 g/t Ag and 0.37 g/t Au (from 388.56 to 392.57m), and 2.25m of 235 g/t Ag (from 398 to 400.25m).

- DDSA-22-10 also returned highly anomalous Ag mineralization from 370.23m to the end of the hole at 420.1m, with a 49.87m interval returning a weighted average of 58.79 g/t Ag. This new zone is open for expansion and will be a key follow up target in future drill programs.

- DDSA-22-09 was drilled prior to DDSA-22-10 and hit anomalous veins but was stopped short of the mineralized zones encountered in DDSA-22-10. Additional targeting work will be completed, and deeper follow up drilling will be planned with the goal of reaching the newly discovered zone of mineralization.

- DDLU-22-12 returned high-grade Zn-Pb mineralization and moderate grade Ag mineralization over narrow widths (0.28m of 86.30 g/t Ag, 2.63% Pb, and 8.08% Zn from 364.54 to 364.82m) and represents a follow-up drill target once additional targeting and modeling work has been completed.

- Further exploratory drilling in the Palenque central zone (DDLU-22-13) encountered narrow zones of high-grade mineralization, including up to 843 g/t Ag & 0.2 g/t Au at from 184.0m to 184.30m

Select Table of Results

Hole ID		From	To	Interval	Au, g/t	Ag, g/t
DDLU-22-10		370.23	373.28	3.05	0.20	264.29
	including	371.13	371.90	0.77	0.19	**668.00**
DDLU-22-10		388.56	392.57	4.01	0.37	166.32
	Including	388.56	391.28	2.72	0.57	228.83
	Including	390.06	391.28	1.22	**1.13**	**416.00**
DDLU-22-10		398.00	400.25	2.25	0.08	235.29
	including	398.00	398.53	0.53	0.19	**737.00**
DDLU-22-10		412.41	413.16	0.75	0.03	189.00
DDLU-22-10		415.20	416.08	0.88	0.04	108.00

DDLU-22-13		110.59	112.16	1.57	0.04	146.64
DDLU-22-13		184.00	186.00	2.00	0.04	149.66
	including	184.00	184.30	0.30	0.20	**843.00**
DDLU-22-13		229.85	231.00	1.15	0.09	109.43

Drill Results. *True thicknesses are unknown at this time but are assumed to be between 50%-90% of the core length. **Drill holes DDLU-21-06, DDLU-21-07, DDLU-21-08, DDLU-22-09, DDLU-22-11, and DDLU-22-12 did not return reportable results.

Discussion of Results

The inaugural drill program at Lucita South (Palenque vein system) confirmed the presence of high-grade, Fresnillo-style, low to intermediate-sulfidation epithermal silver mineralization, consisting of mainly of pyrargyrite (high-level sulfosalt) and silver sulfides that potentially indicate the higher-level setting of a zoned epithermal system. The drill holes reported in the Aug 9th, 2022, release encountered a blind, newly discovered contact-style mineralization at depth. The encountered mineralization is open along strike and both up and down dip from the released results, which are highly encouraging and warrant extensive follow-up exploration work, including diamond drilling.

DDLU-21-06, DDLU-21-07 & DDLU-21-08 – These holes were designed to step west along the Palenque vein system from holes DDLU-21-01 to 05. Holes DDLU-21-06 and 07 were targeted under mapped outcropping veins with silver grade and historic workings at surface. However, the two shallow holes failed to intersect the vein. This is likely due to displacement from a low-angle structure or steepening of the vein; further structural data collection and interpretation is underway to generate follow-up targets. DDLU-21-08 was similarly designed to test under mapped veins with historic workings and evidence of mineralization at surface. However, no significant intervals were intersected.

DDLU-22-09 – This hole was designed to intercept a mapped calcite-rich but low-grade portion of the Palenque vein system, with old workings nearby. The vein successfully intersected the steeply dipping veins with anomalous Ag and Au grades, including deep in the hole. Results were encouraging to follow up with a deeper hole, DDLU-22-10.

DDLU-22-10 – Interesting results from DDLU-22-09 prompted a deeper hole underneath the encountered veins. Hole DDLU-22-10 successfully encountered multiple calcite and quartz veins with anomalous to high-grade Ag ± Au mineralization. A blind intercept in a low-angle fault between the volcano sedimentary package and underlying black shales also yielded a high-grade Ag ± Au intercept. Several small but higher-grade Ag intercepts continued further into the black shales. This new style of mineralization related to the black shale, as well as the targeted vein-hosted intercepts, will be followed up with future exploration effort.

DDLU-22-11 and 12 – Encouraging results from DDLU-22-10 prompted step overs to the west. DDLU-22-11 encountered the same thick, calcite-rich veins as hole DDLU-22-10 with narrow intervals of mineralization, including 0.7 m @ 86.70 g/t Ag and 0.53 m @ 83.60 g/t Ag, at 248.81 m and 249.92 m depth, respectively. These results are encouraging evidence for the presence of similar mineralization along the same vein system. Likewise, black shale contact was encountered with moderately anomalous results.

Hole DDLU-22-12 continued to test the western limit of the Palenque system within the license area. Results included several small veinlets with anomalous but not reportable values. A surprising intercept of 0.28 m of high-grade Zn-Pb mineralization and moderate-grade Ag was encountered in the underlying sediments at 364.54 m with 86.30 g/t Ag, 2.63% Pb and 8.08% Zn. This interval is encouraging and is a target for future follow-up.

DDLU-22-13 – The last hole in the initial Lucita drilling campaign aimed to follow up on the success of DDLU-22-05. DDLU-22-13 was planned east of holes DDLU-21-05 and 04, underneath a calcite-rich portion of the

Palenque vein. Several narrow but high-grade intercepts (up to 843 g/t Ag) were encountered. These results warrant follow up exploration in this portion of the Palenque vein.

Discussion of the Lucita Exploration Model

The dominant silver mineralization at Lucita South consists of pyrargyrite (with lesser acanthite, proustite and stephanite), hosted in polyphase calcite and quartz veins, breccia veins and stockwork veinlets. As is common in the Zacatecas and Fresnillo districts, mineralization is often hosted in steeply dipping veins with typical epithermal-style textures. The main commodity at the level of current drilling is silver with minor gold. This differs from the Veta Grande system at the company's San Acacio project which has a more polymetallic signature.

Initial interpretations are that the west-striking Palenque vein system are part of a low-to-intermediate-sulfidation epithermal-style vein system. Holes DDLU-22-10 and 11, also encountered two additional styles of silver-dominant mineralization, including a flat-lying faulted contact as well as fine veinlet arrays within underlying shales. Future exploration will target these new styles of mineralization at the Company's Zacatecas projects.

On April 15, 2024, the Company released the results from the ongoing mapping and surface sampling campaign at its Lucita property in Zacatecas, Mexico. Work to date includes surface geochemical sampling in both new and historically sampled zones and has led to a revised interpretation of the geology at Lucita. The surface work will be used to support further delineation of drill targets for future exploration.

Highlights of Results

Lucita North: Widespread, high-grade, polymetallic Ag-Zn-Pb±Au±Cu mineralization was encountered over a multi-kilometer strike length, suggesting the presence of a large mineral system with multiple mineralizing events.

Lucita South: High-grade Ag-Au dominant mineralization has been encountered in drilling and surface sampling along multiple structures. Mineralization is characteristic of low-sulfidation epithermal vein systems.Individual surface sampling highlights include:

Lucita North

- Gloria Zone
    - Sample 430012: 331 g/t Ag, 0.15 Au, 6.94% Pb, 14.70% Zn, and 0.35% Cu
    - Sample 430009: 552 g/t Ag, 1.34% Pb
- Aurora Zone
    - Sample 430179: 298 g/t Ag, 3.15% Pb, 0.14% Zn
    - Sample 430027: 795 g/t Ag
- Plomosa Zone
    - Sample 430106: 652 g/t Ag, 0.32 g/t Au, 6.48% Pb, 2.26% Zn, and 0.60% Cu
- Lucero Vein
    - Sample 110785: 460 g/t Ag, 4.76 g/t Au, 6.33% Pb, 31.50 % Zn, and 0.87% Cu

Lucita South

- Paty Vein
    - Sample 4208: 2350 g/t Ag and 0.27 Au
- Lucita Vein

    - Sample 110895: 497 g/t Ag, 1.28 g/t Au
- Palenque Vein
    - Sample 110834: 712 g/t Ag, 0.26 g/t Au

Discussion of Results

The Company has been actively exploring at the Lucita property since 2021. Recent work has been focused on property-wide systematic data collection using industry best practices. Surface work to date includes geological mapping at various detailed scales, surface geochemical rock sampling, and spectral mineral alteration mapping. As of this release approximately sixty percent of the first-pass surface geological work at the Lucita property has been completed.

Surface work commenced at Lucita South and led to a first-pass drill program along the Palenque structure (see News Release April 13th, 2022 and August 9th, 2022). Recent surface work has focused on the Lucita North project. Surface geochemical results and the abundance of mapped veins demonstrate the potential for undiscovered and untested to poorly-tested, high-grade Ag-Au vein systems and Ag-Zn-Pb±Au±Cu polymetallic mineralized systems at Lucita South and Lucita North, respectively.

Selected Surface Rock Geochemical Sampling Results:

Project	Vein System	Ag ppm	Au ppm	Pb %	Zn %	Cu %	Sample Type	Channel Width	QAQC	Sample ID
Lucita North	**Gloria**-Aurora-Plomosa	**552**	0.09	**1.34**	0.06	0.02	Previously Mined Material		a	430009
Lucita North	**Gloria**-Aurora-Plomosa	**416**	0.11	**1.07**	0.16	0.03	Previously Mined Material		b	111089
Lucita North	**Gloria**-Aurora-Plomosa	372	0.07	**1.36**	**3.26**	0.02	Previously Mined Material		b	111080
Lucita North	**Gloria**-Aurora-Plomosa	331	0.15	**6.94**	**14.70**	**0.35**	Previously Mined Material		a	430012
Lucita North	**Gloria**-Aurora-Plomosa	324	0.05	0.60	**1.33**	0.03	Previously Mined Material		b	111091
Lucita North	**Gloria**-Aurora-Plomosa	322	**0.59**	0.46	0.21	0.01	Previously Mined Material		b	111061
Lucita North	Gloria-**Aurora**-Plomosa	**942**	0.08	0.43	0.11	0.03	Previously Mined Material		b	110967
Lucita North	Gloria-**Aurora**-Plomosa	**795**	0.12	0.44	0.16	0.01	In Situ		a	430027
Lucita North	Gloria-**Aurora**-Plomosa	**509**	0.24	0.61	0.21	0.03	Previously Mined Material		b	111019
Lucita North	Gloria-**Aurora**-Plomosa	342	0.16	0.38	0.19	0.02	In Situ	0.35 m	b	110956
Lucita North	Gloria-**Aurora**-Plomosa	321	**0.45**	0.34	0.36	0.03	Previously Mined Material		b	111014
Lucita North	Gloria-**Aurora**-Plomosa	298	0.06	**3.15**	0.14	0.06	Previously Mined Material		a	430179
Lucita North	Gloria-Aurora-**Plomosa**	**652**	0.32	**6.48**	**2.26**	**0.60**	Previously Mined Material		a	430106
Lucita North	Gloria-Aurora-**Plomosa**	332	0.32	**3.79**	0.79	0.16	Previously Mined Material		b	110617
Lucita North	Lucero	**460**	**4.76**	**6.33**	**31.50**	**0.87**	Previously Mined Material		b	110785
Lucita North	Lucero	396	0.21	0.27	0.13	0.01	In Situ		a	430262
Lucita North	Lucero	366	0.32	0.16	0.19	0.01	Previously Mined Material		b	110778
Lucita North	Pilitas	**430**	0.21	0.01	0.04	0.01	In Situ		a	430116
Lucita North	Pilitas	397	0.10	0.01	0.01	0.00	Previously Mined Material		b	111206
Lucita North	Tules	346	**0.63**	0.21	0.05	0.02	In Situ		a	430090
Lucita North	Chucho Blanco	306	0.12	0.36	0.73	0.03	Previously Mined Material		b	111042
Lucita South	Paty	**2350**	0.27	0.04	0.08	0.01	Previously Mined Material		a	4208
Lucita South	Lucita	**728**	**0.84**	0.01	0.01	0.03	In Situ	0.45 m	b	110890
Lucita South	Lucita	**497**	**1.28**	0.01	0.03	0.02	Previously Mined Material		b	110895
Lucita South	Lucita	**461**	0.05	0.21	0.20	0.01	Previously Mined Material		b	110931
Lucita South	Lucita	**458**	0.11	0.17	0.10	0.02	In Situ	0.40 m	b	110932
Lucita South	Lucita	**405**	0.04	0.01	0.00	0.01	Previously Mined Material		b	110939
Lucita South	Lucita	361	0.27	0.07	0.18	0.00	Previously Mined Material		a	4164
Lucita South	Palenque	**712**	0.26	0.01	0.01	0.02	In Situ	0.35 m	b	110834
Lucita South	Palenque	324	0.32	0.06	0.38	0.01	Previously Mined Material		b	110673
Lucita South	Palenque	312	0.12	0.06	0.10	0.01	Previously Mined Material		a	4152

The most prominent structures at Defiance's Lucita property are northwest-southeast and east-west trending mineralized veins, breccias, and alteration zones. These structural orientations are characteristic of the most important mineralizing events of the world-class ore deposits in the Central Mexican Silver Belt. Intersections of these two mineralizing events often localize zones of significant mineralization.

An interesting feature of the Lucita property is the presence of both polymetallic Ag-Zn-Pb±Au±Cu style mineralization and Ag-Au dominant low-sulfidation epithermal-style mineralization. The most prospective targets in the Lucita North project are the Gloria-Aurora-Plomosa system, the Pilitas-Tules intersection zone, and the Lucero vein. In Lucita South the Palenque, Lucita, and Paty veins are high-priority follow-up drill targets.

Lucita North

The Gloria-Aurora-Plomosa vein system is a large, regional structure similar in orientation and length to Defiance's Veta Grande system. The Gloria-Aurora-Plomosa system contains a high-density of altered and mineralized structures with high grades at and near surface. The mineralization style is dominantly multiphase, intermediate-sulfidation epithermal style veins and breccias; this is best exhibited in the Aurora zone. The Gloria zone also contains an outstanding example of polymetallic, breccia-style mineralization with metal assemblages and textures reminiscent of carbonate-replacement style deposits. The eastern portion of the Plomosa remains to be mapped, but preliminary findings indicate the presence of multiple mineralization styles.

The Pilitas-Tules intersection zone is of particular interest due to the presence of east-west Ag-rich structures that intersect earlier northwest-southeast structures. The northwest-southeast breccia-vein zones are understood to be exposed at a high-level of the epithermal system, and therefore present important drill targets at depth. This architecture and mineralization style is reminiscent of the structures that are known to host significant mineralization in the Fresnillo district.

The mineralized systems at Lucita North show a strongly polymetallic signature, both at surface and in shallow, historic drill holes. Multiple mapped structures have returned high-grade Ag and highly anomalous to high-grade Pb, Zn, Au ± Cu along the majority of their exposed strike length (e.g., Gloria-Aurora-Plomosa, Lucero, Pilitas, and Chucho Blanco). Various highlighted surface results from in situ and previously mined material are presented in the Table. Vein system widths at surface in Lucita North range from 0.1 – 19 meters.

In particular, the Gloria-Aurora-Plomosa system is a high-priority target for the Company. This system contains 3 distinct zones from northwest to southeast: Gloria, Aurora, and Plomosa. This system has one of the best polymetallic surface geochemical anomalies in the district and is prospective for both intermediate-sulfidation epithermal vein and potential carbonate-replacement-style mineralization at depth.

Lucita South

The Palenque, Lucita, and Paty veins are east-west structures that display Ag-Au dominant mineralization characteristic of low-sulfidation epithermal vein systems. This style of mineralization was targeted by Mag Silver in the Fresnillo district and led the discovery of the Juanicipio mine. An important intersection of the east-west Paty vein, which contains the highest-grade surface sample from previously mined material (2350 g/t Ag), with a northwest-southeast trending structure represents an additional Fresnillo-style target.

Mapping and sampling at Lucita South have highlighted east-west vein systems with a dominantly silver and gold signature at surface. Several mapped structures have returned high-grade samples (e.g., Paty, Palenque, and Lucita), including a sample from the Paty vein grading 2350 g/t Ag. Additionally, substantial historic workings and multiple mineralized surface samples were encountered along the Palenque structure. Widths of these structures at surface in Lucita South range from 0.1 – 4 meters.

These encouraging surface results led to the Company's first-pass diamond drill program at Palenque (see News Release April 13th, 2022 and August 9th, 2022). Drilling along the Palenque structure confirms the continuation of silver and gold grades at depth and identified blind mineralization in low-angle faults and within specific stratigraphic units.

Well-mineralized samples from both surface and drill core, as well as the potential for very high grades as demonstrated in the Palenque, Paty, and Lucita veins, present significant exploration upside in the Lucita South project.

Exploration plans at Lucita for fiscal 2025

1) The Company continues to advance the geological understanding of the district and views the Lucita option as being a key greenfield exploration target.
2) Ongoing work consists of property wide geological mapping and geochemical sampling.
3) Additional diamond drilling program is planned on selected portions of the Lucita property based on the drill results reported to date.
4) Permits are being submitted for additional exploration holes as a follow up to the encouraging drill results reported to date.
5) Greenfields exploration that will be a combination of follow up drilling on the recent first-pass success at Palenque and first pass drilling on regional targets including the northern Zacatecas district at Lucita North.

Minerva property

During the year ended June 30, 2012, the Company applied for a mining claim located in Coahuila State, Mexico, known as the Minerva property. As of date of this MD&A, the application was still pending approval by the Mexican mining authorities.

Tepal Project

Acquisition of ValOro Resources Inc.

Effective November 5, 2018, the Company and ValOro Resources Inc. (“Valoro”) signed a Definitive Arrangement Agreement to complete a transaction whereby the Company acquired all of the issued and outstanding Valoro shares (the “Transaction”).

The Company and Valoro completed the Transaction under the Business Corporations Act (British Columbia) on December 31, 2018. Former Valoro shareholders received 0.71 Defiance shares for each Valoro share held.

As consideration, the Company issued 15,421,520 common shares at a value of $3,855,380. As part of the arrangement, all unexercised Valoro stock options and warrants were replaced with 1,371,011 stock options and 1,357,708 warrants of the Company at the exchange ratio of 0.71 and a total Black Scholes value of $93,134. The Company incurred $27,409 in transaction costs and $260,630 in severance costs relating to the acquisition, and these costs were capitalized as part of the acquisition. The acquisition of Valoro has been treated as an acquisition of exploration and evaluation assets.

At the time of completion, the Company had 118,773,341 common shares outstanding, of which shareholders of Defiance owned 87% and the former shareholders of Valoro owned approximately 13%.

Highlights of the Transaction

- The Tepal Gold Copper Project had a 2017 Preliminary Economic Assessment (“PEA”). The PEA is based on the 2012 Micon mineral resource estimate with Measured and Indicated Resources. This 2012 Micon report has some report deficiencies unrelated to the mineral resource estimate therefore the results in that report should only be viewed in a historical context only. A new NI43-101 mineral resource estimate is being completed.
- Proven management team: Extensive experience in all critical mining and exploration disciplines with demonstrated capabilities in financing, acquiring, developing and operating mines and a proven track record of exploration successes.
- Enhanced market presence: The larger merged company is expected to appeal to a broader

institutional shareholder base and improve share trading liquidity.
- Compelling value proposition: Significant leverage among junior Mexico explorer's equities and attractive relative valuation based on net asset value.

During the year ended June 30, 2022, the Company became aware that certain mineral concessions from its Tepal Project had been transferred to a third-party individual without the Company's knowledge or consent. On February 13, 2024, the Company received the favourable ruling of the Mexican Court to restore its rightful ownership to the mining concessions forming part of the Tepal Project. In its judgement, the Court confirmed the nullity of the transfer of the concessions, ordered the cancellation of such transfer title and recognized Geologix Explorations Mexico, S.V de C.A, a subsidiary of the Company, as legitimate and the rightful owner of the concessions.

<u>*Qualified Person*</u>

The disclosure of technical information on the Tepal Project was approved by Dunham Craig, B.Sc., P. Geo., a 'qualified person' for the purpose of National Instrument 43-101, Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators ("NI 43-101") until Oct 24, 2023. He has verified that the data disclosed is in accordance with the published results of the reports described under the Tepal Project.

Subsequent to Oct 24, 2023, the disclosure of technical information on the Tepal Project has been approved by George Cavey, P.Geo., Vice President of Exploration for the Company and a Consultant of the Company, a 'qualified person' for the purpose of National Instrument 43-101, Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators ("NI 43-101"). He has verified that the data disclosed is in accordance with the published results of the reports described under the Tepal Project.

The Tepal Gold/Copper Project ("Tepal Project") is located in Michoacán State, Mexico.

Information on the Tepal Project in this MD&A is summarized or extracted from the following reports and news releases as reported by Valoro Resources Inc. ("Valoro") (formerly Geologix Explorations Inc.), previous to the completion of the merger:

- *Technical Report on the Mineral Resources of the Tepal Gold-Copper Project Michoacán State, Mexico* with an effective date of March 29th, 2012 (the "2012 Resource Report") of David K. Makepeace, M.Eng., P.Eng. of Micon International Limited, an independent 'qualified person' as defined in NI 43-101. This Micon report is missing some information as identified by the BCSC that are unrelated to the mineral resource estimate therefore the results in that report should only be viewed in a historical context only. The Company is working with our external consultants to complete a new mineral resource technical report as soon as possible.
- *Technical Report on the Prefeasibility Study of the Tepal Project Michoacán State, Mexico* with an effective date of March 19th, 2013 (the "2013 PFS Study") of Matt R. Bender, P.E. et al. of JDS Energy & Mining Inc., each of whom are 'qualified persons' for the purpose of NI 43-101. This report is no longer considered a current report as defined by NI43-101 nor is the Company treating this report as current therefore the results in that report should only be viewed in a historical context only.
- *Technical Report on the Preliminary Economic Assessment on the Tepal Project, Michoacán, Mexico* with an effective date of January 19, 2017 (the "2017 PEA Study") of Gord Doerksen, P.E. et al. of JDS Energy & Mining Inc., each of whom are 'qualified persons' for the purpose of NI 43-101; As the result of a review by the BC Securities Commission in Feb 2024, the 2017 JDS technical report no longer considered current as it is missing some information as identified by the BCSC. Some of the authors of the Tepal Report are no longer Qualified Persons under NI 43-101 due to notably, retirement, the Company is presently working with its technical advisors who participated in the preparation of the Tepal Report to prepare a replacement report. This 2017 PEA is no longer considered a current report as defined by NI43-101 nor is the Company treating this report as current

therefore the results in that report should only be viewed in a historical context only. The Company is working with our external consultants to complete a new mineral resource technical report as soon as possible.

For a complete description of the assumptions, qualifications, and procedures associated with the following information, reference should be made to the full text of the 2012 Resource Report, the no longer current 2013 PFS Study, the 2017 PEA Study and all relevant news releases. The geological and other non-financial disclosure which follows is a summary of the geological and technical results as at the filing date of this MD&A.

A chronology of Tepal Project milestones completed by Valoro are as follows:

- March 2012 Resource Report containing Measured and Indicated category. This 2012 resource report is missing some information as identified by the BCSC that are unrelated to the mineral resource estimate therefore the results in that report should only be viewed in a historical context only. The Company is working with our external consultants to complete a new mineral resource technical report as soon as possible.
- Detailed mapping, extensive soil (1,064 samples) and rock chip (1,263 samples) sampling completed over seven airborne geophysical anomalies highlighting five high priority areas for exploration drill testing.
- A reverse circulation ("RC") drill program was completed with the purpose of drill testing prospective zones of mineralization as outlined by geophysical, soil and rock chip sampling anomalies.
- Archeological Permit for construction granted by Mexican authorities.
- Metallurgical and comminution laboratory work.
- Field studies in preparation for the 2013 PFS Study.
- The 2013 PFS Study was completed on March 19, 2013. This report is no longer considered a current report as defined by NI43-101 nor is the Company treating this report as current therefore the results in that report should only be viewed in a historical context only.
- Pilot plant utilizing 12 tonnes of project material in September 2013.
- Environmental permit application and risk assessment submitted to SEMARNAT in September 2013. Tepal permit resolution received from the Mexican mining authority SEMARNAT for the project based on the PFS Study in April 2014.
- The 2017 PEA Study was completed on January 19, 2017.
- The results of the 2017 exploration program which identified new potential at Tepal were reported in the March 15, 2018, News Release.

2017 Exploration Program

The 2017 exploration program was initiated in the third quarter of 2017. The objectives of the 2017 exploration program were to evaluate new higher-grade and/or bulk tonnage exploration targets with resource expansion potential as well as assess the potential for new discoveries. Key results are summarized as follows:

- Valoro geologists developed a new structurally controlled exploration model for Tepal that is a departure from the long-held porphyry exploration model, with upside implications for both property-scale and regional exploration.
- The 2017 work program successfully tested the updated model via surface mapping and sampling, alteration and structural surveys, core re-logging and 3D geophysical modeling. Exploration was extended into the 2018 calendar year to generate new drill-ready resource expansion and new exploration targets with potential for making a new discovery.
- The updated model identified under-drilled areas within and surrounding the three proposed PEA pits where there is excellent potential to improve the existing gold-copper resource through

additional infill and step-out drilling targeting known structural controls to mineralization that remain under drilled.

- Importantly, the 2017 exploration program directly resulted in the discovery of a previously unknown and untested epithermal system underlying the Tepal property, with characteristics of a high sulphidation system that will be advanced for drilling, representing an important new discovery potential for Tepal.

2017 Preliminary Economic Assessment (“PEA”)

The 2017 Preliminary Economic Assessment (“PEA”) was completed during the first quarter of 2017. The purpose of the 2017 PEA was to revise and update the 2013 PFS Study and to generate an optimized mining development scenario based on updated capital and operating costs and new economic base case metal prices. The 2013 PFS report is no longer considered a current report as defined by NI43-101 nor is the Company treating this report as current therefore the results of that report should only be viewed in a historical context only. The 2017 PEA was prepared using more conservative base case metals prices of \$1,250/oz. gold, \$2.50/lb. copper, and \$18.00/oz. silver (\$1,250/oz. gold, \$2.25/lb copper, and \$20.00/oz. silver for pit design). As of May 23, 2017, spot metals prices as quoted on COMEX were \$1,261.40/oz. gold, \$2.60/lb. copper, and \$17.19/oz. silver.

The 2017 PEA work included: a revised Whittle pit optimization, which applied estimates of metals prices, mining dilution, process recovery, off-site costs, geotechnical constraints (slope angles), and royalties to the current resource estimation (2012 Resource Report) in order to generate economic pit shells; a revised process flow sheet; a revised mining schedule based on changes to the process plant; updated mining operating costs based on contractor mining rates; and updated capital and operating cost estimates (CAPEX and OPEX) based on revised designs and more recent equipment budgetary pricing. Engineering, metallurgical, environmental, and geotechnical studies were completed previously and the 2017 PEA study relied upon this older work. Permitting applications have been prepared and have in some instances already been approved by the Mexican Authorities (e.g. archeological and environmental permits). Community relations strategies are being developed and implemented as part of the 2017 work program.

Valoro continued discussions with the local communities in an effort to continually assess the environmental, social, and political risks or issues related to the project. Ongoing community relations and education programs were initiated as a means of informing the immediately surrounding communities as to the status and progress of the project to date.

The positive results of the 2017 PEA were announced on January 19, 2017, and the technical report was filed on SEDAR on February 24, 2017. Completion of the 2017 PEA involved evaluating design input parameters and mineral processing requirements, performing mining and processing optimizations and trade-off studies, estimating facilities, infrastructure and operating costs, and generating project economics associated with the potential development of the Tepal mineral resource. The 2017 PEA report is no longer considered a current report as defined by NI43-101 nor is the Company treating this report as current therefore the results of that report should only be viewed in a historical context only. The Company is working with our external consultants to complete a new mineral resource technical report as soon as possible.

2020-2023

Starting in later 2020 and continuing to late 2023, Defiance Silver Corp. conducted a desktop review of the Tepal project. Work relied on historic data and interpretations, utilizing raw data and incomplete previous work. Aims were to understand the deposit and allow for new exploration ideas, including clear targets and proposed work programs.

Work included the creation of a new alteration map utilizing all historic surface SWIR measurements, all historic alteration maps (including via remote sensing) and surface observations. A new structural interpretation was made using various historic data including surface observation from mapping, topography, DTMs, magnetics, historic structural interpretation and government geological maps.

The Company reviewed and cleaned up the old database of all 448 holes at Tepal. A new evaluation of the deposit styles at Tepal was made using historic data. This included quick re-logging via core photos, review of detailed petrography reports, drill core geochem values and new interpolant shells, and historic comments. From this data, it is clear that North Zone and South Zone are higher-grade (than Tizate), shallow-level Cu-Au calc-alkalic porphyries, whereas Tizate is a lower-grade, moderate-level Cu-Mo calc-alkalic porphyry with several higher-grade (size unknown) polymetallic veins.

Additionally, historic surface rock and soil surface geochem data was compiled and grouped into typical porphyry and epithermal “pathfinder” element isolines. Maps were made with these to highlight areas of interest in the Tepal property. The Company also reviewed the historic geophysics from the 2011 airborne survey which was then re-processed resulting in new plan maps with multiple filters were made for magnetics, as well as new radiometric plan maps. A 3D inversion of the magnetics from 2017 was also re-evaluated, and discrete magnetic bodies were further modeled from this. Historic 2011 EM data was also reprocessed to 2D and 3D products.

The extensive and detailed computer study from all the work (i.e., alteration map, structural map, new clean database, deposit knowledge, geochem map and geophysical reprocessed work) generated multiple (11) new targets on the Tepal property. Targets include extensions and exploration of the existing mineralized bodies, and many green fields exploration untested zones. Target areas were ranked based on probability for success, and a new work proposal of diamond drilling and additional infill surface sample collection was made.

Tepal Project plans for fiscal 2025

Based on the computer desktop work done to date, Tepal has been sub-divided into 3 structural and alteration domains. Within these structural domains, 11 exploration targets have been identified. Criteria that have been used for target selection include: rock and soil geochem (pathfinder elements and anomalous metals), geophysical survey (aeromagnetics, 3D inversions of aeromagnetics, IP survey chargeability and resistivity, 3D inversion of resistivity, radiometics), alteration (new short-wave infrared processing and interpretation, historic mapping), geology (from historic government work), structures (new interpretation from previous various data sets), drilling (geochem and metal distribution, ore deposit styles), terrain, and others.

1) The company plans to continue its desktop modelling and detailed geological evaluation of the past exploration completed on the project. The new targets that have been developed will require additional modelling and onsite follow up.
2) The Company plans a surface exploration program consisting of detailed mapping, geochemistry, and core re-logging in the future. The Company will compile and integrate these surface works into an updated geologic model.
3) The Company plans to complete a drill program over target areas developed from the computer-generated work done in 2020-2023.
4) The Company plans to complete a new mineral resource report in fiscal 2025.
5) The Company plans to complete a new Preliminary Economic Assessment (“PEA”).

Results of Operations

Summary of Quarterly Results

The following quarterly financial data is derived from the unaudited condensed consolidated interim financial statements of Defiance as at (and for) the three-month periods ended on the dates indicated below. The data should be read in conjunction with the Company's financial statements for the corresponding periods and the notes thereto.

The following tables summarize information derived from the Company's financial statements for each of the eight most recently completed quarters:

	September 30, 2024	June 30, 2024	March 31, 2024	December 31, 2023
Revenue	$ Nil	$ Nil	$ Nil	$ Nil
Loss and comprehensive loss for the period	(981,143)	(1,280,793)	(8,336)	(823,058)
Exploration and evaluation assets	39,572,226	38,020,212	37,336,039	36,108,972
Total assets	44,334,422	42,274,533	43,365,322	40,842,130
Loss per share	0.00	(0.01)	0.00	0.00

	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022
Revenue	$ Nil	$ Nil	$ Nil	$ Nil
Loss and comprehensive loss for the period	(237,393)	(489,987)	(557,781)	(976,580)
Exploration and evaluation assets	34,216,565	33,167,771	31,703,613	29,904,988
Total assets	41,480,053	41,930,150	42,156,612	42,276,735
Loss per share	0.00	0.00	0.00	0.00

Three months ended September 30, 2024

The Company's loss for the three months ended September 30, 2024, totaled $981,143 ($0.00 per share) as compared to a loss $237,393 ($0.00 per share) for the three months ended September 30, 2023.

Expense details are as follows:

a) Investor relations and marketing of $213,328 (2023 - $114,623) – Marketing and advertising fees reflect the cost of services for consultants engaged to provide media and marketing services.

b) Management and consulting of $121,279 (2023 – $223,211) - The amount reflects management fee as well as fees paid to consultants engaged by the Company in the current period.

c) Share-based compensation of $131,261 (2023 – $109,278) – The stock based-compensation expense is primarily affected by the number of options granted and vesting during the period.

d) Foreign exchange loss of $306,344 (2023 - $320,997 gain) – due to fluctuation of Mexican peso against Canadian dollar and revaluation of the Company's intercompany accounts.

Outstanding Share Data

As at the date of this MD&A, the Company has 274,219,281 shares issued and outstanding, 13,872,150 shares issuable under stock options, 20,452,701 warrants, 715,000 shares issuable under DSUs, 45,000 shares issuable under PSUs, and 945.002 shares issuable under RSUs. The fully diluted outstanding share count at the date of this MD&A is 310,249,134.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements as at September 30, 2024 or as of the date of this report.

Related Party Transactions

Related party personnel are those who have the authority and responsibility for planning, directing, and controlling activities of the Company directly or indirectly. Related parties include the Board of Directors, officers, close family members and entities that are controlled by these individuals.

During the three months ended September 30, 2024, related party transactions include the following payments:

	Three months ended September 30, 2024	2023
Management and consulting fees	$ 291,800	$ 266,278
Share-based payments	100,995	109,278
	$ 392,795	$ 375,556

Proposed Transactions

At the present time, there are no new proposed transactions that should be disclosed.

Significant Accounting Policies

The preparation of the financial data is based on accounting principles and practices consistent with those used in the preparation of the audited financial statements at June 30, 2024.

Financial Instruments and Risk Management

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

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

The fair value of the Company's cash and cash equivalents, receivables, accounts payable and accrued liabilities, approximates carrying value, due to their short-term nature. Fair value of other assets approximates the carrying value as they are recorded at market interest rate. The Company is exposed to varying degrees to a variety of financial instrument related risks:

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash and cash equivalents are held at large Canadian financial institutions in interest bearing accounts. The Company has no investment in asset backed commercial paper.

The Company's receivables consist mainly of GST/VAT due from the governments of Canada and Mexico. As such, the Company does not believe it is subject to significant credit risk.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At September 30, 2024, the Company had cash and cash equivalents of $968,780 (June 30, 2024 - $265,834) to settle current liabilities of $564,030 (June 30, 2024 - $829,712). The Company is considered to be in the exploration and evaluation stage. Thus, it is dependent on obtaining regular financings in order to continue its exploration and evaluation programs. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. The Company's cash is invested in business accounts with quality financial institutions, is available on demand for the Company's programs, and is not invested in any asset backed commercial paper.

Foreign currency risk

The Company's operations are in Canada, the United States and Mexico. The international nature of the Company's operations results in foreign exchange risk as transactions are denominated in foreign currency.

The operating results and the financial position of the Company are reported in Canadian dollars. The fluctuations of the operating currencies in relation to the Canadian dollar will, consequently, have an impact upon the reported results of the Company and may also affect the value of the Company's assets and liabilities.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

Based on the Company's net exposures at September 30, 2024 and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar would result in a decrease/increase of approximately $1,500 in the Company's net earnings. Likewise, a 10% depreciation or appreciation of the Canadian dollar against the Mexican peso would result in a decrease/increase of approximately $319,000 in the Company's net earnings.

Price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatility. The Company closely monitors the commodity prices of precious metals, and the stock market to determine the appropriate course of action to be taken by the Company.

Based on management's knowledge and experience of the financial markets, management does not believe that the Company's current financial instruments will be affected by interest rate risk, currency risk and credit risk.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

Interest rate risk

The Company has cash and cash equivalents balances and has no debt instruments that bear variable interest rates. The interest earned on the cash and cash equivalents approximates fair value rates, and the Company is not at a significant risk to fluctuating interest rates. The Company's current policy is to invest excess cash and cash equivalents in investment-grade short-term deposit certificates issued by its financial institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its exploration and evaluation assets, acquire additional exploration and evaluation assets and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes components of shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash.

The Company is not subject to any externally imposed capital requirements. There were no changes in the Company's approach to capital management.

Other Risk Factors

Investment Considerations and Risk Factors

An investment in securities of the Company involves a high degree of risk and must be considered highly speculative due to the nature of the Company's business and the present stage of exploration and development of its properties. In addition to information set out or incorporated by reference in this MD&A, prospective investors should carefully consider the risk factors set out below. Any one of such risk factors could materially affect the Company's financial condition and future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

Exploration and Mining Risks

Resource exploration and development and mining operations are highly speculative and characterized by a number of significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate, including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits, but from finding mineral deposits which, though present, are insufficient in quantity and quality to be mined profitability. Few properties that are explored are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration and development programs will result in any discoveries of bodies of commercial mineralization. There is also no assurance that even if commercial quantities of mineralization are discovered, a mineral property will be brought into commercial production.

Substantial expenditures are required to establish and upgrade mineral resources, to establish mineral reserves, to develop metallurgical processes to extract metals from mineral resources and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. No assurance can be given that the funds required for development can be obtained on a timely basis. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size and grade; metal prices which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. Unsuccessful exploration and development programs could have a material adverse impact on the Company's operations and financial condition.

Factors beyond the Company's Control

The mining exploration business is subject to a number of factors beyond the Company's control including changes in economic conditions, intense industry competition, variability in operating costs, changes in government and in rules and regulations of various regulatory authorities. An adverse change in any one of such factors would have a material adverse effect on the Company, its business and results of operations which might result in the Company not identifying a body of economic mineralization, completing the development of a mine according to specifications in a timely, cost-effective manner or successfully developing mining activities on a profitable basis.

Uncertainty in the Estimation of Mineral Resources

The figures for mineral resources contained in this MD&A are estimates only and no assurance can be given that the anticipated tonnages and grades will be achieved. Actual resources may not conform to geological, metallurgical, or other expectations, and the volume and grade may be below the estimated levels.

There are numerous uncertainties inherent in estimating mineral resources and reserves, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. If the Company's actual mineral resources and reserves are less than current estimates, or if the Company fails to develop its resource and reserve base through the realization of identified mineralized potential, its results of operations or financial condition may be materially and adversely affected.

Re-evaluation of resources occurs from time to time, and they may change depending on further geological interpretation, drilling results and metal prices. The category of inferred resource is often the least reliable resource category and is subject to the most variability. The Company regularly evaluates its resources, and it often determines the merits of increasing the reliability of its overall resources.

Reliance on Independent Contractors

The Company's success depends to an extent on the performance and continued service of certain independent contractors. The Company has contracted the services of professional drillers and others for exploration, environmental, engineering, and other services. Poor performance by such contractors or the loss of such services could have a material and adverse effect on the Company, its business and results of operations and result in the Company failing to meet its business objectives. Nevertheless, the Company will continue to rely upon the advice and work of consultants and others for exploration, development, construction, and operating expertise.

Write downs and Impairments

Mining interests are the most significant assets of the Company and represent capitalized expenditures related to the development of the Company's Projects and related plant and equipment and the value assigned to exploration potential on acquisition. The costs associated with the property are allocated to exploration and evaluation assets and include acquired interests in the exploration stage property representing the fair value at the time the property was acquired. The value of such mineral property is primarily driven by the nature and amount of material interests believed to be contained or potentially contained, in the property to which they relate.

The Company reviews and evaluates its mining interests for impairment on a quarterly basis or when events or changes in circumstances indicate that the related carrying amounts may not be recoverable, which becomes more of a risk in the global economic conditions that exist currently. An impairment is considered to exist if the total estimated future undiscounted cash flows are less than the carrying amount of the assets. An impairment loss is measured and recorded based on discounted estimated future cash flows. Future cash flows are estimated based on expected future production, commodity prices, operating costs and capital costs. There are numerous uncertainties inherent in estimating mineral resources. Differences between management's assumptions and market conditions could have a material effect on the future on the Company's financial position and results of operation.

In addition, with a weaker global economy, there is a larger risk surrounding inventory levels. The assumptions used in the valuation of work in process inventories by the Company include estimates of minerals recovered, assumptions of the amount of minerals that will be crushed for concentrate, assumptions of the amount of minerals in these mill circuits and an assumption of the mineral prices expected to be realized when the minerals are recovered. If these estimates or assumptions prove to be inaccurate, the Company could be required to write down the recorded value of its work in process inventories, which would reduce the Company's earnings and working capital.

Foreign Operations

The Company's mineral exploration and development operations are currently conducted in the foreign jurisdictions of Mexico, and, as such, the Company's operations are exposed to various levels of political, economic, regulatory and other such risks and uncertainties as military repression; extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of war, violence, terrorism or civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licenses, permits and contracts; illegal mining; changes in fiscal regimes, changes in royalty and taxation policies; uncertainty regarding enforceability of contractual rights and judgments; restrictions on foreign exchange and repatriation; changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

In the past, Mexico has been subject to political instability, changes, and uncertainties, which may cause changes to existing governmental regulations affecting mineral exploration and mining activities. Mexico's status as a developing country may make it more difficult for the Company to obtain any required financing for its projects.

The Company's operations and property are subject to a variety of governmental regulations governing health and worker safety, employment standards, waste disposal, protection of historic and archaeological sites, mine development, protection of endangered and protected species and other matters.

The Company's mineral exploration and mining activities in Mexico may be adversely affected in varying degrees by changing government regulations relating to the mining industry or shifts in political conditions that increase the costs related to the Company's activities or the maintenance of its properties.

Changes, if any, in mining or investment policies or shifts in political attitude may adversely affect the Company’s operations and financial condition. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income and other taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Company’s operations and financial condition.

Future changes in applicable laws and regulations or changes in their enforcement or regulatory interpretation could negatively impact current or planned exploration and development activities on the Company’s property or in respect of any other projects in which the Company becomes involved. Any failure to comply with applicable laws and regulations, even if inadvertent, could result in the interruption of exploration and development operations or material fines, penalties, or other liabilities.

Title Risks

Although the Company believes that it has taken reasonable measures to ensure that title to the Company’s properties are held by the Company, including obtaining title opinions, there is no guarantee that title to any of the claims comprising the Company’s property will not be challenged or impaired.

The Company’s properties may be subject to prior unregistered agreements, interests or native land claims, and title may be affected by undetected defects. There may be valid challenges to the title of any of the claims comprising the Company’s property that, if successful, could impair development or operations. A defect could result in the Company losing all or a portion of its right, title, estate and interest in and to the property to which the title defect relates.

Additional Funding Required

Further exploration on, and development of, the Company’s projects, will require significant additional financing. Accordingly, the continuing development of the Company's property will depend upon the Company's ability to obtain financing through equity financing, debt financing, the joint venturing of projects or other external sources. Failure to obtain sufficient financing may result in a delay or an indefinite postponement of exploration, development, or production on the Company’s property, or even a loss of property interest, or have a material adverse impact on the Company’s future cash flows, earnings, results of operations and financial condition or result in the substantial dilution of its interests in its property. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. Debt financing will expose the Company to the risk of leverage, while equity financing may cause existing shareholders to suffer dilution. There can be no assurance that the Company will be successful in overcoming these risks or any other problems encountered in connection with such financings. Failure to raise capital when needed would have a material adverse effect on the Company’s business, financial condition, and results of operations.

The Company has and will continue to have negative operating cash flow until one of the properties commences commercial production should exploration and development efforts demonstrate that commercial production from such mineral property is feasible.

Global Financial Conditions

Current global financial conditions have been subject to increased volatility. The Company is exposed to liquidity risks in meeting its operating and capital expenditure requirements in instances where cash positions are unable to be maintained, or appropriate financing is unavailable. These factors may impact the ability of the Company to obtain loans and other credit facilities or equity or debt financing in the future and, if obtained, on terms favourable to the Company. If these increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted, and the trading price of the common shares could be adversely affected.

Fluctuations in Metal Prices and Currencies

The Company raises its equity in Canadian dollars and maintains its accounts in Canadian dollars. Foreign expenditures by the Company are subject to foreign currency fluctuations which may materially and adversely affect the Company's financial operations. The Company does not engage in any hedging or other transactions to protect itself against such currency fluctuations.

Market Price of Common Shares

The trading price of the Company's common shares is likely to be significantly affected by short term changes in mineral prices or in its financial condition or results of operations as reflected in its quarterly earnings reports. Other factors unrelated to the Company's performance that may have an effect on the price of the common shares include the following: the extent of analytical coverage available to investors concerning the Company's business; the lessening in trading volume and general market interest in the Company's securities (which may affect an investor's ability to trade significant numbers of common shares); and the price of the common shares and size of the Company's public float (which may limit the ability of some institutions to invest in the Company's securities).

As a result of any of these factors, the market price of the common shares at any given point in time may not accurately reflect the Company's long-term value. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company could be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

Dilution to Common Shares

During the life of the Company's outstanding common share purchase warrants, as well as options and other rights granted or assumed by the Company, if any, the holders are given an opportunity to profit from a rise in the market price of the common shares. The Company's ability to obtain additional financing during the period such rights are outstanding may be adversely affected and the existence of the rights may have an adverse effect on the price of the common shares. The holders of common share purchase warrants, options and other rights of the Company may exercise such securities at a time when the Company would, in all likelihood, be able to obtain any needed capital by a new offering of securities on terms more favourable than those provided by the outstanding rights.

The increase in the number of common shares in the market and the possibility of sales of such shares may have a depressive effect on the price of the common shares. In addition, as a result of such additional common shares, the voting power of the Company's existing shareholders will be diluted.

Future Sales of Common Shares by Existing Shareholders

Sales of a large number of common shares in the public markets could decrease the trading price of the common shares and impair the Company's ability to raise capital through future sales of common shares.

Volatility of Share Price

The price of the shares of resource companies tends to be volatile, as has been particularly evidenced during recent economic crisis and price volatilities in the commodity markets. The market price of the Company's common shares has experienced wide fluctuations which may not necessarily be related to the operating performance, underlying asset values or prospects of the Company. Fluctuations in the market price for precious metals and other elements which are beyond the control of the Company could materially affect the price of the securities of the Company.

Future Profits or Losses and Production Revenues and Expenses

There can be no assurance that significant losses will not occur in the near future or that the Company will be profitable in the future. The Company's operating expenses, and capital expenditures may increase in subsequent years as required consultants, personnel and equipment associated with advancing exploration, development and commercial production of the Company's properties and any other properties that the Company may acquire are added. The amounts and timing of expenditures will depend on the progress of ongoing exploration and development, the results of consultants' analyses and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, if any, and the Company's acquisition of additional properties, in addition to other factors, many of which are beyond the Company's control.

The Company expects to incur expenditures and losses unless and until such time as the Company's current property or future properties may achieve a sufficient level of commercial production and revenues to fund continuing operations. The development of the Company's properties will require the commitment of substantial resources to conduct the time-consuming exploration and development of properties. There can be no assurance that the Company will generate any revenues or achieve profitability, nor can there be any assurance that the underlying assumed levels of expenses will prove to be accurate.

Labour and Employment Matters

While the Company has good relations with its employees, its operations are dependent upon the efforts of its employees. In addition, relations between the Company and its employees may be affected by changes in the scheme of labour relations that may be introduced by the relevant governmental authorities in whose jurisdictions the Company carries on business. Changes in such legislation or in the relationship between the Company and its employees may have a material adverse effect on the Company's operations and financial condition.

Acquisitions and Integration

From time to time, the Company examines opportunities to acquire additional mining assets and businesses. Any acquisition that the Company may choose to complete may be of a significant size, may change the scale of the Company's business and operations, and may expose the Company to new geographic, political, operating, financial and geological risks. The Company's success in its acquisition activities depends on its ability to identify suitable acquisition candidates, negotiate acceptable terms for any such acquisition, and integrate the acquired operations successfully with those of the Company. Any acquisitions would be accompanied by risks. For example, there may be a significant change in commodity prices after the Company has committed to complete the transaction and established the purchase price or exchange ratio; a material orebody may prove to be below expectations; the Company may have difficulty integrating and assimilating the operations and personnel of any acquired companies, realizing anticipated synergies and maximizing the financial and strategic position of the combined enterprise, and maintaining uniform standards, policies and controls across the organization; the integration of the acquired business or assets may disrupt the Company's ongoing business and its relationships with employees, customers, suppliers and contractors; and the acquired business or assets may have unknown liabilities which may be significant. If the Company chooses to raise debt capital to finance any such acquisition, the Company's leverage will be increased. If the Company chooses to use equity as consideration for such acquisition, existing shareholders may suffer dilution. Alternatively, the Company may choose to finance any such acquisition with its existing resources. There can be no assurance that the Company would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions.

Competition

The Company's business is intensely competitive in all of its phases and the Company will compete with other mining companies for natural resource acquisition opportunities, many of which have greater resources and technical facilities than the Company. Competition in the mining industry is primarily for mineral rich properties which can be developed and can produce economically; the technical expertise to find, develop, and operate such properties; the skilled labour to operate such properties; and the capital for the purpose of funding such properties. Many competitors not only explore for and mine metals, but also conduct refining and marketing operations on a world-wide basis. Such competition may result in the Company being unable to (i) acquire desired properties, (ii) recruit or retain qualified employees or (iii) raise or generate the capital necessary to fund its operations and develop its properties. The Company's inability to compete with other mining companies for these resources could have a material adverse effect on its operations, financial condition, and trading price of the securities of the Company.

Loss of Key Employees

The Company depends on the business and technical expertise of a number of key personnel, including its directors and executive officers and key personnel working full-time in management and administrative capacities or as consultants. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As the Company's exploration and development activities expand, it will require additional key personnel. The Company does not maintain life insurance for such personnel. The loss of any key personnel, or the failure to retain such personnel, could have a material adverse effect on the Company's operations and financial condition.

Environmental Regulations

The operations of the Company are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments.

Environmental legislation is evolving in a manner which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. Future legislation and regulations could cause additional expenses, capital expenditures, restrictions, liabilities, and delays in the development of the Company's properties, the extent of which cannot be predicted. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers, and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations.

Litigation and Tax Risks

All industries, including the mining industry, are subject to legal claims, with and without merit. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material effect on the Company's operations and financial position.

The Company conducts operations through foreign subsidiaries and substantially all of its assets are held in such entities. Accordingly, any limitation on the transfer of cash or other assets between the parent corporation and such entities, or among such entities, could restrict the Company's ability to fund its operations efficiently. Any such limitations, or the perception that such limitations may exist now or in the future, could have an adverse impact on the Company's valuation and stock price. In addition, the use of foreign subsidiaries could give rise to tax risks and obligations for the Company.

Enforcement of Civil Liabilities

Two directors of the Company reside outside of Canada and, similarly, a majority of the assets of the Company are located outside of Canada. It may not be possible for investors to effect service of process within Canada upon the director not residing in Canada. It may also not be possible to enforce against the Company and certain of its directors and officers' judgments obtained in Canadian courts.

No History of Dividends

Investors cannot expect to receive a dividend on their investment in the foreseeable future, if at all. Accordingly, it is likely investors will not receive any return on their investment in the Company's securities other than possible capital gains.

Operating Hazards and Risks

Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, explosions, pit-wall failures, cave-ins, seismic activity, rock bursts, pollution, accidents relating to historical workings, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are several of the hazards and risks involved in the operation of mines and the conduct of exploration programs, any of which could result in damage to or destruction of mines and other producing facilities, personal injury or death, damage to property, environmental damage and possible legal liability for any or all damage.

Any future milling operations will be subject to various hazards, including, without limitation, equipment failure and failure of retaining dams around tailings disposal areas, which may result in environmental pollution and legal liability.

The Company maintains insurance against risks in the operation of its business in amounts that it believes to be reasonable. Such insurance, however, contains exclusions and limitations on coverage and the Company's insurance may not cover all potential risks associated with a company with operations of the nature of those of the Company. There can be no assurance that any such insurance will continue to be available, will be available at economically acceptable premiums or will be adequate to cover any resulting liability. In some cases, such as with respect to environmental risks, coverage is not available or considered too expensive relative to the perceived risk. Losses resulting from any uninsured events may cause the Company to incur significant costs that could have a material adverse effect on the Company's operations and financial condition.

Infrastructure

Mining, development, and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations and financial condition.

Conflicts of Interest

Certain directors and officers of the Company are also directors or officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing, and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter.

Directors and officers with conflicts of interests will be subject to, and will follow the procedures set out in, applicable corporate and securities legislation. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

From time to time several companies may participate in the acquisition, exploration and development of natural resource properties, thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the Company making the assignment. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the risk to which the Company may be exposed and its financial position at that time.

These risk factors could materially affect the Company's future results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

Certain statements contained in this document constitute "forward-looking" statements. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward-looking statements.

Disclosure For Venture Issuers Without Significant Revenue

An analysis of the material components of the Company's general and administrative expenses is disclosed in the consolidated financial statements for the year ended June 30, 2022, to which this MD&A relates.

Contingencies

The Company was named in a lawsuit filed in October 2020 (the “Action”) by Avalos y Abogados, S.C. (“Avalos”), former legal counsel for Minera Santa Remy S.A. de C.V. (“Santa Remy”), which resigned as legal counsel in January 2020. Avalos seeks to recover an alleged debt owing under invoices issued to Santa Remy. In conjunction with the lawsuit, a prejudgment garnish order was served on the Company which resulted in $388,560 being held by the BC Supreme Court pending the outcome of the lawsuit. The total claim made by Avalos is $388,480. This amount has been recorded in the records of the Company. In October 2023, the Company settled the lawsuit and recovered funds held by court in the amount of $79,238.

Internal Controls Over Financial Reporting

Changes in Internal Control over Financial Reporting (“ICFR”)

In connection with National Instrument 52-109, Certification of Disclosure in Issuer’s Annual and Interim Filings (“NI 52-109”) adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management’s Discussion and Analysis. The Venture Issue Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

Management’s Responsibility For Financial Statements

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the financial statements.

Other MD&A Requirements

Additional disclosure of the Company’s technical reports, material change reports, news releases and other information can be obtained on SEDAR+ at www.sedarplus.ca.

Recent Accounting Policies

Please refer to the audited consolidated financial statements for the year ended June 30, 2024, on www.sedarplus.ca.

Financial Instruments

Please refer to the audited consolidated financial statements for the year ended June 30, 2024, on www.sedarplus.ca.