



**Guanajuato**  
**Silver** CO  
LTD

## **ANNUAL INFORMATION FORM**

**For the Year Ended December 31, 2020**

**(Dated December 8, 2021)**

**GUANAJUATO SILVER COMPANY LTD.**  
**999 Canada Place, Suite 578**  
**Vancouver, B.C.**  
**V6C 3E1**

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## ITEM 1: PRELIMINARY NOTES

### 1.1 Date of Information

All information contained in this Annual Information Form (“AIF”) is as at December 31, 2020, unless otherwise stated.

References to “Guanajuato Silver”, “Gsilver”, the “Company”, “its”, “our” and “we”, or related terms, in this AIF refer to Guanajuato Silver Company Ltd. and includes, where the context requires, its subsidiaries.

### 1.2 Financial Statements and Management Discussion and Analysis

This AIF should be read in conjunction with the Company’s consolidated annual financial statements for the year ended December 31, 2020 (the “**Financial Statements**”) and the accompanying Management’s Discussion and Analysis (“**MD&A**”) for such period. The Financial Statements and MD&A are available on the SEDAR website at [www.sedar.com](http://www.sedar.com) under the Company’s profile.

All financial information in this AIF has been prepared in accordance with International Financial Reporting Standards as prescribed by the International Accounting Standards Board.

### 1.3 Forward Looking Statements and Information

Certain statements and information contained in this AIF constitute “forward-looking statements” and “forward looking information” within the meaning of applicable securities legislation. Forward-looking statements and forward looking information include statements concerning the Company’s current expectations, estimates, projections, assumptions and beliefs, and, in certain cases, can be identified by the use of words such as “**seeks**”, “**plans**”, “**expects**”, “**is expected**”, “**budget**”, “**estimates**”, “**intends**”, “**anticipates**”, or “**believes**”, or variations of such words and phrases or statements that certain actions, events or results “**may**”, “**could**”, “**should**”, “**would**”, “**might**” or “**will**”, “**occur**” or “**be achieved**”, or the negative forms of any of these words and other similar expressions.

Forward-looking statements and forward looking information reflect the Company’s current expectations and assumptions, and are subject to a number of known and unknown risks, uncertainties and other factors that may cause the Company’s actual results, performance or achievements to be materially different from any anticipated future results, performance or achievements expressed or implied by the forward-looking statements and forward looking information, including without limitation:

- uncertainty as to the duration and impact of the COVID-19 pandemic;
- the Company’s limited operating history;
- the Company’s history of losses and uncertainty regarding future profitability;
- uncertainty as to the Company’s ability to continue as a going concern;
- the existence of mineral resources on the Company’s mineral properties;
- the Company’s ability to obtain adequate financing for exploration, development and mining;
- the Company’s ability to attract and retain qualified personnel;
- foreign currency fluctuations;
- uncertainty as to the Company’s ability to maintain effective internal controls;
- the involvement by some of the Company’s directors and officers with other natural resource companies;
- the uncertain nature of estimating mineral resources and reserves;
- uncertainty surrounding the Company’s ability to successfully develop and operate its mineral properties;
- exploration, development and mining risks, including risks related to infrastructure, accidents and equipment breakdowns;
- title defects to the Company’s mineral properties;
- the Company’s ability to obtain all necessary permits and other approvals;
- risks related to equipment shortages, access restrictions and inadequate infrastructure;
- increased costs and restrictions on operations due to compliance with environmental legislation and potential lawsuits;
- fluctuations in the market price of silver, gold and other metals;
- intense competition in the mining industry; and
- the Company’s ability to comply with applicable regulatory requirements.

In making the forward-looking statements and developing the forward looking information included in this AIF, the Company has made various material assumptions, including, but not limited to:

- the results of the Company's proposed exploration, development and mining activities on the El Cubo/El Pinguico Mine Complex will be consistent with current expectations;
- the Company's assessment and interpretation of potential geological structures and mineralization at the El Cubo/El Pinguico Mine Complex are accurate in all material respects;
- the quantity and grade of mineral resources contained within the El Cubo/El Pinguico Mine Complex are accurate in all material respects;
- the sufficiency of the Company's current working capital and credit facilities to carry out the planned development and ramp-up of production at the El Cubo/El Pinguico Mine Complex on a timely basis;
- the price for silver, gold and other precious metals will not fall significantly below current levels;
- the Company will be able to secure additional financing to continue exploration, development and mining on the El Cubo/El Pinguico Mine Complex and other mineral properties and meet future obligations as required from time to time;
- the Company will be able to obtain regulatory approvals and permits in a timely manner and on terms consistent with current expectations;
- the Company will be able to procure drilling and other mining equipment, energy and supplies in a timely and cost efficient manner to meet the Company's needs from time to time;
- the Company's capital and operating costs will not increase significantly from current or anticipated levels;
- key personnel will continue their employment with the Company and the Company will be able to obtain and retain additional qualified personnel, as needed, in a timely and cost efficient manner;
- there will be no significant adverse changes in the Canada/U.S./Mexico currency exchange rates;
- there will be no significant changes in the ability of the Company to comply with environmental, safety and other regulatory requirements;
- there will be no significant adverse changes and/or restrictions on the Company's ability to carry out its mining operations at the El Cubo/El Pinguico Mine Complex as currently planned due to the ongoing COVID-19 pandemic and variants of concern; and
- the absence of any material adverse effects arising as a result of political instability, terrorism, sabotage, vandalism, theft, labor disputes, natural disasters, equipment failures or adverse changes in government legislation or the socio-economic conditions in Guanajuato, Mexico and the surrounding area with respect to the Company's El Cubo/El Pinguico Mine Complex and operations.

Other assumptions are discussed throughout this AIF and elsewhere in the Company's public disclosure record.

The Company's ability to predict the results of its operations or the effects of various events on its operating results is inherently uncertain. Accordingly, readers are cautioned not to place undue reliance on the forward-looking statements and forward looking information herein or the assumptions on which the Company's forward-looking statements and forward looking information are based. Investors are advised to carefully review and consider the risk factors identified in this AIF under, among other places, Item 5.2 "DESCRIPTION OF THE BUSINESS – *Risk Factors*" and elsewhere in the Company's public disclosure record for a discussion of the factors that could cause the Company's actual results, performance and achievements to be materially different from any anticipated future results, performance or achievements expressed or implied by the forward-looking statements and forward looking information contained in this AIF. Investors are further cautioned that the foregoing list of risks and assumptions is not exhaustive and prospective investors should consult the more complete discussion of the Company's business, financial condition and prospects that is included in this AIF and elsewhere in the Company's public disclosure record.

Although the Company believes that the assumptions on which the forward-looking statements are made and forward looking information is provided are reasonable, based on the information available to the Company on the date such statements were made or such information was provided, no assurances can be given as to whether these assumptions will prove to be correct. The forward-looking statements and forward looking information contained in this AIF are expressly qualified in their entirety by the foregoing cautionary statements. Furthermore, the above risks are not intended to represent a complete list of the risks that could affect the Company and readers should not place undue reliance on forward-looking statements or forward looking information in this AIF.

Forward-looking statements and forward looking information speak only as of the date the statements are made or such information is provided. The Company assumes no obligation to update publicly or otherwise revise any forward-looking statements or forward looking information to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking statements or forward looking information, except to the extent required by law. If the Company does update one or more forward-looking statements or forward looking information, no inference should be drawn that the Company will make additional updates with respect to those or other forward-looking statements or forward looking information.

#### 1.4 Currency and Exchange Rates

All references to “\$”, “C\$” or “dollars” in this AIF are to lawful currency of Canada unless otherwise expressly stated. References to “US\$” or “MNX\$” are to United States dollars and Mexican pesos, respectively.

The high, low, average and closing rates for the United States dollar in terms of Canadian dollars for each of the financial periods of the Company ended September 30, 2021, December 31, 2020 and December 31, 2019, as quoted by the Bank of Canada, were as follows:

	<u>Nine Months Ended September 30, 2021</u>	<u>Year Ended December 31, 2020</u>	<u>Year Ended December 31, 2019</u>
High	1.2856	1.4496	1.3600
Low	1.2040	1.2718	1.2988
Average	1.2513	1.3415	1.3269
Closing	1.2741	1.2732	1.2988

#### 1.5 Imperial and Metric Conversions

All data and information in this AIF is presented in metric units, unless otherwise expressly stated. The following table sets forth certain standard conversions between standard imperial units and the international system of units (or metric units).

2.47 acres	=	1 hectare	0.4047 hectares	=	1 acre
3.28 feet	=	1 metre	0.3048 metres	=	1 foot
0.62 miles	=	1 kilometre	1.609 kilometres	=	1 mile
0.032 ounces (troy)	=	1 gram	31.103 grams	=	1 ounce (troy)
1.102 tons (short)	=	1 tonne	0.907 tonnes	=	1 ton
0.029 ounces/ton	=	1 gram/tonne			
1 ppm	=	1 gram/tonne	1%	=	10,000 ppm
1 ounce/ton	=	34.286 ppm	34.286 grams/tonne	=	1 ounce/ton

#### 1.6 Classification of Mineral Resources

In this AIF, the definitions of indicated and inferred mineral resources are those used by the Canadian provincial securities regulatory authorities in NI 43-101 and conform to the definitions utilized by the Canadian Institute of Mining, Metallurgy and Petroleum, as the CIM Definition Standards on Mineral Resources and Mineral Reserves adopted by the CIM Council, as amended.

#### 1.7 Cautionary Note to United States Investors Regarding Mineral Reporting Standards

The disclosure in this AIF has been prepared in accordance with the requirements of Canadian securities laws, which differ from the requirements of United States securities laws. Disclosure, including scientific or technical information, has been made in accordance with Canadian National Instrument 43-101 *Standards of Disclosure for Mineral Projects*. NI 43-101 is a rule developed by the Canadian Securities Administrators that establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. Canadian standards, including NI 43-101, differ from the requirements of the SEC in the United States. In particular, the terms “measured mineral resource”, “indicated mineral resource” and “inferred mineral resource” in this AIF are defined in accordance with NI 43-101 under the guidelines set out in the Canadian Institute of Mining, Metallurgy, and

Petroleum Definition Standards for Mineral Resources and Mineral Reserves 2014 (“**CIM Definition Standards**”). The SEC has recently modernized and amended its mineral property disclosure requirements for issuers whose securities are registered with the SEC under the United States Securities Act of 1934 and now recognizes estimates of “measured mineral resources”, “indicated mineral resources” and “inferred mineral resources” which are substantially similar to the corresponding CIM Definition Standards. The SEC has also amended its definition of “proven mineral reserves” and “probable mineral reserves” to be substantially similar to the corresponding CIM Definitions. However, U.S. investors are cautioned that while the foregoing terms adopted by the SEC are “substantially similar” to corresponding definitions under CIM Definition Standards, there are differences. As such, there is no assurance any mineral resources that the Company may report as “measured mineral resources”, “indicated mineral resources” or “inferred mineral resources” under NI 43-101 would be the same had the Company prepared the resource estimates under the standards adopted by the SEC. United States investors are also cautioned that while the SEC will now recognize “measured mineral resources”, “indicated mineral resources” and “inferred mineral resources”, they should not assume that all or any part of the mineral deposits in these categories would ever be converted into a higher category of mineral resources or into mineral reserves. Mineralization described by these terms has a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. Accordingly, investors are cautioned not to assume that any “measured mineral resources”, “indicated mineral resources”, or “inferred mineral resources” that the Company reports are or will ever be converted into mineral reserves or economically or legally mineable. Further under Canadian securities laws, estimates of “inferred mineral resources” cannot form the basis of feasibility, pre-feasibility or other economic studies, except in rare cases, although it is reasonably expected that the majority of “inferred resources” could be upgraded to “indicated resources” with continued exploration. Nonetheless, investors are cautioned not to assume that all or any part of an “inferred mineral resource” exists or is economically or legally mineable. Also, disclosure of “contained ounces” in a mineral resource is permitted disclosure under Canadian securities laws; however, historically the SEC only permits issuers to report mineralization that does not constitute “mineral reserves” as in place tonnage and grade, without reference to unit measures. Accordingly, information concerning mineral deposits set forth in this AIF may not be comparable with information made public by companies that report in accordance with U.S. securities laws.

## **1.8 Qualified Person**

The scientific and technical information contained in this AIF relating to the Company’s mines and mineral projects has been reviewed and approved by Hernan Dorado Smith, Chief Operating Officer and a director of Gsilver, and a “qualified person” within the meaning of NI 43-101.

Scientific and technical disclosure in this AIF for the El Cubo/El Pinguico Mine Complex is based on the 2021 PEA Report, unless otherwise stated. The 2021 PEA Report has been filed on SEDAR at [www.sedar.com](http://www.sedar.com). Where applicable, the scientific and technical information in this AIF has been updated with more current information regarding the El Cubo/El Pinguico Mine Complex including the Company’s current and planned exploration, development and mining programs, such updated information having been prepared by or under the supervision of, or approved by, Hernan Dorado Smith.

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## ITEM 2: GLOSSARY

### 2.1 Glossary of Terms

The following glossary is not exhaustive. Other words and phrases that are capitalized in this AIF but not included in the glossary have the meanings assigned in this AIF.

“**2021 PEA Report**” means the technical report dated May 6, 2021 (effective date January 31, 2021) outlining a preliminary economic analysis of the El Cubo/El Pinguico Mine Complex in accordance with NI 43-101 and titled “Preliminary Economic Analysis – El Cubo/El Pinguico Silver Gold Complex Project, State of Guanajuato, Mexico” as prepared by Mark K. Jorgensen, MMSA #012020QP, Bernard J. Guarnera, MMSA #01171QP, Reinis N. Sipols, P.E., MMSA #1440QP, John E. Thompson, MMSA #1448QP, Joseph A. Kantor, MMSA #1309QP, Robert E. Cameron, Ph.D., MMSA #01357QP and Amy E. Jacobsen, MMSA #1197QP.

“**Behre**” means Behre Dolbear & Company (USA), Inc., mineral industry advisers, of Aurora, Colorado, U.S.A.

“**BCBCA**” means the *Business Corporations Act* (British Columbia), as amended from time to time.

“**Board**” means the board of directors of the Company.

“**Canmex**” means Canmex Silver, S.A. de C.V., a subsidiary of the Company formed and organized under the laws of the Mexico and holding the Company’s interests in the Analy I and II, El Ruso, Ysabela and Camila mining concessions in central Mexico.

“**CMDC**” means Compania Minera Del Cubo, S.A., a wholly-owned subsidiary of Endeavour formed and organized under the laws of Mexico.

“**Common Shares**” means common shares without par value in the capital stock of the Company.

“**COVID-19**” means a strain of novel coronavirus reported to have originated in late 2019 and any variant thereof.

“**ejido**” means, in Mexico, the communal farmland of a village, usually assigned in small parcels to the villagers to be farmed under a federally supported system of communal land tenure.

“**El Cubo**” or “**El Cubo Project**” means the El Cubo mines project acquired by the Company from Endeavour on April 9, 2021 consisting of, inter alia, 49 mining claims totaling approximately 6,994.73 hectares located in central Mexico, in Guanajuato State near the village of El Cubo including certain rustic surface lands totaling approximately 1,196 hectares, certain leased real property, the El Cubo Mill and certain other tangible property, improvements, mining rights and other assets and rights located therein, thereon and appurtenant thereto as more particularly described under Item 4.2 “GENERAL DEVELOPMENT OF THE BUSINESS - *History – Mineral Properties – El Cubo Project, Guanajuato, Mexico*” and Item 5.4 “DESCRIPTION OF THE BUSINESS – *Mineral Projects – El Cubo/El Pinguico Mine Complex, Guanajuato, Mexico*” herein.

“**El Cubo/El Pinguico Mine Complex**” means the combined El Cubo Project and El Pinguico Project as a single operation.

“**El Cubo Mill**” means the existing mill, floatation plant and ancillary improvements, equipment and machinery forming part of the El Cubo Project.

“**El Pinguico**” or “**El Pinguico Project**” means the El Pinguico silver and gold project comprising two mining concessions totaling 71,708 hectares located approximately 7 kilometers south of Guanajuato, Mexico and 8 kilometers by road from the El Cubo Project as more particularly described under Item 4.2 “GENERAL DEVELOPMENT OF THE BUSINESS - *History – Mineral Properties - El Pinguico Project, Guanajuato, Mexico*” and Item 5.4 “DESCRIPTION OF THE BUSINESS – *Mineral Projects – El Cubo/El Pinguico Mine Complex, Guanajuato, Mexico*” herein.

“**EMBSA**” means Exploraciones Mineras de Bajío S.A. de C.V., a private company incorporated under the laws of Mexico.

“**Endeavour**” means Endeavour Silver Corp., a reporting issuer listed for trading on the Toronto and New York Stock Exchanges and, where the context so requires, its wholly-owned Mexican subsidiary, CMDC.

“**Exchange**” or “**TSXV**” means the TSX Venture Exchange.

“**IFRS**” means International Financial Reporting Standards.

“**km**” means kilometer.

“**m**” means meter.

“**Ma**” means million years.

“**Mexico**” means the United Mexican States.

“**MI 61-101**” means Multilateral Instrument 61-101, *Protection of Minority Security Holders in Special Transactions* implemented by certain securities regulatory authorities in Canada including the Ontario Securities Commission.

“**NI 43-101**” means National Instrument 43-101 *Standards of Disclosure for Mineral Projects* adopted by the Canadian Securities Administrators.

“**Nivel 7**” means Compania Minera Nivel 7, S.A. de C.V., a subsidiary of the Company formed and organized under the laws of the Mexico.

“**NSR**” means net smelter returns royalty.

“**QA/QC**” means Quality Assurance/Quality Control.

“**Odyssey**” means Odyssey Trust Company, the registrar and transfer agent of the Company.

“**OMPSA**” means Obras Mineras El Pinguico, S.A. de C.V., a subsidiary of the Company formed and organized under the laws of the Mexico and holding all of the Company’s interests in, among other properties, El Cubo and El Pinguico.

“**QP**” means a “qualified person” for the purposes of NI 43-101.

“**PEA**” means preliminary economic assessment within the meaning of NI 43-101.

“**PROFEPA**” means Procuraduría Federal de Protección al Ambiente, or Federal Agency of Environmental Protection, which creates and enforces the Federal environmental laws of Mexico with the goal of sustainable development separate and apart from SEMARNAT.

“**SEC**” means the United States Securities and Exchange Commission.

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval as located on the Internet at [www.sedar.com](http://www.sedar.com).

“**SEMARNAT**” means Secretaría de Medio Ambiente y Recursos Naturales, or Ministry of Environment and Natural Resources, the Mexican federal agency responsible for environmental protection, including permitting of surface work and some mining programs.

“**VAT Settlement**” means the settlement of Mexican value added tax totalling US\$396,000 owed by the Company to Endeavour in connection with the purchase of the El Cubo Project as more particularly described under Item 4.2 “GENERAL DEVELOPMENT OF THE BUSINESS - *History – Mineral Properties – El Cubo Project, Guanajuato, Mexico*”.

“**VAT Shares**” means a total of 901,224 Common Shares issued to Endeavour by the Company pursuant to the VAT Settlement as more particularly described under Item 4.2 “GENERAL DEVELOPMENT OF THE BUSINESS - *History – Mineral Properties – El Cubo Project, Guanajuato, Mexico*”.

Words importing the masculine shall be interpreted to include the feminine or neuter and the singular to include the plural and vice versa where the context so requires.

## 2.2 Glossary of Technical Terms

The following is a glossary of certain geological and technical terms used in this AIF.

**adit** - a horizontal or close-to-horizontal tunnel, man-made for mining purposes.

**Ag** - silver.

**AgEq** or **silver Eq** - silver equivalent, reflecting the equivalent values of silver and all other products produced by the Company, relative to the prevailing silver price.

**assay** - in economic geology, to analyze the proportions of metal in a rock or overburden sample; to test an ore or mineral for composition, purity, weight or other properties of commercial interest.

**Au** - gold.

**breccia** - a coarse-grained clastic or carbonate rock, composed of angular broken rock fragments held together by a mineral cement or in a fine-grained matrix; it differs from conglomerate in that the fragments have sharp edges and unworn corners. Breccia may originate as a result of talus accumulation, explosive igneous processes, collapse of rock material, or faulting.

**concentrate** - a fine, powdery product of the milling process containing a high percentage of valuable metal.

**contained ounces** - a measure of in-situ or contained metal based on an estimate of tonnage and grade.

**cut-and-fill** - a mining method which removes mineralized material in horizontal slices and the remaining void is filled with waste rock before proceeding to mine the next slice of mineralized material.

**cut-off grade** - a calculated minimum metal grade at which material can be mined and processed at break even cost.

**cyanidation** - a method of extracting exposed silver or gold grains from crushed or ground ore by dissolving it in a weak cyanide solution.

**deposit** - a natural concentration of minerals in the earth's crust.

**dip** - the angle at which a stratum is inclined from the horizontal.

**core drilling** - a drilling method that uses a rotating barrel and an annular-shaped, diamond impregnated rock-cutting bit to produce cylindrical rock cores and lift such cores to the surface, where they may be collected, examined and assayed.

**epithermal** - hydrothermal deposits formed at low temperature and pressure.

**exploration** - prospecting, sampling, mapping, diamond-drilling and other work involved in locating the presence of economic deposits and establishing their nature, shape and grade.

**fault** - fracture in a rock where there has been displacement of the two sides.

**flotation** - in mineral processing, method used to separate and concentrate ores by altering their surfaces to a hydrophobic or hydrophilic condition—that is, the surfaces are either repelled or attracted by water.

**gpt** or **g/t** – grams per tonne.

**grade** - the amount of valuable metal in each tonne of ore, expressed as grams per tonne (gpt) for precious metals, as percent (%) for copper, lead, zinc and nickel.

**host** - a rock or mineral that is older than rocks or minerals introduced into it.

**in-situ** – the original, natural, or existing place or position.

**jumbo** – a rock drilling machine used in underground mining, if mining is done by drilling and blasting.

**hydrothermal** - relating to the circulation of hot water within Earth's crust.

**M oz** – million ounces.

**mineral resource** - a concentration or occurrence of solid inorganic material, or natural solid fossilized organic material including base and precious metals, coal, diamonds and industrial minerals in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. A mineral resource is an inventory of mineralization that under realistically assumed and justifiable technical and economic conditions might become economically extractable. Mineral resources are sub-divided, in order of increasing geological confidence, into inferred, indicated and measured categories.

*Inferred mineral resource:* that part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

*Indicated mineral resource:* that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

*Measured mineral resource:* that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

**mineralization** - implication that the rocks contain metallic minerals and that these could be related to ore.

**mineral reserve** - the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction could reasonably be justified. A Mineral Reserve includes diluting materials and allowances for losses that may occur when the material is mined. Mineral resources are subdivided in order of increasing confidence into Probable Mineral Reserves and Proven Mineral Reserves. The term “mineral reserve” need not necessarily signify that extraction facilities are in place or operative or that all governmental approvals have been received. It does signify that there are reasonable expectations of such approvals.

**mining claim** - a footprint of land that a claimant holds in accordance with applicable mining laws to explore for and, in most instances, exploit the minerals under the surface.

**mucking** – mining term for shoveling broken rock into tramming cars, usually a scooptram (similar to a front-end loader), immediately after the blast of a row.

**net smelter return royalty or NSR** - a royalty based on a percentage of valuable minerals produced with settlement made either in kind or in currency based on the sale proceeds received less all of the offsite smelting, refining and transportation costs associated with the purification of the economic metals.

**ore** - that part of a mineral deposit which could be economically and legally extracted.

**oxide** - refers to sulphide minerals being exposed to oxygen either through hydrothermal and/or near-surface weathering processes.

**ppm** - parts per million, numerically equivalent to grams per long tonne.

**quartz** - a common rock forming mineral consisting of silicon and oxygen.

**reclamation** - the process by which lands disturbed as a result of mining activity are modified to support beneficial land use. Reclamation activity may include the removal of buildings, equipment, machinery and other physical remnants of mining, closure of tailings storage facilities, leach pads and other mine features, and contouring, covering and re-vegetation of waste rock and other disturbed areas.

**resuing** - a method of stoping wherein mineralized material is extracted separately from the waste rock on one side of the vein. This method is employed on narrow veins, and yields cleaner mineralized material than when waste and mineralized material are broken together.

**rhyolite** - a fine-grained volcanic (extrusive) rock of granitic composition.

**stoping** - the extraction of mineralized material or other minerals by creating underground openings through the application of drill and blast techniques.

**sulfidation** – a chemical reaction of a solid substance, such as a metal or an alloy, with sulfur in some form in its working environment, which produces compounds of sulfur that usually form on or under the surface of the substance.

**sulphide** - a group of minerals in which one or more metals are found in combination with sulphur.

**tailings** - material rejected from a mill after most of the recoverable valuable minerals have been extracted.

**trench** – a long, narrow excavation dug through overburden, or blasted out of rock, to expose a vein or ore structure.

**vein** - a zone or belt of mineralized rock lying within boundaries clearly distinguished from neighbouring rock. A mineralized zone has, more or less, a regular development in length, width and depth to give it a tabular form and is commonly inclined at a considerable angle to the horizontal. The term "lode" is commonly used synonymously for vein.

## ITEM 3: CORPORATE STRUCTURE

### 3.1 Name, Address and Incorporation

The Company was incorporated under the name “*Lightning Minerals Inc.*” pursuant to the *Companies Act* (British Columbia) on August 11, 1978 and transitioned under the BCBCA on May 28, 2004. The Company changed its name to “*Vangold Resources Inc.*” on September 2, 1988, “*Pacific Vangold Mines Ltd.*” on March 4, 1994, “*Paccomm Ventures Inc.*” on April 18, 2000, “*Vangold Resources Ltd.*” on August 29, 2003 and again to “*Vangold Mining Corp.*” on May 10, 2017. The Company has also consolidated its share capital on various occasions since its incorporation, most recently on a two old shares for one new share basis on March 12, 2019. On June 10, 2021 the Company changed its name to its current name “*Guanajuato Silver Company Ltd.*”.

The Company is a reporting issuer in the Canadian provinces of British Columbia and Alberta and its Common Shares are listed for trading on the TSXV under the symbol “GSVR” and quoted on the OTCQX over-the-counter market in the United States under the symbol “GSVRF”.

The registered and head offices of the Company are located at 999 Canada Place, Suite 578, Vancouver, B.C. V6C 3E1, telephone: (778) 989 - 5346.

### 3.2 Inter-corporate Relationships

The Company currently has three subsidiaries: OMPSA, Canmex and Nivel 7.

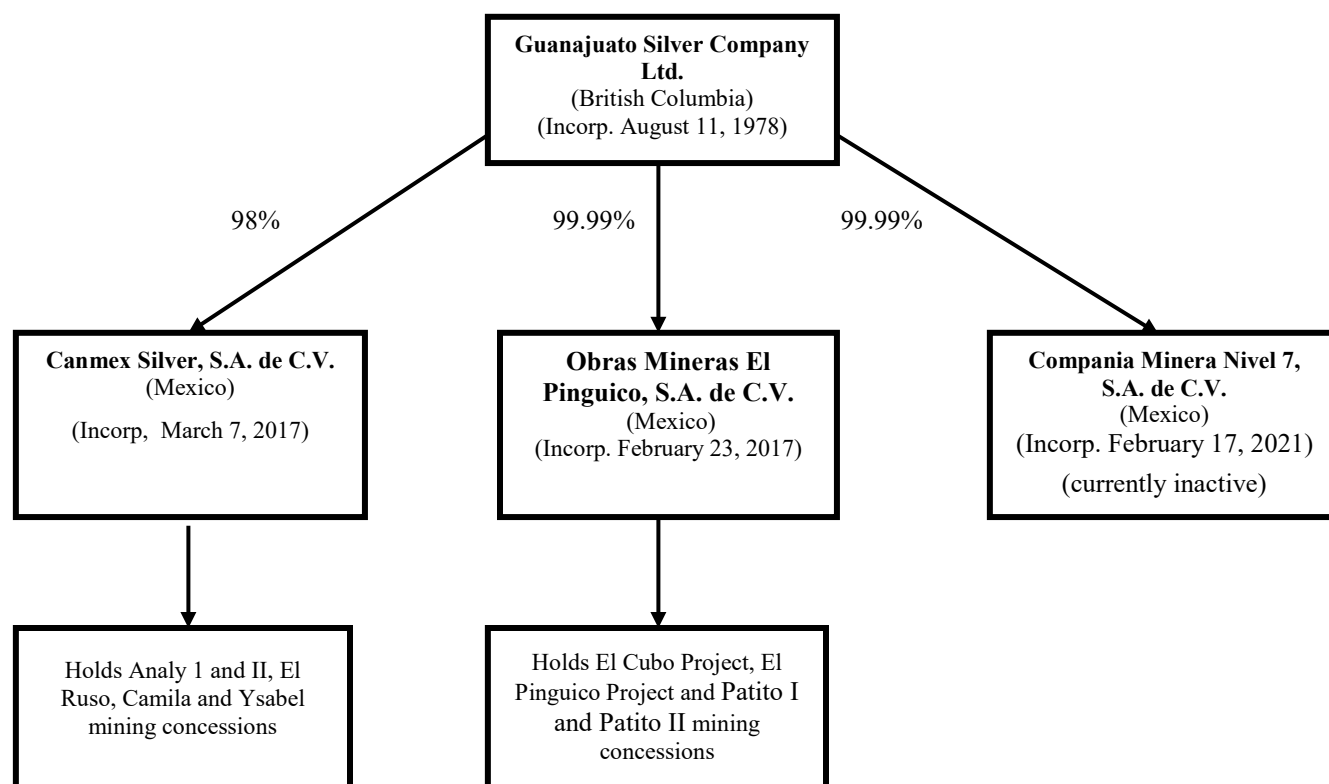
OMPSA was incorporated on February 23, 2017 under the laws of Mexico and holds the Company’s interests in El Cubo and El Pinguico as well as the Patito I and Patito II mineral concessions, all located within 15 kilometres of Guanajuato, Mexico. Item 4.2 “GENERAL DEVELOPMENT OF THE BUSINESS – *History - Mineral Properties*” below.

Canmex was incorporated on March 7, 2017 under the laws of Mexico and holds the Analay I and II mining concessions, located 50 km east of San Miguel de Allende, the El Ruso and Ysabela concessions located within the state of Guanajuato, some 200 km east of Guanajuato city, and the Camila mineral concession located near the El Ruso and Ysabela claims, in the state of Queretero. See Item 4.2 “GENERAL DEVELOPMENT OF THE BUSINESS – *History - Mineral Properties*” below.

Nivel 7 was incorporated under the laws of Mexico on February 17, 2021. As of the date hereof, Nivel 7 does not own any properties or assets or carry on any active business.

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The following chart illustrates the inter-corporate relationships among the Company and its subsidiaries as of the date of this AIF.



#### ITEM 4: GENERAL DEVELOPMENT OF THE BUSINESS

##### 4.1 Overview

Headquartered in Vancouver, B.C., Guanajuato Silver is a Canadian based mining, development and exploration company engaged in reactivating past producing silver and gold mines near the city of Guanajuato, Mexico. Since 2017, the Company has acquired a 100% undivided interest in two past producing silver and gold mines: the El Pinguico mine in 2017 and the El Cubo mine and mill complex in 2021, as well as several exploration concessions within the Mexican silver states of Guanajuato and Querétaro.

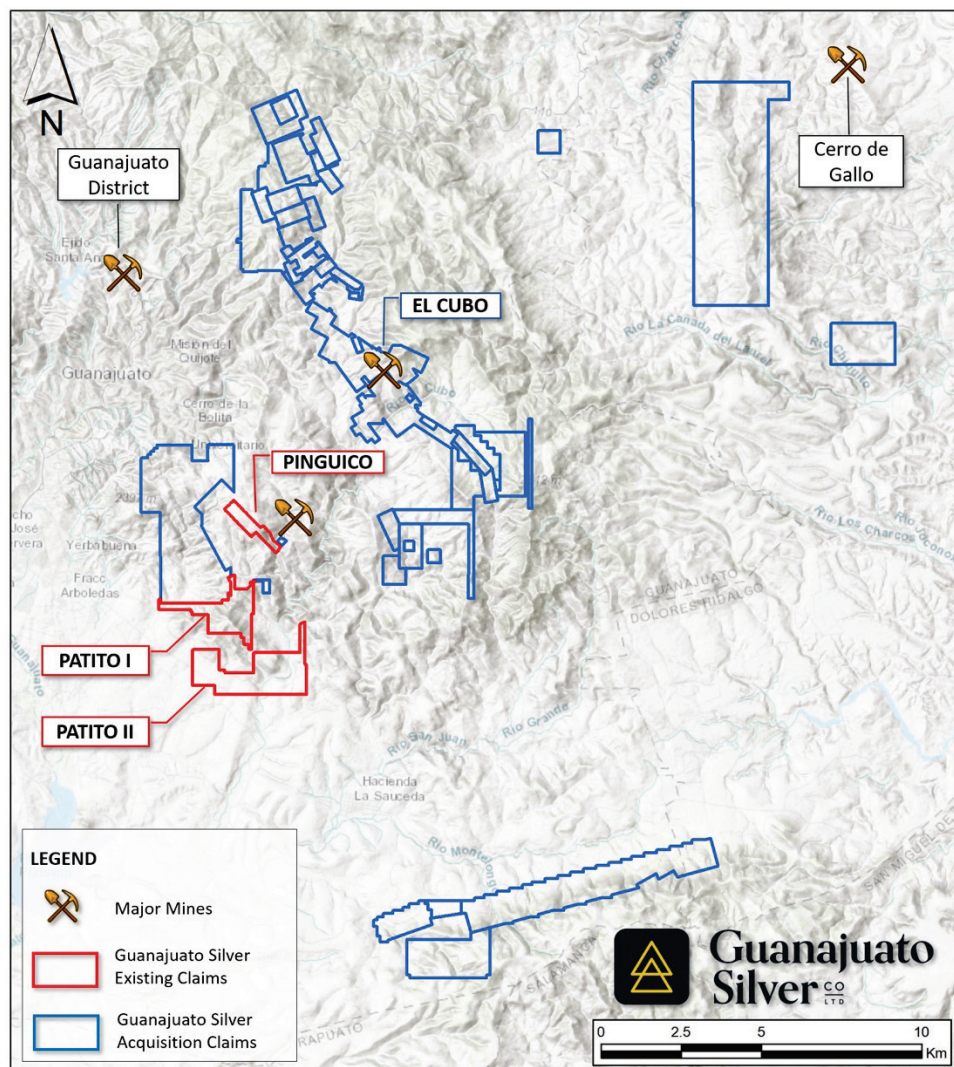
At present, the Company is focused on production from its El Cubo and El Pinguico mines, as well as the delineation of additional silver and gold resources through underground and surface drilling. Both mines are located within 11 kilometres of Guanajuato City, Mexico which has an established 480-year mining history.

The Company acquired El Cubo in April 2021 and completed refurbishment of the El Cubo Mill in September 2021. The Company is currently producing silver and gold concentrate from stockpiled mineralized material obtained from the recommencement of mining operations at El Cubo in August 2021. The Company is also exploring the historic El Pinguico mine to evaluate its potential to support production from both stockpile and in-situ mineralized material, while continuing exploration on its other mineral concessions located in the state of Guanajuato, Mexico. The Company began processing mineralized material from its El Cubo mine in October 2021 and intends to incorporate existing resources and mineralized material from its El Pinguico mine towards the end of 2021, ramping up to a stable throughput of approximately 22,500 tons per month in 2022. El Pinguico is located approximately 8 km by road from El Cubo. See Item 5.4 “DESCRIPTION OF THE BUSINESS – *Mineral Projects*” for a description of the existing mineral resources contained within and the Company’s preliminary economic assessment of the combined El Cubo/El Pinguico Mine Complex.

The Company's focus is to develop mining operations within central Mexico through the advancement of its existing mineral concessions and through acquisition of additional mineral resources, principally in the Guanajuato area, which the Company views as underappreciated in the mining industry.

In addition to the El Cubo/El Pinguico Mine Complex, the Company owns several exploration concessions which include the Patito I and II mineral concessions located within 15 km of Guanajuato, Mexico, Analý I and II concessions, located approximately 25 km east of San Miguel de Allende, as well as the El Ruso and Ysabela mineral concessions located within the state of Guanajuato, some 200 km east of Guanajuato city, and the Camila mineral concession located near the El Ruso and Ysabela claims in the state of Querétaro. See Item 4.2 "History – Mineral Properties – Mexican Silver Belt Concessions, Central Mexico" below.

The following map outlines the Company's mineral concessions in the Guanajuato region of Mexico.



The Company has historically funded its acquisition, exploration and development activities through equity financings and more recently certain debt facilities. See Item 4.2 "History – Financings" below. The Company may choose to fund additional capital requirements through equity, debt, convertible debenture or other financings, on an as-needed basis, in order to facilitate growth or fund operations until the Company achieves positive cash flow.

On March 31, 2020, the Mexican government declared a national health emergency with extraordinary measures due to the COVID-19 pandemic. Numerous health precautions were decreed, including the suspension of non-essential businesses, with only essential services to remain open.

The Company has implemented measures to minimize the risks of COVID-19, both to employees and to its business. The Company is following government health regulations and protocols and is closely monitoring the pandemic with local health authorities. The Company has posted health advisories to educate employees about the COVID-19 symptoms, best practices to avoid contracting and spreading the virus, and procedures to follow if symptoms are experienced and infection detected.

Given that dynamic nature of the COVID-19 global pandemic and uncertainty surrounding its ultimate duration and severity, there is increased uncertainty regarding both the timing of and the estimated costs regarding the Company's current ramp-up of production at the El Cubo/El Pinguico Mine Complex. Globally, and in Mexico, positive COVID-19 cases continue to spread at a significant rate, while the availability and effectiveness of vaccines and the extent of travel and quarantine restrictions imposed by governments of affected countries remains uncertain. A local outbreak that results in an impediment to supply or market logistics or a change in government health orders remains a significant risk.

In particular, the continued spread of COVID-19 globally could materially and adversely impact the Company's business including, without limitation, impacts related to employee health, restrictions on travel, the availability of industry experts and personnel, restrictions on mining and processing operations and drill programs, the ability of third parties to meet their obligations to the Company, and other factors that will depend on future developments beyond the Company's control. In addition, the COVID-19 pandemic could adversely affect the economies and financial markets of many countries (including those in which the Company operates) resulting in an economic downturn that could negatively impact the Company's operating results and ability to raise capital.

## 4.2 History

### Mineral Properties

#### **El Cubo Project, Guanajuato, Mexico**

On December 18, 2020, the Company signed a binding letter agreement with Endeavour to acquire a 100% undivided interest in the El Cubo Project in Guanajuato, Mexico, 8 km northeast of the Company's El Pinguico Project. On March 16, 2021, the Company signed a definitive asset purchase agreement (the "**El Cubo Agreement**") with Endeavour and on April 9, 2021 the Company's acquisition of El Cubo was closed. As consideration for the El Cubo Project, the Company:

- (a) paid a non refundable cash deposit of \$638,750 (US\$500,000) on December 18, 2020;
- (b) paid \$8,780,800 (US\$7,000,000) cash on closing;
- (c) issued 21,331,058 Common Shares of the Company on closing with a fair value of \$12,347,356 (US\$9,862,894); and
- (d) issued a \$3,136,000 (US\$2,500,000) unsecured, non-interest bearing promissory note due on April 8, 2022 (the "**El Cubo Note**").

Additionally, the Company is required to make certain contingent payments to Endeavour as follows:

- (a) US\$1,000,000 upon the Company producing 3,000,000 ounces of silver Eq ounces at the El Cubo Mill from material derived from either El Cubo or El Pinguico ("**Contingent Payment #1**"). At the Company's option, the Company can issue Common Shares for up to 50% of Contingent Payment #1, based on the volume weighted average trading price of the Company's Common Shares for the 10 trading days immediately preceding the date of such payment. The Company has accrued this liability as a long-term payable on its statement of financial position;
- (b) US\$1,000,000 if the London Bullion Market Association ("**LBMA**") spot price of gold closes at or above US\$2,000 per ounce for 20 consecutive trading days within two years after closing; and
- (c) US\$1,000,000 if the LBMA spot price of gold closes at or above US\$2,200 per ounce for 20 consecutive trading days within three years after closing.

Endeavour, in turn, has agreed to:

- (a) abstain from voting all Common Shares of the Company acquired pursuant to the El Cubo Agreement including, if applicable, any Common Shares issued in connection with Contingent Payment #1, other than as recommended by the Company's management, for a period of 2 years; and
- (b) a 12-month restriction on the resale of any Common Shares of the Company acquired by Endeavour pursuant to the El Cubo Agreement.

See also Item 9 "ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER".

In November 2021, the Company arranged for early payment of the El Cubo Note in the principal amount of US\$2,500,000 due April 8, 2022. In consideration for the early payment, Endeavour reduced the principal amount of the El Cubo Note by US\$25,000 and settled the Mexican value added tax payable on the purchase price for El Cubo represented by the El Cubo Note totaling US\$396,000 for a total of 901,224 Common Shares of the Company (the "VAT Shares") at a deemed price of \$0.55 per VAT Share (the "VAT Settlement"). The Company paid the net principal amount of the El Cubo Note of US\$2,475,000 in cash on or about November 15, 2021 and issued the VAT Shares to Endeavour on November 30, 2021. The VAT Settlement constituted a "related party transaction" for the purposes of MI 61-101. See Item 13 "INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS".

The El Cubo Project consists of 49 mining concessions comprising approximately 6,994.73 hectares with varying terms expiring from December 6, 2022 to February 2, 2060. The transfer of one concession, the Unificacion Villalpando Norte concession comprising 374.4603 hectares, was not completed on April 9, 2021 and has been deferred until the first quarter of 2022 at a purchase price of US\$30,000. At present, save for applicable governmental duties and taxes on production of minerals, there are no underlying royalties at El Cubo. See Item 5.1 "DESCRIPTION OF THE BUSINESS – General – Foreign Operations".

The El Cubo Project also includes rustic surface lands totaling approximately 1,196 hectares and a combination of leased real property, temporary occupancy agreements and a surface access and land use agreement with the local ejido sufficient to support the Company's currently proposed mining and exploration programs at El Cubo.

On March 11, 2021, the Company completed a "part and parcel" private placement financing for gross proceeds of \$16,950,000 consisting of 56,500,000 units at a price of \$0.30 per unit, to fund, inter alia, the acquisition of El Cubo and the initial cost of re-commissioning the El Cubo Mill and mine. Each unit consisted of one Common Share and one-half share purchase warrant, with each whole warrant entitling the holder to purchase one Common Share at a price of \$0.45 for a period of three years from closing. See "Financings – January 1, 2021 to Present" below.

See also Item 5.4 "DESCRIPTION OF THE BUSINESS - Material Projects" for a description of the Company's recent exploration and development work and mining operations at El Cubo.

### **El Pinguico Project, Guanajuato, Mexico**

On April 27, 2017, the Company acquired, indirectly through OMPSA, a 100% working interest in the El Pinguico mines project near the city of Guanajuato, Mexico from EMBSA in consideration for \$136,240 (US\$100,000) cash and 5,000,000 Common Shares with a fair value of \$900,000. In addition, the Company issued 662,500 Common Shares with a fair value of \$119,250 as a finder's fee. The Company also recognized additional acquisition costs of \$24,000.

The El Pinguico Project is comprised of two mining concessions totalling approximately 71.7 hectares. The El Pinguico concession has an area of 48 hectares and the mineral lease from the state has an expiration date of July 10, 2030. The Ampl de El Pinguico concession has an area of 23.7 hectares and the mineral lease from the state has an expiration date of October 29, 2029.

EMBSA retains four (4) underlying royalties over El Pinguico including a 4% NSR and a 15% Net Profits Interest ("NPI") on minerals recovered from the existing surface and underground stockpiles of mineralized rock and a 3% NSR and 5% NPI on all newly mined mineralization.

EMBSA is a private Mexican company controlled by Hernan Dorado Smith, the Chief Operating Officer and a director of the Company, and Gerardo Sergio Dorado Cantu, County Manager, of OMPSA.

On August 18, 2020, as amended November 8, 2020, the Company entered into a royalty purchase option agreement with EMBSA to acquire 3 of the 4 underlying royalties on El Pinguico, being the 4% NRS on minerals recovered from the existing surface and underground stockpiles and the 3% NRS and 5% NPI on all newly mined mineralization, in consideration for \$1,680,000 cash and 3,750,000 units of the Company as follows:

- (a) \$200,000 cash (paid) and 3,750,000 units on or before November 20, 2020 (issued);
- (b) \$325,000 cash on or before February 22, 2021 (paid);
- (c) \$525,000 cash on or before February 22, 2022; and
- (d) \$625,000 cash on or before February 22, 2023.

Each unit consisted of one Common Share and one non-transferable share purchase warrant, each warrant entitling EMBSA to purchase one Common Share at a price of \$0.175 for a term of 5 years.

Upon exercise of the option in full, the Company will own an undivided 100% interest in El Pinguico free and clear of all underlying royalties, save for the remaining 15% NPI in favour of EMBSA on the existing above ground and underground stockpiles of mineralized material and applicable governmental duties and taxes.

During the period 2017 to 2020 the Company acquired approximately 302 hectares of surface land that includes El Pinguico at an aggregate cost of \$27,922 which provides significant land area for mining infrastructure, development and construction. The Company also holds a Use of Land permit, issued by the City of Guanajuato, granting the Company all necessary rights and entitlements for initiating infrastructure work and preparing the surface stockpile for production. These activities include road construction, building structures, hauling and waste dumping activities.

In February 2020, the Company signed a Surface Land Access Agreement for the El Pinguico mine with the Ejido Calderones, the local ejido group. This land access agreement allows for unrestricted road access for exploration, mining equipment, and personnel to El Pinguico through the community of Calderones for a period of 15 years. Under the terms of the agreement, the Company paid \$7,100 cash and will make annual payments of approximately \$3,200 adjusted annually for inflation.

In March 2021, the Company acquired a further 89.6 hectares of land that covers portions of the surface of El Pinguico for \$22,773. The Company also has an option to purchase 212.98 hectares covering additional portions of the surface area of the El Pinguico mining concessions for \$44,727.

The Company's surface access and land use agreements, together with its existing mining rights, provide the Company with all key land components necessary to carry out its currently planned exploration and operational activities at the El Pinguico Project.

See also Item 5.2 "DESCRIPTION OF THE BUSINESS – *Mineral Projects*" for a description of the Company's recent exploration and development work at El Pinguico.

### **Mexican Silver Belt Concessions, Central Mexico**

In April 2017, the Company entered into asset acquisition agreements for seven mining concessions totalling approximately 800 hectares situated within the high-grade "Mexican Silver Belt" and in close proximity to the city of Guanajuato, Mexico. The seven concessions consist of the Patito I and II mineral concessions located approximately 1.5 km southwest and 3.0 km due south of the El Pinguico Project, the Analy I and II concessions located 100 km east of the city of Guanajuato, the El Ruso and Ysabela mineral concessions located within the state of Guanajuato, some 200 km east of Guanajuato City, and the Camila mineral concession located near the northern boundary between the states of Guanajuato and Querétaro in central Mexico. The Patito I and Patito II concessions are held by OMPSA and the remaining five concessions are held by Canmex.

Under the terms of the agreements, the Company paid \$10,000 cash and issued 3,125,000 Common Shares with a fair value of \$343,750. The Company also recognized additional acquisition costs of \$6,250. The vendors retain a 2.5% NSR over the seven concessions, of which 1.25% (one-half) may be repurchased by the Company for \$500,000.

## **Rossland Property, British Columbia, Canada**

The Company holds a 25% interest and a 1.5% NSR in certain mineral claims within the historic Rossland gold camp in southeastern British Columbia. The Company has previously written off all costs associated with this property and has no current plans to conduct any exploration thereon.

### **Financings**

#### **January 1, 2021 to Present**

On March 11, 2021, the Company completed a non-brokered private placement and issued 56,500,000 units at a price of \$0.30 per unit for gross proceeds of \$16,950,000 in conjunction with its acquisition of the El Cubo Project from Endeavour (the “**2021 Placement #1**”). Each unit consisted of one Common Share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase one Common Share at \$0.45 for a period, subject to acceleration in certain events, of three years. The Company also paid \$341,839 in cash and issued 518,139 Common Shares at a deemed price of \$0.30 per share and 1,648,669 finder’s warrants with a fair value of \$670,141 as finders’ fees in connection with the 2021 Placement #1. The finder’s warrants have the same terms as the warrants forming part of the units issued to purchasers under the 2021 Placement #1. The net proceeds of this financing were used to, inter alia, purchase the El Cubo Project from Endeavour (see “*Mineral Properties – El Cubo Project, Guanajuato, Mexico*” above), fund initial refurbishment and capital costs of the El Cubo Mill and finance general corporate and working capital expenses.

On May 31, 2021, the Company entered into a gold and silver loan agreement (the “**OCIM Loan Agreement**”) with European based OCIM Group (“**OCIM**”) for US\$7.5 million. The loan is for a term of 18 months and secured by, inter alia, a share pledge and asset pledge agreement over the Company’s El Cubo Project. The loan was drawn down by the Company in July 2021 and is repayable, after an initial six month payment free grace period, by the Company delivering a total of 228,916 silver and 2,141 gold ounces to OCIM over a period of 12 months commencing February 28, 2022. The number of silver and gold ounces was fixed at a 15% discount to the spot prices of silver and gold on July 26, 2021, the date the Company served notice of drawdown of funds.

In September 2021, the Company entered into a concentrate sales agreement with MK Metal Trading Mexico, S.A. de C.V., a Mexican division of Ocean Partners Ltd., of Berkshire, United Kingdom (together “**Ocean Partners**”), for the sale of silver and gold concentrate produced at the Company’s El Cubo/El Pinguico Mine Complex for a term of 18 months which includes a US\$1.5 million prepayment financing facility against the proceeds from concentrate sales. This financing facility was drawn down in October 2021, bears interest at 12-month libor + 6.75% (or approximately 6.95% annually) and is repayable in 15 monthly installments after a 3-month grace period. See “*Corporate Developments – January 1, 2021 to Present*” below for further details regarding the Company’s concentrate sales agreement with Ocean Partners.

During the period from January 1, 2021 to September 30, 2021 the Company issued 11,777,528 Common Shares upon the exercise of share purchase warrants for net proceeds of \$2,731,728 and 1,233,334 Common Shares on the exercise of stock options for net proceeds of \$190,626. The Company received a further \$1,116,963 pursuant to the exercise of an additional 3,408,925 warrants for the period October 1, 2021 to November 30, 2021.

On November 30 and December 7, 2021, the Company completed a non-brokered private placement of 17,304,306 units at a price of \$0.55 per unit for gross proceeds of \$9,517,368 (the “**2021 Placement #2**”). Each unit consisted of one Common Share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase one Common Share at \$0.75 for a period, subject to acceleration in certain events, of two years. The Company also paid finder’s fees totalling \$134,770 cash and 176,455 finder’s warrants in connection with the 2021 Placement #2. The finder’s warrants have the same terms as the warrants forming part of the units issued to purchasers under the 2021 Placement #2. The net proceeds from the 2021 Placement #2 will be used to fund the ongoing exploration, development, and expansion of the El Cubo and El Pinguico mines and for general corporate and working capital purposes. See also Item 13 “**INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**” for details of the participation of Endeavour and certain directors of the Company in the 2021 Placement #2.

## 2020

On March 18, 2020, the Company issued 403,640 Common Shares with a fair value of \$20,182 to settle accounts payable of \$10,182 owed to a vendor and \$10,000 owed to a company controlled by the Chief Executive Officer of the Company.

On August 5, 2020 and August 11, 2020, the Company completed a non-brokered private placement and issued a total of 25,641,902 units at a price of \$0.155 per unit for gross proceeds of \$3,974,494 (the “**2020 Placement**”). Each unit consisted of one Common Share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase one Common Share at \$0.25 for a period, subject to acceleration in certain events, of two years from the date of issue. The Company paid \$137,123 in cash and issued 214,665 Common Shares at a deemed price of \$0.155 per share and 821,011 finder’s warrants with a fair value of \$119,542 as finders’ fees in connection with the 2020 Placement. Each finder’s warrant entitles the holder thereof to purchase one Common Share of the Company at a price of \$0.25 for a period, subject to acceleration, of two years from the date of issue.

On November 30, 2020, the Company issued 3,750,000 units with a fair value of \$1,703,085 to EMBSA pursuant to an option to acquire certain underlying royalties on the El Pinguico Project. See “*Mineral Properties - El Pinguico Project, Guanajuato, Mexico*” above. Each unit consisted of one Common Share and one non-transferable share purchase warrant. Each warrant entitles EMBSA to purchase one Common Share at \$0.175 for a period of five years from the date of issue.

During 2020, the Company adopted a warrant acceleration bonus program (“**Acceleration Program**”) for its outstanding share purchase warrants granted in connection with the Company’s 2019 Placement. See “*Financings - 2019*” below. Under the Acceleration Program, warrant holders were entitled to receive one bonus Common Share for every 10 warrants exercised between May 27, 2020 and June 26, 2020 (the “**Bonus Shares**”). Pursuant to the Acceleration Program, the Company issued a total of 21,363,055 Common Shares, including 1,266,055 Bonus Shares, pursuant to the exercise of 20,097,000 warrants at a price of \$0.10 per share for gross proceeds of \$2,009,700.

## 2019

On March 28, 2019, May 13, 2019 and November 29, 2019, the Company completed, in three tranches, a non-brokered private placement totalling 25,809,500 units at a price of \$0.05 per unit for gross proceeds of \$1,290,475 (the “**2019 Placement**”). Each unit consisted of one Common Share and one share purchase warrant. Each warrant entitles the holder to purchase one Common Share at a price of \$0.10 for a period of two years from the date of issue. The Company also paid \$30,698 in cash and issued 284,950 finder’s warrants with a fair value of \$5,275 as finder’s fees in connection with the 2019 Placement. Each finder’s warrant entitles the holder thereof to purchase one Common Share of the Company at a price of \$0.10 for a period of two years from the date of issue. See “*Financings - 2020*” above for details regarding the exercise of certain 2019 Placement warrants in 2020 under the Acceleration Program.

## 2018

On January 18, 2018, the Company issued, by way of private placement, a total of 5,373,300 units at a price of \$0.14 per unit for gross proceeds of \$752,262. Each unit consisted of one Common Share and one share purchase warrant entitling the holder to purchase an additional Common Share at a price of \$0.50 for a period of four years from the date of issue. As part of the financing, the Company paid finder’s fees totalling \$11,417 cash and 55,300 finder’s warrants with a fair value of \$10,563 exercisable at \$0.50 per share for a period of four years from the date of issue.

On September 26, 2018, the Company issued, by way of private placement, 2,976,294 Common Shares at a price of \$0.10 per share for total proceeds of \$297,629. The Company also paid filing fees of \$750 and finders’ fees of \$9,074.

## Corporate Developments

### **January 1, 2021 to Present**

During the nine month period from January 1, 2021 to September 30, 2021, the Company granted incentive stock options to directors, officers, employees and consultants to purchase, subject to vesting, up to an aggregate of 8,150,000 Common Shares at exercise prices ranging from \$0.30 per share to \$0.60 per share for periods of up to five years from the date of grant.

On April 5, 2021, the Company filed the 2021 PEA Report dated effective January 31, 2021 (subsequently amended May 6, 2021) prepared by Behre on the El Cubo/El Pinguico Mine Complex under its profile on SEDAR. See Item 5.4 “DESCRIPTION OF THE BUSINESS – *Mineral Projects*” for a description of, among other things, the estimated mineral resources within the El Cubo/El Pinguico Mine Complex and Behre’s preliminary economic assessment thereof as set out in the 2021 PEA Report.

On June 10, 2021, the Company changed its name from Vangold Mining Corp. to Guanajuato Silver Company Ltd. and began trading under its new symbols “GSVR” on the TSXV and GSVRF on the OTCQX.

On July 27, 2021, the Company entered into an arm’s length agreement (the “**MGA Agreement**”) with MGA Contratista Minera S.A. de C.V., of Durango, Mexico (“**MGA**”), to provide contract mining services at El Cubo. The MGA Agreement is for an initial term of 17 months commencing August 1, 2021, subject to extension by mutual agreement of the parties for 2023. Under the MGA Agreement, MGA shall provide contract mine development and mine production services including ramp development, drilling and blasting, ore drifting, mucking and filling, haulage and rock bolting for a total of 223,785 tonnes mined at a “fixed” contract price (subject to adjustment in certain circumstances). MGA is also required to supply its own mining equipment including a one-arm jumbo, scoops, generators, fans and compressors.

MGA has over two decades experience in providing quality mine contracting expertise to some of the leading companies in Mexican mining including Grupo Mexico, Goldcorp, Fresnillo PLC., Endeavour Silver, and First Majestic Silver.

In the second quarter of 2021, the Company made the following significant changes to its management (both in Canada and Mexico) and Board to add depth and strengthen the team as the Company rapidly grows its business:

- on May 12, 2021, Ramon Davila joined the Board. Mr. Davila has extensive experience in the mining industry including 14 years on the board of directors of First Majestic Silver Corp., as well as 10 years as its Chief Operating Officer; commencing in 2016 Mr. Davila served as the Minister of Economic Development for the State of Durango from 2016 to 2020;
- on May 12, 2021 Hernan Dorado Smith was appointed as the Company’s Chief Operating Officer and Richard Silas was appointed as Vice President, Corporate Development and Corporate Secretary. Mr. Dorado previously worked with New Gold Inc. in Canada and Australia as well as Omya group, where he led teams in Mexico, Brazil, Ecuador and the Dominican Republic. Mr Silas has over 25 years of experience in management roles and board positions of public companies, principally in the mining industry;
- on April 28, 2021, Robert Sedgemore was appointed the Director of Mill Commissioning. Mr. Sedgemore is a process engineer with 25-years of international experience in the mining industry involved in the design, construction, commissioning, and optimization of mineral processing plants in multiple jurisdictions worldwide including South America.; and
- on April 1, 2021, Lisa Dea was appointed as the Chief Financial Officer of the Company in place of Xavier Wenzel. Ms. Dea has been a CFO for over 15 years in various TSX, TSXV and CSE listed companies including being the CFO of Silvermex Resources Inc. (before being acquired by First Majestic Silver Corp.).

On September 22, 2021 the Company entered into a concentrate sales agreement with Ocean Partners to supply silver and gold concentrate produced from the El Cubo/El Pinguico Mine Complex in monthly shipments over a term of 18 months commencing in October 2021. The sales price for the concentrate is based on a fixed percentage of the silver and gold content per dry metric ton of concentrate for each monthly shipment multiplied by the average monthly quoted silver and gold prices over the applicable quotational period, less certain deductions for treatment and refining

charges and, if applicable, penalties. Additionally, Ocean Partners agreed to provide the Company with a prepayment financing facility of US\$1.5 million against the proceeds of concentrate sales, which facility was drawn down by the Company in October 2021. The facility bears interest at 12-month libor + 6.75% (or approximately 6.95% annually) and is repayable in 15 monthly installments after a 3-month grace period.

In October 2021 the Company commenced processing of silver and gold bearing material at its El Cubo Mill and shortly thereafter completed its first sale of approximately 75 tonnes of bulk silver and gold concentrate, worth approximately US\$480,000, to Ocean Partners. The concentrate graded approximately 200 ounces per tonne silver and 2 ounces per tonne gold. In November, 2021, the Company received provisional proceeds of approximately US\$750,000 from the sale of a second shipment of silver and gold concentrate from El Cubo consisting of approximately 90 tonnes of bulk silver and gold concentrate grading approximately 220 ounces per tonne silver and 2.2 ounces per tonne gold. A third shipment of approximately 175 additional tonnes of concentrate at similar grades was completed in early December 2021 for which the Company received a third provisional payment of approximately US\$1,300,000. Future shipments are anticipated to be larger and of higher grade as the Company continues to ramp-up production at the El Cubo Mill. See Item 5.4 “DESCRIPTION OF THE BUSINESS – *Mineral Projects – El Cubo/El Pinguico Mine Complex, Guanajuato, Mexico – 2021 Company Update*”, for details of the Company’s recent production at El Cubo.

In October 2021, the Company, indirectly through its Mexican subsidiary OMPSA, entered into a new collective bargaining agreement (“**El Cubo CBA**”) with El Sindicato Nacional De Trabajadores Mineros, Metalúrgicos, Siderúrgicos y Similares De La Republica Mexicana (the “**Union**”), the union representing workers at the Company’s El Cubo mining operations. The long-term agreement calls for the Company to adhere to all Mexican federal labour laws pertaining to health and safety within the mine and plant, and to basic federal standards of compensation. As is customary with these agreements, salaries will be reviewed yearly with employee benefits being reviewed on a bi-annual basis. The El Cubo CBA has been ratified and filed with the Federal Board of Conciliation and Arbitration in Mexico City. By securing the new El Cubo CBA, the Company has met its objective of negotiating and entering into a new collective bargaining agreement with favorable base level economics for its mining operations at El Cubo, significantly reducing annual labour costs compared with the former collective bargaining agreement at El Cubo, and establishing a relationship of mutual respect with the Union. As compensation to the Union for terminating its prior collective bargaining agreement (in place for over 70 years with multiple previous employers) and establishing a more modern and straightforward CBA with OMPSA, the Company has agreed to make a one-time payment (the “**One-Time Payment**”) of 10 million Mexican pesos (approximately \$617,300) to the Union, payable in instalments over an 18-month period. Subject to acceptance of the TSXV and final approval of the Union, a portion of the One-Time Payment may be satisfied in Common Shares of the Company.

Effective December 3, 2021 Lancaster & David, Chartered Professional Accountants, resigned as auditor of the Company at the Company’s request. The Company has appointed KPMG LLP, Chartered Professional Accountants (“**KPMG**”), as auditors of the Company to hold office until the next annual general meeting of shareholders of the Company. There were no modified opinions expressed in Lancaster & David’s audit reports on the Company’s financial statements for the two most recently completed financial years ended December 31, 2020 and December 31, 2019 nor were there any reportable events during the period commencing from the beginning of the Company’s financial year ended December 31, 2019 up to the date of Lancaster & David’s resignation.

## 2020

Effective March 10, 2020, the Company’s Common Shares re-commenced trading on the TSXV and, effective March 24, 2020, the Company changed its trading symbol from “VAN” to “VGLD”. See “*Corporate Developments – 2018*” below for details of the halt trade issued by the TSXV in 2019 in connection with the Aventura LOI.

On March 31, 2020, William T. Gehlen was appointed as a director of the Company.

In June 2020, the Company completed a bulk sample and metallurgical test on 1,039 wet tonnes of mineralized material from El Pinguico at Endeavour’s nearby Bolanitos processing mill. The material used for this test came exclusively from the Company’s surface stockpile of waste material, which was left behind when mining ceased at El Pinguico in 1913. The material had been exposed to the elements since that time and was therefore somewhat oxidized. Despite this, recoveries of gold and silver were very good. Average recoveries were: gold: 75.18%; silver: 60.36%, with even higher gold and silver recoveries of up to 77.68% for gold and 67.19% for silver observed at times during the milling process. The different grinding size and residency time within different circuits at the Bolanitos’ mill accounts for much of these differences. The entire process has helped the Company gain a better understanding of

how these higher recoveries were reached, and how they can be replicated in the future with a view to applying such knowledge to the Company's El Cubo Mill.

In September 2020, the Company purchased a portable Explorer - 75E core drill rig for use underground at El Pinguico from Grupo Ingetrol S.A de C.V. of Torreon, Mexico. Among other desirable attributes, this drill is small enough to fit into many of the adits, drifts, and galleries of El Pinguico's old workings, while still being able to target the long strike length of potential new in-situ material of the main El Pinguico and San Jose vein systems. The machine is rated capable for drilling 200 meters of HQ size core, or 430 meters of NQ size core. The Company also purchased 200m and 430m, respectively, of the corresponding drill casing in order to have the capacity to drill holes of those lengths. This drill rig was delivered in January 2021, and after completing two short test holes from surface (to allow the Company's drillers to accustom themselves to this drill's particular design specifications), the drill has been transported to drill stations located in underground galleries that have been prepared for the drill, principally to target the El Pinguico and San Jose veins, and within the "Don Ricardo" target area. See Item 5.4 "DESCRIPTION OF THE BUSINESS – Mineral Projects – El Cubo/El Pinguico Mine Complex, Guanajuato, Mexico", for details of the Company's recent drilling at El Pinguico.

During 2020, the Company granted incentive stock options to directors, officers and consultants to purchase, subject to vesting, up to an aggregate of 5,975,000 Common Shares at exercises prices of \$0.075 per share (as to 2,700,000 shares), \$0.10 per share (as to 150,000 shares) and \$0.30 per share (as to 2,225,000 shares) for a period of three years from the date of grant.

## 2019

Effective March 12, 2019, the Company completed a two old for one new share consolidation of its issued Common Shares. All share numbers in this AIF and the Company's Financial Statements for the year ended December 31, 2020 and accompanying MD&A have been retroactively adjusted to reflect this share consolidation.

On March 20, 2019, James Anderson, a director of the Company since January 9, 2019, was appointed CEO and Chairman of the Company in place of Cameron King, and Praveen Varshney was appointed as CFO and director of the Company.

In October 2019, the Company elected not to proceed with its proposed reverse takeover of Aventura Gold Ltd. ("Aventura") and the Tassawini gold project in Guyana, South America and formally terminated its letter of intent (the "Aventura LOI") with Aventura. See "Corporate Developments – 2018" below. As of December 31, 2019, Aventura was indebted to the Company for approximately \$251,408 (the "Aventura Debt") for monies advanced under the Aventura LOI in connection with the Tassawini project. Subsequent to termination of the Aventura LOI, the Company assigned all of its rights and interest in a draft NI 43-101 report on the Tassawini project commissioned by the Company to an arm's length third party seeking to acquire the Tassawini project in exchange for such third party agreeing to assume and settle the Aventura Debt in the event it successfully completes a reverse takeover transaction for the Tassawini project.

In October 2019, Mr. Varshney and Jonathan Challis resigned as directors of the Company and Daniel Oliver, Jr. and Richard Silas were appointed directors of the Company in their place. Mr. Varshney also stepped down as CFO of the Company on October 18, 2019 and was replaced by Xavier Wenzel who previously held such position from May 2018 to March 2019.

Cameron King did not stand for re-election as a director of the Company at the Company's 2019 annual general meeting held on December 11, 2019.

## 2018

On December 12, 2018, the Company entered into the Aventura LOI to acquire, subject to acceptance of the TSXV, all the issued and outstanding shares of Aventura, an arm's length private company with an option to acquire the Tassawini gold project in Guyana, South America, by way of reverse takeover, for a combination of cash and Common Shares of the Company. The Company's shares were halted from trading by the TSXV in December 2018 pending completion of the proposed reverse takeover of Aventura. The Company subsequently elected not to proceed with the acquisition of Aventura and formally terminated the Aventura LOI in October 2019. See "Corporate Developments – 2019" above.

### 4.3 Significant Acquisitions

The Company did not complete any significant acquisitions during its most recently completed financial year ended December 31, 2020 for which disclosure was required under Part 8 - *Business Acquisition Report* of National Instrument 51-102 “*Continuous Disclosure Obligations*” adopted by the Canadian Securities Administrators.

Subsequent to December 31, 2020, the Company acquired the El Cubo Project from Endeavour. See Item 4.2 “GENERAL DEVELOPMENT OF THE BUSINESS – *History – Mineral Properties – El Cubo Project, Guanajuato, Mexico*”.

## ITEM 5: DESCRIPTION OF THE BUSINESS

### 5.1 General

#### *Summary*

The Company is a mining, mine development and mine exploration company engaged, indirectly through its Mexican subsidiaries, in reactivating past producing silver and gold mines near the city of Guanajuato, Mexico. Since 2017, the Company has acquired two past producing silver and gold mines: the El Pinguico mine in 2017 and the El Cubo mine and mill complex in 2021, as well as several exploration concessions within the Mexican silver belt of central Mexico. In October 2021, the Company completed refurbishment of the El Cubo Mill and re-commenced mining operations at El Cubo. The Company is also focused on re-commencing production from its El Pinguico mine, as well as the delineation of additional silver and gold resources through underground and surface drilling. El Cubo and El Pinguico are located 8 kilometres from each other by road and within 11 kilometres of Guanajuato City, which has an established 480-year mining history.

Initial production of silver and gold concentrate from the El Cubo Mill re-commenced in October 2021. Mineralized material for processing through the El Cubo Mill will initially be derived from existing mineral resources at El Cubo and the existing surface and underground stockpiles at El Pinguico. See Item 5.4 “DESCRIPTION OF THE BUSINESS – *Mineral Projects – El Cubo/El Pinguico Mine Complex, Guanajuato, Mexico*”. The Company has entered into a concentrate sales agreement with Ocean Partners to sell silver and gold concentrate produced from the El Cubo Mill for a period of 18 months. See Item 4.2 “GENERAL DEVELOPMENT OF THE BUSINESS – *History – Corporate Developments – January 1, 2021 to present*”.

#### *Production and Services*

The Company plans to operate El Cubo and El Pinguico in combination and to provide feed to the El Cubo Mill from the underground mine at El Cubo and existing stockpile and in-situ material at El Pinguico.

At El Cubo, there are stopes where Endeavour has drilled ore for blasting. These stopes require no development costs and are ready to be mined. There are also other areas where stopes were defined by Endeavour but not developed. Following this, inferred mineral resources have been identified for evaluation and development.

At El Pinguico, the Company proposes to haul the surface stockpile and a portion of the underground stockpile to the concentrator at the El Cubo Mill for processing. Construction of a short road from the opening of the Level 7 adit to the surface stockpile was completed in May 2021 and work to re-open the Level 7 adit to access the underground stockpile is ongoing.

Mining method(s) proposed for the El Cubo/El Pinguico Mine Complex are methods used throughout Mexico and are well understood in the Guanajuato area. Mechanized cut-and-fill stoping using small LHD (load-haul-dump) machines and handheld jackleg drills with some resuing is the proposed method for initial production from the underground operation. This method allows for some degree of resuing to minimize the amount of waste dilution and to provide fill for the stopes. Other methods, such as long hole open stoping or stull stoping (*tumbe sobre levante*), may be considered in the future.

Proposed development methods consist of conventional drill-blast-muck using jumbos for drilling and LHDs and trucks for haulage. Ground support would be installed, as required.

The Company's decision to begin processing mineralized material from its estimated mineral resources at El Cubo and above and underground stockpiles at El Pinguico through the El Cubo Mill is not based on a feasibility study of mineral reserves demonstrating economic and technical viability and therefore is subject to increased uncertainty and risk of failure, both economically and technically. Mineral resources that are not mineral reserves do not have demonstrated economic viability, are considered too speculative geologically to have the economic considerations applied to them, and may be materially affected by environmental, permitting, legal, title, socio-political, marketing, and other relevant issues. There are no assurances that the Company's PEA as set out in the 2021 PEA Report or its projected production of silver and gold concentrate will be realized.

See Item 5.4 "DESCRIPTION OF THE BUSINESS – *Mineral Projects – El Cubo/El Pinguico Mine Complex, Guanajuato, Mexico*" below for further details regarding the Company's planned mining operations at the El Cubo/El Pinguico Mine Complex.

#### *Specialized Skill and Knowledge*

Management is comprised of a team of individuals who collectively have extensive expertise and experience in mine development and production, mineral exploration and exploration finance and are complemented by an experienced board of directors. See Item 10 "DIRECTORS AND OFFICERS".

#### *Competitive Conditions*

The Company is engaged in the business of acquiring, exploring and, if warranted, developing mining projects in Mexico. The Company is currently reactivating the past producing El Cubo and El Pinguico silver and gold mines near Guanajuato, Mexico in order to mine and process silver and gold concentrate for sale. Prices for the Company's products are determined by world markets over which the Company has no influence or control. The Company also competes with other mining companies, many of which have greater financial resources and technical facilities, for the acquisition of mineral properties, joint venture partners, equipment and supplies, qualified personnel and exploration and development capital. See Item 5.2 "DESCRIPTION OF THE BUSINESS - *Risk Factors – The Company's competition is intense in all phases of its business*" below.

#### *Intangible Properties and Cycles*

The Company's current business is not affected, in any material respect, by intangibles such as licences, patents and trademarks.

The Company's material mineral projects are located in central Mexico where the climate allows for exploration, mining and milling operations to be carried out year-round. Accordingly, the Company does not anticipate material variations in future revenues and cost of sales due to seasonality; save perhaps for periods of excessive rain which could limit or defer processing of mineralized material and/or concentrate. The rainy season in Mexico generally extends from June through September.

#### *Economic Dependence and Changes to Contracts*

In September 2021, the Company entered into a concentrate sales agreement with Ocean Partners to sell silver and gold concentrate produced from the El Cubo/El Pinguico Mine Complex for a term of 18 months. See Item 4.2 "GENERAL DEVELOPMENT OF THE BUSINESS – *History – Corporate Developments – January 1, 2021 to present*" above.

In November 2021 the Company entered, indirectly through OMPSA, the new El Cubo CBA with the Union representing workers at the Company's El Cubo mining operations. The El Cubo CBA calls for the Company to adhere to all Mexican federal labour laws pertaining to health and safety within the mine and plant, and to basic federal standards of compensation. See Item 4.2 "GENERAL DEVELOPMENT OF THE BUSINESS – *History – Corporate Developments – January 1, 2021 to present*" above for further details regarding the El Cubo CBA.

Save as aforesaid or otherwise disclosed in this AIF, the Company is not aware of any aspect of its business which may be affected in the current financial year by renegotiation or termination of contracts.

## *Environmental Protection*

The current and future operations of the Company, including mining activities at the El Cubo/El Pinguico Mine Complex or other areas in which the Company has an interest, are subject to laws and regulations governing exploration, development, tenure, production, taxes, labour standard, occupational health, wastes disposal, greenhouse gas emissions, protection and remediation of environment, reclamation, mine safety, hazardous substances and other matters. Compliance with such laws and regulations increases the cost of and delays planning, designing, drilling and developing the Company's properties. The Company seeks to incorporate technically proven and economically feasible measures to advance protection of the environment throughout the exploration, development and mining process. Current costs associated with compliance are considered to be normal.

The Company's environmental permit at the El Cubo/El Pinguico Mine Complex requires that it reclaim certain lands it disturbs during mining operations. Significant reclamation and closure activities include land rehabilitation, decommissioning of buildings and mine facilities, ongoing care and maintenance and other costs. Although the ultimate amount of the reclamation and rehabilitation costs to be incurred cannot be predicted with certainty at this time, the Company's estimated reclamation obligations for the El Cubo/El Pinguico Mine Complex is \$5,763,137 (as at September 30, 2021).

In or about 2019 the State of Guanajuato, Mexico adopted a state program of urban development and territorial ecological planning which restricts mining and other exploration and development activities within certain non-core portions of the El Cubo Project. As of the date of this AIF, such state program does not affect the El Cubo Mill or mine and is not expected to impact, in any material respect, the Company's current exploration and development plans for El Cubo.

See also "*Foreign Operations*" below.

## *Employees and Consultants*

The Company maintains a corporate head office in Vancouver, B.C. and an operations office in Guanajuato, Mexico.

As of December 8, 2021, the Company has seven employees and consultants based in its Vancouver corporate office and employs through its Mexican subsidiaries over 200 full and part-time employees in Mexico. See "*Economic Dependence and Changes to Contracts*" above for details of the Company's new collective bargaining agreement with the El Cubo Union representing certain workers at the El Cubo mining operation.

In July 2021, the Company engaged MGA to provide contract mining services to the Company at El Cubo for an initial term of 17 months. See Item 4.2 "GENERAL DEVELOPMENT OF THE BUSINESS - *History – Corporate Developments – January 1, 2021 to Present*" above for details regarding the MGA Agreement.

As operations require, the Company also retains geologists, engineers, and other consultants and contractors from time to time to assist or conduct specific mining, development and exploration programs or corporate activities.

Save and except as disclosed elsewhere in this AIF, the Company has not experienced, and does not, at present, expect to experience, significant difficulty in attracting and retaining qualified personnel. See Item 5.2 "DESCRIPTION OF THE BUSINESS - *Risk Factors – COVID-19 Pandemic*" below.

## *Foreign Operations*

The El Cubo/El Pinguico Mine Complex is located near Guanajuato, Mexico and therefore the Company is subject to foreign operations including Mexico's Mining Law of June 1992, most recently amended in August 2014. Mining activities in Mexico are administered by the Secretaría de Economía – Dirección General de Minas in Mexico City. Under Mexican law, mining concessions may only be obtained by Mexican nationals or Mexican companies incorporated under Mexican laws. Surface land rights are distinct from the mining concessions.

Subject to compliance with all regulations, the holder of a mining concession is granted the exclusive right to explore and develop the concession area for a term of 50 years from the date of registration with the Public Registry of Mining, provided that in the last five years the holder may apply for an automatic one-time extension of the concession for an additional 50-year term if all other concession terms have been complied with. Mining rights in Mexico can be transferred by their private holders to other Mexican nationals or companies incorporated under

Mexican law with no restrictions or requirements other than registering the transaction with the Public Registry of Mining.

In order to maintain a concession in good standing, the holder is required to pay biannual duties under the Federal Duties Law in January and July of each year based upon the number of hectares covered by the concession area and the year of granting. In addition, the holder must perform minimum work each year and file annual proof of the work performed each May. Failure to comply with these requirements is cause for cancellation only after the Secretariat of Economy of Mexico through the Dirección General de Minas notifies the concession holder of the default in writing and grants the holder a specified time frame in which to remedy the default. If a concession holder does not carry out exploration and exploitation activities for two consecutive years within the first 11 years of its concession grant, it will be required to pay an additional charge equal to 50% of the two-year concession duty. This duty increases to 100% for continued inactivity after the 12th year. Payment of the additional concession duty is due 30 days after the end of the two-year period.

There are no limitations in Mexico on the total number of mining concessions that may be held by an individual or a company, subject to compliance with the above payment and work requirements.

Mexican mining law also requires the payment of a discovery premium related to National Mineral Reserves, Concessions in Marine Zones, and Allotments to the Mexican Geological Society (formerly Council of Mineral Resources), provided the concessions have been granted through bidding. In addition, mining companies are currently subject to a special mining duty of 7.5% on profits derived from the sale of minerals, and an extraordinary mining duty of 0.5% on the gross value of sales of gold, silver and platinum.

Environmental protection regulations in Mexico require permits or authorizations for mine operations, exploration, for operating a processing plant, for the discharge and/or deposition of tailings and waste, and other activities. Generally speaking, common exploration activities (not impacting the environment) do not require prior environmental authorization or licenses; however, it is advisable to seek assurances from the applicable governmental authorities where planned operations may affect the water table or involve protected natural areas. Environmental regulations are covered under “Ley General del Equilibrio Ecológico y la Protección al Ambiente” (General Law of Ecological Balance and Environmental Protection) and its regulations with certain operations subject to other environmental laws, including “Ley de Aguas Nacionales” (Law of National Waters) and “Ley Forestal” (Forestry Law) and their associated regulations and there are four government departments that deal with and regulate such affairs including SEMARNAT and PROFEPA. The construction of processing plants requires further governmental approval.

As a developing economy, operating in Mexico also involves certain risks. See Item 5.2 “DESCRIPTION OF THE BUSINESS - *Risk Factors – Foreign Operations and Government Regulations*” below.

#### *Reorganizations*

The Company has not completed any material reorganization within the three year period preceding the date of this AIF.

#### *Social and Environmental Policies*

The Company is committed to developing sustainability programs for all stakeholders for the long-term benefit of the Company and society at large. Sustainability programs implemented or planned by the Company include improving the Company’s safety policies and practices; supporting health programs for the Company’s employees and the local communities; sponsoring educational scholarships, job skills training programs, community cultural events and infrastructure improvements; supporting charitable causes; and advancing environmental stewardship and reclamation. See Item 4.2 “GENERAL DEVELOPMENT OF THE BUSINESS – *History – Mineral Properties*” for a discussion of the Company’s current agreements with local ejido groups neighbouring the El Cubo/El Pinguico Mine Complex.

## 5.2 Risk Factors

The operations of the Company are highly speculative due to, among other things, the high-risk nature of the Company's business, which includes the acquisition, financing, exploration, development and mining of mineral properties, and any investment in Common Shares involves a high degree of risk and should be considered speculative. While the Company considers the risks set out below to be the most significant to potential investors, they are not the only ones facing the Company. Additional risks and uncertainties not currently known to the Company, or that the Company currently deems immaterial, may also materially adversely affect the Company's operations, business and financial condition. If any of these risks materialize into actual events or circumstances, the Company's assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects, are likely to be materially and adversely affected. In such circumstances, the price of the Company's Common Shares could decline and investors may lose all or part of their investment. Accordingly, potential investors should carefully consider the risks set out below and elsewhere in this AIF and the Company's public disclosure record before purchasing Common Shares.

### *Risks Associated with El Cubo Acquisition*

The Company completed its acquisition of El Cubo on April 9, 2021. The decision to acquire El Cubo was subject to a number of assumptions, including estimates of mineral resources, expected cost and timing of refurbishing the El Cubo Mill and restarting operations, anticipated processing and production rates, ability of the Company to supply and deliver mineralized material from El Pinguico for processing at the El Cubo Mill, anticipated future exploration results at El Cubo, future cost of reclaiming existing tailings facilities and other environmental matters, potential increases to the El Cubo resource base, anticipated cost of mine closure bond and indemnification obligations of the Company under the El Cubo Agreement (see Item 4.2 "GENERAL DESCRIPTION OF THE BUSINESS – History – Mineral Properties – El Cubo Project, Guanajuato, Mexico" above) including both past and future environmental conditions and liabilities at El Cubo. If any of these or other assumptions proves incorrect, the Company may not be able to achieve profitable operations at El Cubo. The acquisition of El Cubo is also subject to a number of risks that may result in a materially adverse impact on the Company, including potential political risks involving the Company's operations in a foreign jurisdiction (see "Foreign Operations and Government Regulations" below), technical and operational difficulties that may be encountered with reactivation and operation of the El Cubo Mill and mine, uncertainty of production and cost estimates and the potential for unexpected costs and expenses, uncertainty in mineral resource estimation, physical risks inherent in mining operations, currency fluctuations, fluctuations in the price of silver, gold and other metals, completion of economic evaluations, changes in project parameters as plans continue to be refined, permitting risks, the inability or failure to obtain adequate financing on a timely basis, unanticipated increases in the cost of the tailings reclamation, increased mine closure costs and related bond requirements, potential fines, penalties, regulatory actions or charges from government authorities with respect to environmental plans and permits and the other risks and uncertainties described elsewhere in this AIF, any of which could have a material adverse impact on the Company and its results of operations.

### *Resource Estimates are Inherently Uncertain*

To date, mineral resources have been estimated solely for the Company's El Cubo and El Pinguico properties. Such estimates are based on various interpretations and assumptions and therefore may yield less mineral production under actual conditions than is currently estimated. In determining whether or not to advance a project towards production, the Company must rely upon estimated calculations as to the mineral resources and grades of mineralization on its property. Until mineralized zones are mined and processed, mineral resources and grades are only estimates based upon geological interpretation and statistical inferences drawn from drilling and sampling which may prove to be imprecise and unreliable. There are no assurances that the Company's mineral resources are accurate or that the mineralization can be mined or processed profitably. Any material changes in mineral resource estimates and grades will affect the economic viability of a mine or project and its return on capital. The Company's resource estimates have been determined and valued based on assumed future prices, cut-off grades and operating costs that may prove to be inaccurate. Extended declines in market prices for silver, gold and other metals may render portions of the Company's resources uneconomic and adversely affect the Company's ability to extract such resources on a profitable basis. The Company cannot assure that mineral recovery rates achieved in small scale tests will be duplicated in large scale tests under on-site conditions or in production scale.

### *Production Decision Made without Identified Mineral Reserves*

There are no current mineral reserves at El Cubo or El Pinguico or any of the Company's other Mexican mineral claims. The Company decided to enter into production at El Cubo and to deliver mineralized material from the existing surface and underground stockpiles at El Pinguico in part based on the preliminary economic assessment of the El Cubo/El Pinguico Mine Complex contained in the 2021 PEA Report but without having completed any feasibility studies. Accordingly, the Company did not base its production decision on any feasibility studies of mineral reserves demonstrating economic and technical viability of the mines. Mineral properties that are placed into production without the benefit of a feasibility study have historically had a higher risk of failure. There is no assurance the Company's operations will be profitable. The Company's preliminary economic assessment includes inferred mineral resources which are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves. There are no assurances that the results of the preliminary economic assessment will ever be realized. Furthermore, the absence of proven or probable reserves increases the uncertainty that current resources and mineralized material at El Cubo and El Pinguico can be economically produced or if so, for what period of time, or that El Cubo will be profitable or that the Company will recover its money spent on exploration and evaluation.

In the future, the Company may decide to extend mine operations at El Cubo beyond the mine life of its current mineral resources by mining further mineral resources or material that are not classified as mineral reserves without the completion of a feasibility study to establish whether such additional resources or material can be converted into mineral reserves. As a result, there may be increased uncertainty and risks of achieving any particular level of recovery of minerals from the Company's mines or the costs of such recovery.

### *Metals and Mineral Prices Are Subject to Dramatic and Unpredictable Fluctuations*

The profitability of the Company's mining operations and the value of its mining properties are directly related to the market price of silver, gold and other metals. The Company commenced production in October 2021 and anticipates deriving the majority of its revenue from the sale of silver concentrate, and to a lesser extent gold concentrate, and as such the results of the Company's operations will fluctuate as the prices of these metals change.

Prices for precious metals fluctuate on a daily basis, have historically been subject to wide fluctuations and are affected by numerous factors beyond the Company's control such as supply and demand fundamentals, global economic conditions and political developments, expectations with respect to the rate of inflation, level of interest rates, central bank transactions with respect to gold and silver sales and loans, forward sales by metal producers, foreign currency exchange rates, international investments, monetary systems, and speculative activities. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving adequate returns on invested capital or the investments retaining their respective values. Declining market prices for silver and gold could materially adversely affect the Company's operations and profitability, render mineral resource estimates unprofitable to develop or subject to restatement and projects could be significantly reduced or rendered uneconomic. In addition, the market price of the Company's Common Shares could suffer. Any period of significant and sustained lower silver and gold prices could also adversely impact the Company's ability to continue to maintain, explore or develop its existing exploration properties or acquire new material properties worthy of exploration and development.

Currently, the Company does not engage in hedging with respect to silver and gold prices which may expose the Company to further risk of prices in silver and gold which could significantly impact the Company's cash flow from operations and adversely affect its ability to make debt repayments when due should these prices decline in circumstances when the Company does not have hedging arrangements in place.

### *COVID-19 Pandemic*

There is uncertainty about the spread of the COVID-19 pandemic and its impact on the Company's operations or ability to access properties including El Cubo and El Pinguico, procure equipment, contractors and other personnel on a timely basis or at all, and economic activity in general. Furthermore, the Company cannot accurately predict the impact COVID-19 will have on third parties' ability to meet their obligations with the Company, including the timely delivery of machinery, goods and supplies and certain governmental permits and other third party approvals. Any sustained shut-down or significant curtailment to the Company's operations will have a material adverse impact on the Company's production, revenues and financial condition and may materially impact the Company's ability to meet its production targets and goals or satisfy its obligations and liabilities including debt obligations. The spread of COVID-19 has also impacted the Company's employees and contractors not only from a health concern but also in terms of

limitations on movement, availability of food and other goods, and personal well-being.

Although COVID-19 has already had a significant, direct impact on the Company's operations, business and workforce, the extent to which COVID-19 will continue to impact the Company's operations will depend on future developments which are highly uncertain and cannot be predicted with confidence. These future developments include, but are not limited to, the duration of the outbreak, new information that may emerge concerning the severity of COVID-19, and the actions taken by governments of affected countries to contain COVID-19 or treat it including travel restrictions and quarantines and the lengths thereof. The impact of governmental restrictions and health and safety protocols could improve or worsen relative to the Company's assumptions, depending on how each jurisdiction manages potential outbreaks of COVID-19, the development and adequate supply of vaccines, and the roll-out of vaccination programs in each jurisdiction. The Company expects that its operations will continue to be impacted by COVID-19 related restrictions, protocols, and travel restrictions for the balance of 2021 and into 2022, which will likely increase costs and could adversely restrict or impact production levels and/or the Company's ability to conduct exploration and development programs. In particular, the Company may continue to be impacted by delays in receiving permits and regulatory responses which could adversely impact its operations and exploration and development plans. The Company may also experience disruptions to its operations as a result of COVID-19 including employee health and workforce shortages and the unavailability of contractors, subcontractors or industry experts, interruption of supplies and the provision of services from third parties upon which the Company relies, regulatory restrictions that governments impose or that the Company voluntarily imposes to address the COVID-19 outbreak and to ensure the safety of employees and others. The Company may experience disruptions in transportation services as a result of COVID-19 that could adversely impact the Company's ability to deliver silver and gold concentrate to refineries. COVID-19 may also negatively impact global and regional economies including demand for the Company's production. COVID-19 could also negatively impact stock markets, including the trading price of the Company's shares, adversely impact the Company's ability to raise capital, cause continued interest rate volatility and movements that could make obtaining financing or refinancing the Company's debt obligations more challenging or more expensive (if such financing is available at all), and result in any operations affected by COVID-19 becoming subject to quarantine or shut down. Any of these developments, and others, could have a material adverse effect on the Company's business, results of operations and financial condition. To the extent the Company's operations are impacted or expected to be impacted, the Company may undertake measures to preserve cash resources including suspension of discretionary spending and other legal means to reduce and minimize contractual spending. However, any extended suspension of operations may ultimately impact on the Company's ability to repay its debt obligations and other creditors, with the result that the Company's financial position may be seriously jeopardized.

There are no assurances that exploration, development and production activities at El Cubo or El Pinguico will not have to cease at some point during 2022 or beyond as a result of government orders directed at controlling COVID-19. In addition, disruptions in the Company's supply chain, including from the Company's suppliers and service providers, as a result of industry closures relating to COVID-19 may result in the declaration by the Company's suppliers of force majeure in contracts or purchase orders, which may result in the Company's inability to complete projects in a timely manner.

#### *Production and Cost Estimates*

The Company prepares estimates of future production and costs based on, inter alia, the accuracy of mineral resource estimates, estimated rates and costs of mining and processing, assumptions regarding geological conditions and physical characteristics of mineralization (including grades and recoverability), availability of equipment, machinery and labour, and the ability to continue mining activities without disruption. Actual production and costs may vary from estimates due to, inter alia, actual mineralization mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics, short-term operating factors relating to mineral resources including the necessity for sequential development of mineralized zones and processing of new or different grades of mineralization, the ability to continue mining in accordance with the Company's mine plans, availability and capacity of tailings storage facilities and other risks and hazards associated with mining. See "*Operating, Exploration and Development Risks and Hazards*" below. Furthermore, there are no assurances that silver and gold recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production, or that the existing known and experienced recoveries will continue. Production costs may also be affected by variability in grade or dilution, metallurgy, labour costs, costs of supplies and services (such as fuel and power), inflation, currency exchange rates, regulatory changes and other factors. Failure to achieve production or cost estimates, or increases in costs, could have a material negative impact on the Company's future cash flow, earnings, results of operations and financial condition.

## *Mining Operations and Infrastructure*

The capital costs required by the Company's projects may be significantly higher than currently anticipated. Capital and operating costs, production and economic returns, and other estimates contained in the 2021 PEA Report may differ significantly from those provided for in future studies and estimates and from management guidance, and there can be no assurance that the Company's actual capital and operating costs will not be higher than currently anticipated. The Company has engaged MGA, an arm's length mining contractor, to provide contract mine development and mine production services at El Cubo for an initial term of 17 months from August 1, 2021 to reduce the Company's initial capital costs. See Item 4.2 "GENERAL DEVELOPMENT OF THE BUSINESS – History – Corporate Developments – January 1, 2021 to Present" for details of the Company's contract mining agreement with MGA. However, such contractor approach is expected to be more expensive over the life of mine at El Cubo than if the Company's purchased its own equipment and machinery and operated the mine on an owner-operated basis from the commencement of production thereby reducing the Company's overall revenues, estimated profits and return on investment.

Delays to construction and exploration schedules may negatively impact the net present value and internal rates of return of the Company's mineral properties as set forth in the 2021 PEA Report. Furthermore, there are no assurances that the Company will achieve the rates of production, grades of ore processed, rates of recoveries or mining cash costs currently projected by the Company and actual mining operations may fluctuate or differ significantly from historic levels or current estimates over the course of the mining operations conducted by the Company. There can be no assurance that the Company will be able to continue to extend the production from its current operations through exploration and drilling programs or future acquisitions.

Mineral production, development and exploration are dependent on adequate infrastructure. Reliable roads, bridges, power sources, fuel and water supply and the availability of skilled labour and other infrastructure are important factors, which affect capital and operating costs. The lack of availability on acceptable terms or the delay in the availability of any one or more of these factors could prevent or delay exploitation or development of the Company's projects and adversely impact the Company's ability to achieve the anticipated production volume, or result in increased construction costs and ongoing operating costs associated with the exploitation and/or development of the Company's projects. In addition, adverse weather conditions, natural disasters, sabotage, theft, terrorism, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations and profitability.

### *El Cubo Mine Life*

The preliminary economic assessment of the El Cubo/El Pinguico Mine Complex contained in the 2021 PEA Report estimates a mine life of seven years. Such estimate is based on numerous assumptions and estimates regarding, inter alia, future production and costs (including both capital and operating costs), mineral resources, metallurgical characteristics of mineralized material, prices for silver and gold and rates of production. There are no assurances that the Company's operations will be profitable or that such life of mine length will be achieved at El Cubo. Furthermore, the El Cubo and El Pinguico mines are the Company's only current sources of mineral resources for production. In order to extend mining beyond 2028, the Company will need to expand its mineral resource base either by the development or discovery of additional resources and reserves at El Cubo and/or El Pinguico or through the acquisition and development of an additional producing mine (see "Growth Strategy" below). There are no assurances that current and future exploration and drilling programs at El Cubo, El Pinguico and/or the Company's other mineral properties or any additional acquisitions will result in the discovery of additional mineral reserves or resources capable of increasing mine life at El Cubo. There is also uncertainty regarding the amount of capital expenditures that may be required to be deployed to maintain and, if applicable, extend mine life at El Cubo beyond 2028 and any related regulatory and permitting risks associated therewith. Based on actual operating results, the Company may need to evaluate whether to shut down operations at El Cubo if it cannot economically operate the mine or develop or acquire additional mineral resources or mineral reserves. Any shut-down or curtailment of production at El Cubo would materially and adversely impact the Company's future cash flows, earnings, financial condition and results of operations and may impair the ability of the Company to pay its obligations, including outstanding debt and reclamation and decommissioning liabilities.

### *Decommissioning and Reclamation Costs*

As at September 30, 2021, the Company had recorded a provision in the amount of \$5,763,137 for the estimated present value of future reclamation and remediation costs associated with the future retirement of its mineral properties, plants, and equipment at the El Cubo/El Pinguico Mine Complex. Decommissioning and reclamation costs generally commence towards the end of mine life and the present value of these costs may be subject to change as a result of management's estimates of ultimate decommissioning and reclamation costs, changes in the remediation technology or changes to applicable laws, regulations and interest rates. Such costs must also be funded from the Company's operations, can be significant and are subject to change. The Company cannot predict the final level of decommissioning and reclamation that may be required for the El Cubo/El Pinguico Mine Complex in the future by regulators. If the Company is required to comply with significant new or additional regulations or if the actual cost of future decommissioning and reclamation is significantly higher than current estimates, this could have an adverse impact on the Company's future cash flow, earnings, results of operations and financial condition.

### *Current Working Capital and Ability to Obtain Financing*

As at September 30, 2021, the Company had approximately \$7,716,144 of cash and cash equivalents and an estimated working capital deficit of \$1,716,835. See Item 4.2 "GENERAL DEVELOPMENT OF THE BUSINESS – *History – Financings – January 1, 2021 to Present*" above for details of the Company's 2021 Private Placement #2 for gross proceeds of \$9,517,368 completed on November 30 and December 7, 2021. Future production, development and exploration of the Company's mineral properties including El Cubo and El Pinguico and any new properties in which the Company may acquire an interest will be dependent upon the Company's ability to obtain capital through equity financing and/or debt financing, to enter into joint venture arrangements or to obtain other means of financing. There is no assurance that the Company will be successful in obtaining required financing as and when needed or on terms and at rates reasonably acceptable to the Company. Volatile precious metals markets may make it difficult or impossible for the Company to obtain financing on favourable terms, or at all. The Company only commenced production in October 2021 and has yet to generate positive cash flow from operating activities. There are no assurances that the Company will produce silver and gold concentrate in sufficient quantities to make scheduled debt repayments and capital investments and the Company may need to raise other sources of capital. Further, there is no assurance that the Company's future cash flow from mining activities, along with its current cash and other net working capital, will be sufficient to fund the Company's operations without requiring any additional capital to meet planned initiatives, and to fund investment and exploration, evaluation, and development activities for the foreseeable future. The Company's ability to fund its operations without additional capital will be highly dependent on metal prices and the ability of the Company to maintain cost and grade controls at its operations, and is subject to the Company's plans and strategy. Ultimate capital costs associated with the ongoing development of the El Cubo and El Pinguico mines are presently unknown as the Company's life of mine production plans have not been finalized for optimization beyond the term of the Company's contract mining agreement with MGA which expires at the end of 2022. At that time the Company will need to decide whether to continue to use contract mining services at El Cubo or convert to an owner-operator production model which will entail significant capital costs for additional equipment, machinery and other fixed assets. Such capital requirements may require the Company to obtain additional financing and there are no assurances that such financing will be available on commercially reasonable terms or at all when needed. Additional capital costs may also be required to extend mine life at El Cubo beyond 2028. A material change in the Company's capital plans could significantly change the cash and working capital required by the Company. Government and industry measures to contain the spread of COVID-19 could also cause disruption to the Company's operations and adversely impact cash flow and liquidity.

The Company also had outstanding loan and note payables of approximately \$13,240,979 as at September 30, 2021 comprised of the US\$7.5 million OCIM Loan Agreement (plus accrued interest) and the US\$2.5 million El Cubo Note (paid in full subsequent to September 30, 2021). In October 2021, the Company drew down an additional US\$1.5 million in debt pursuant to its concentrate sales agreement with Ocean Partners. See Item 4.2 "GENERAL DEVELOPMENT OF THE BUSINESS – *History – Financings – January 1, 2021 to Present*". The Company may also enter into new debt arrangements in the future that may further increase its debt obligations. The Company is dependent upon its future ability to maintain and increase production at its mines in order to generate the cash flow required to repay its indebtedness in accordance with the required payment schedules. In the event production cannot be maintained, the Company may be required to complete additional equity financings or sell assets in order to repay these creditors and avoid enforcement actions or an insolvency event. There is no assurance that any equity financing would be available to the Company in these circumstances or that the Company would be able to market and sell assets at the prices that the Company would consider to be fair and representative of their market value.

The Company may also require additional capital to carry out additional acquisitions to achieve growth. There is no assurance that the Company will be able to obtain additional capital when required. Failure to obtain additional financing on a timely basis may limit expansion, development and exploration plans, or even to suspend operations.

Historically, the Company has raised funds through equity financing and the exercise of options and warrants. The raising of capital may have a dilutive effect on the price of the Company's shares. See "*Risk of Dilution Resulting from the Issuance of Additional Shares*" below.

As at September 30, 2021, the Company has a provision of \$5,763,137 on its statement of financial position for the estimated present cost of reclamation and rehabilitation expenditures associated with the future closure of the El Cubo mine, plant and equipment. These expenditures are expected to commence near the end of the mine's useful life except as may be required by applicable law. There is no assurance that the Company will have sufficient capital resources to fund these reclamation expenses as and when required. See "*Decommissioning and Reclamation Costs*" above.

#### *Operating, Exploration and Development Risks and Hazards*

Mining, development and exploration operations are inherently dangerous and involve a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Risks include, but are not limited to:

- difficult surface or underground conditions;
- water conditions;
- unexpected or unusual rock conditions, structures or formations;
- geological operating conditions, including mine or slope failures, ground fall, rock bursts, cave-ins, rock and landslides;
- fires, explosions, floods, droughts, inclement or adverse weather conditions, and earthquakes;
- unanticipated variations in grade and other geological problems;
- failure of pit walls, dams or tailings facilities;
- adverse environmental conditions or hazards;
- deleterious elements in mined resources;
- mechanical and equipment performance problems or failures or inability to obtain adequate equipment or machinery;
- power failures and interruptions;
- industrial and third party accidents;
- labour disruptions, strikes or lack of access to suitable labour;
- acts of God;
- interruptions due to war, rebellion, revolution, terrorism, civil disobedience and protests;
- theft;
- delays in transportation;
- inaccessibility to property; and
- restrictions of courts and/or government authorities and other restrictive matters beyond the reasonable control of the Company. See also "*COVID-19 Pandemic*" above.

These risks could result in damage to, or destruction of mines and other production facilities or property, personal injury or death, including to the Company's employees, environmental damage, work stoppages, delayed production and resultant losses, increased production costs, asset write downs, loss or suspension of permits as a result of regulatory actions, monetary losses and possible legal liability for any and all damages.

While the Company maintains insurance to insure against damage or loss of property and general commercial liability claims, such insurance will not cover all of the potential risks associated with the Company's operations at economically feasible premiums or at all. The Company may become subject to liability for pollution, environmental damage, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. Losses from any one or more of these events that are not covered by the Company's insurance policies may cause the Company to incur significant costs that could materially adversely affect its financial condition and ability to fund activities at its mineral properties. A significant loss could force the Company to reduce or terminate its operations and even result in bankruptcy. Currently, the Company is not insured against most environmental risks or nuclear or terrorism incidents.

Further, exploration and development of mineral properties involve a high degree of risk and few properties that are explored are ultimately developed into producing properties. There is no assurance that the Company's exploration activities will result in the discovery of additional mineral deposits, mineral reserves or mineral resources. There is also no assurance that even if commercial quantities of ore are discovered, a property will be brought into commercial production or that the metallurgical processing will produce economically viable saleable products. The commercial viability of a deposit once discovered and the decision as to whether it should be brought into production will depend upon the results of exploration programs and/or feasibility studies, and the recommendations of qualified engineers and/or geologists, all of which involves significant expense. This decision will also involve consideration and evaluation of several significant factors including, but not limited to:

- costs of bringing a property into production, including exploration and development work, preparation of feasibility studies and construction of production facilities;
- availability and costs of financing;
- ongoing costs of production;
- market prices for the minerals to be produced;
- environmental compliance regulations and restraints (including potential environmental liabilities associated with historical exploration activities); and
- political climate and/or governmental regulation and control.

Many of these factors are beyond the Company's control.

Also, mining and metallurgy are not exact sciences and, accordingly, there is always an element of risk that a mine may not prove to be commercially viable. Until a deposit is actually mined and processed, the quantity of mineral reserves, mineral resources and grades must be considered as estimates only. In addition, the determination and valuation of mineral reserves and mineral resources is based on, among other things, assumed metal prices. Market fluctuations and metal prices may render mineral resources and mineral reserves uneconomic. Any material change in quantity of mineral reserves, mineral resources, grade, tonnage, percent extraction of those mineral reserves or resources recoverable by underground mining techniques or stripping ratio for those mineral reserves or resources recoverable by open pit mining techniques may affect the economic viability of a mining project.

There is also inherent variability between duplicate samples taken adjacent to each other and between sampling points that cannot be reasonably eliminated. There may also be unknown geologic details that have not been identified or correctly appreciated at the current level of delineation of the El Cubo/El Pinguico Mine Complex. This results in uncertainties that cannot be reasonably eliminated from the estimation process. Some of the resulting variances can have a positive effect and others can have a negative effect on exploration activities.

As mines have limited lives, the Company will need to continually replace and expand its mineral resources as production continues. The life of mine estimates for the El Cubo/El Pinguico Mine Complex may not be correct. The ability of the Company to maintain or increase its production of silver and gold concentrate and the Company's future growth and productivity will be dependent in significant part on its ability to identify and acquire additional commercially mineable mineral rights, to bring new mines into production, to expand mineral resources at El Cubo and El Pinguico, and on the costs and results of continued exploration and potential development programs. See "Growth Strategy" below. The inability of the Company to identify mineral resources or reserves in quantities sufficient to bring a mineral property into production may result in the write down of the value of the mineral property.

*The Company has a single customer for its production*

The Company commenced producing silver and gold concentrate at its El Cubo Mill in October 2021 and currently has only one purchaser for its production. See "See Item 4.2 "GENERAL DEVELOPMENT OF THE BUSINESS – History – Financings – January 1, 2021 to Present" for details of the Company's concentrate sales agreement with Ocean Partners. Although the Company is currently dependent upon this one customer, the Company does not view this as a significant economic risk given the existence of other potential metals traders or smelters capable of purchasing the Company's production. If, however, the Company were to lose such customer or the customer was no longer able to purchase the Company's production, the Company could face limited smelter availability and capacity, potential interruption of business beyond its control, or the inability to secure new customers on similar terms, any of which may have a material adverse effect on the Company's business, financial condition, operating results and cash flows.

### *Outstanding Debt and other Financial Covenants*

The Company has incurred significant debt to acquire El Cubo and refurbish the El Cubo Mill in order to commence production and expects to continue to rely on debt financing to support mining operations hereafter. See “*Current Working Capital and Ability to Obtain Financing*” above. The Company’s ability to service this debt and meet its financial covenants and other obligations will be dependent on its future performance and cash flow which are contingent, in part, on general economic, financial, competitive, legislative, regulatory and other factors, including the price of silver and gold, many of which are beyond its control. The Company has no history of mining operations and there are no assurances that the Company will generate sufficient cash flow from operations to satisfy its debt and other obligations, including reclamation obligations. Cash flow may vary and El Cubo has a limited life of mine based on its current mineral resources. Any inability to secure sufficient debt funding (including to refinance on acceptable terms) or to service its existing and new debt may have a material adverse effect on the Company’s financial performance and prospects or its ability to continue to meet its financial covenants.

### *Growth Strategy*

The Company acquired the past-producing El Pinguico mine in 2017 and El Cubo mine in 2021. As part of its growth strategy, the Company continues to seek new acquisition opportunities within the Guanajuato region of Mexico and elsewhere including both past-producing mines and exploration and development opportunities, with a focus on silver and/or gold. As such, the Company may from time to time acquire additional mineral properties or the securities of issuers which hold mineral properties. The Company’s success at completing any acquisitions will depend on numerous factors including, but not limited to, identifying acquisitions which fit the Company’s strategy, negotiating acceptable terms with the vendor of the business or property to be acquired, and obtaining approval from applicable regulatory authorities. Business or property acquisitions could place increased pressure on the Company’s cash flow if such acquisitions involve cash consideration or the assumption of obligations requiring cash payments. Acquisitions involving large shares issuances by the Company would also result in dilution to existing shareholders. See “*Risk of Dilution Resulting from the Issuance of Additional Shares*” below. Failure to select appropriate acquisition projects (including failure to properly assess value, strengths, weaknesses, liabilities (contingent or otherwise), risks and potential profitability), negotiate acceptable arrangements (including financing arrangements) or integrate the acquired businesses and their personnel into the Company may result in unanticipated costs, diversion of management attention from existing businesses and day to day operations, loss of key employees and financial losses. There are no assurances that any acquisitions or business arrangements that the Company may pursue will be on favourable terms or ultimately benefit the Company. Acquisitions may involve a number of special risks, circumstances or legal liabilities including environmental liabilities. These and other risks related to acquiring and operating acquired properties and companies could have a material adverse effect on the Company’s results of operations and financial condition and the price of the Company’s Common Shares. Further, to acquire properties and companies, the Company may be required to use available cash, incur debt, issue additional securities, enter into off-take, royalty agreements or metal streaming agreements, or a combination of any one or more of these. Such uses could affect the Company’s future flexibility and ability to raise capital, operate, explore and develop its properties and could dilute existing shareholders and decrease the price of the Common Shares of the Company. Shareholders may have no right to evaluate the merits or risks of any future acquisition undertaken by the Company, save as required by applicable laws.

The Company also faces intense competition for natural resource acquisition opportunities. See “*The Company’s competition is intense in all phases of its business*” below.

### *The Company’s competition is intense in all phases of its business.*

The Company competes with many companies in the mining industry, including large, well established mining companies with substantial capabilities and significantly greater financial and technical resources and operational experience. There is also a limited supply of attractive mining properties in Mexico and, in particular, the Guanajuato region that would yield mineral reserves or resources or results for commercial mining operations on terms the Company considers acceptable or at all. As a result the Company may be unable to either compete for or acquire rights to exploit additional mineral properties worthy of exploration or development. The Company’s competitors may be able to respond more quickly to new laws and regulations or emerging technologies, or devote greater resources to the expansion or efficiency of their operations than the Company can. In addition, current and potential competitors may make strategic acquisitions or establish cooperative relationships among themselves or with third parties. The Company’s inability to successfully compete with other companies would have a material adverse effect on its results of operation and business.

### *Dependence on Key Personnel*

The Company's success and viability depends, in large part, on its ability to attract and maintain qualified key management personnel. The number of persons skilled in acquisition, exploration, development and operation of mining properties are limited and competition for such persons is intense. The Company's growth and viability has depended, and will continue to depend, on the efforts of key personnel and the Company's ability to retain such personnel and attract and retain additional key financial, administrative and mining personnel as well as additional operations staff. The loss of any key personnel or inability to recruit new skilled and experienced executives could result in increases in its recruiting and training costs and decreases in the Company's operating efficiency, productivity and cash flow which may have a material adverse effect on the Company's future operations, cash flows, earnings, financial position and financial condition. Although the Company has employment and/or management contracts with its key personnel it does not have key-man life insurance. The Company provides its key personnel with long-term incentive compensation which generally vests over several years and is designed to retain these employees and align their interests with those of the Company's shareholders.

### *Risks Associated with Permits*

The Company's operations are subject to obtaining and maintaining permits (including environmental, blasting and other permits) from appropriate governmental authorities for the operation and expansion of existing operations or for the development, construction and commencement of new operations. Obtaining or renewing the necessary governmental permits is a complex and time-consuming process involving numerous jurisdictions and possibly involving public hearings and costly undertakings by the Company. The duration and success of the Company's efforts to obtain and renew permits are contingent upon many variables beyond its control including the interpretation of applicable requirements implemented by the permitting authority. There is no assurance that necessary permits will be obtained or that delays will not occur in connection with obtaining all necessary renewals of such permits for the existing operations, or additional permits for any possible future changes to operations, or additional permits associated with new legislation. Additionally, it is possible that previously issued permits may become suspended for a variety of reasons, including through government or court action. There can be no assurance that the Company will continue to hold or obtain, as required, all permits necessary to develop or continue operating at any particular property. The Company's construction blasting permit for El Pinguico expired in October 2021 and the current blasting and explosives permit for El Cubo is set to expire on December 31, 2021 and while the Company has applied to renew such permits or obtain new permit for 2022 there are no assurances that such renewal or new permits will be obtained on a timely basis or at all. Permitting authorities may impose conditions on the approval of such permit or other permits which may not be economically feasible or could substantially delay production plans. Any delay or failure to obtain a renewal or new blasting permit for El Cubo or El Pinguico or other permits on reasonable terms, or the expiry, revocation or failure by the Company to comply with the terms of any such permits, if obtained, would adversely affect the Company's ability to continue operating or expand mining operations at El Cubo and, if applicable, El Pinguico, each of which could adversely affect the Company's results of operations and financial condition.

### *Environmental Factors*

All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that any future changes in environmental regulation will not adversely affect the Company's operations, financial condition, liquidity or results of operations, and a breach of any such regulations could result in fines and penalties. The costs of compliance with changes in government regulations have the potential to reduce the profitability of future operations. Environmental hazards that may have been caused by previous owners or operators or the Company may exist on the Company's mineral properties, but are unknown to the Company at present.

Exploration activities and/or the pursuit of commercial production of the Company's mineral claims may be subject to an environmental review process under environmental assessment legislation. Compliance with an environmental review process may be costly and may delay commercial production. Furthermore, there is a risk that the Company would not be able to proceed with commercial production upon completion of the environmental review process if government authorities do not approve the proposed mine, or if the costs of compliance with government regulation adversely affect the commercial viability of the proposed mine.

The development and operation of a mine involves significant risks to personnel from accidents or catastrophes such as fires, floods, explosions or collapses. These risks could result in damage or destruction of mines, production facilities, casualties, personal injury, environmental damage, mining delays, increased production costs, monetary losses and legal liability. The Company may not be able to obtain insurance to cover these risks at economically feasible premiums. Insurance against certain environmental risks, including potential liability for pollution and other hazards as a result of the disposal of waste products occurring from production, is not generally available to companies within the mining industry. The Company may be materially adversely affected if it incurs losses related to any significant events that are not covered by its insurance policies.

The Company has safety programs in place and continues to pursue further improvements on an ongoing basis. Safety meetings with employees and contractors are held on a regular basis to reinforce standards and practices. However, there is no assurance that safety incidents will not be experienced in the future, or that operations might not be materially affected by their occurrence. Further, a safety incident could have a material adverse effect on the Company's financial condition, liquidity or results of operations, and may result in the imposition of fines and penalties.

#### *Title to Assets*

There are no assurances that title to any property interest held or acquired by the Company or any of its subsidiaries is secured. While the Company has or will receive title opinions for any properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. The Company has not conducted surveys of the claims in which it holds direct or indirect interests and, therefore, the precise area and location of such claims may be in doubt. The Company's claims may be subject to prior unregistered agreements or transfers or indigenous land claims and title may be affected by unidentified or unknown defects or adverse laws and regulations. See Item 5.1 "DESCRIPTION OF THE BUSINESS – *Environmental Protection*" above for a description of the state program of urban development and territorial ecological planning covering certain "non-core" portions of the El Cubo Project adopted by the state of Guanajuato.

In Mexico, legal rights applicable to mining concessions are different and separate from legal rights applicable to surface lands; accordingly, title holders of mining concessions in such jurisdictions must agree with surface landowners on compensation in respect of mining activities conducted on such land. In addition, the failure to maintain concessions in good standing or comply with all applicable terms and conditions thereof could result in the loss or termination of the Company's mining concession and in turn a material adverse effect on the Company's financial condition or results of operations.

If title to the Company's properties is disputed, it may result in the Company paying substantial costs to settle the dispute or clear title and could result in the loss of the property, which events may affect the economic viability of the Company.

#### *Fluctuations in the Price of Consumed Commodities*

Prices and availability of commodities or inputs consumed or used in connection with exploration, development and mining, such as natural gas, diesel, oil, electricity, water, and reagents fluctuate and affect the costs of production at the Company's operations. These fluctuations can be unpredictable, are beyond the control of the Company, can occur over short periods of time and may have a materially adverse impact on operating costs or the timing and costs of various projects.

#### *Foreign Operations and Government Regulations*

The Company's operations are currently conducted through subsidiaries in Mexico and subject to various levels of political, economic and other risks and uncertainties which could result in labor disruptions including strikes or work stoppages, blockades of the Company's mining operations and appropriation of assets. Risks and uncertainties vary from region to region and include, among others, terrorism, corruption of government officials, military repression, expropriation, extreme fluctuations in currency exchange rates, high rates of inflation, labour unrest, risks of war or civil unrest, illegal mining, renegotiation or nullification of existing concessions, licenses, permits and contracts, changes in taxation policies, restrictions on foreign exchange and repatriation, changing political conditions arising from changes in government and otherwise, 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. Corruption of foreign officials could also affect or delay required permits, service levels by foreign officials, and protection by police and other government services. In addition, local opposition to mine

development projects could arise, and such opposition could be violent. If the Company were to experience resistance or unrest in connection with its Mexican operations, it could have a material adverse effect on its operations and profitability.

Further, Mexico continues to face risks from drug cartels and organized crime including murders, kidnappings, blackmail, extortion, violence and threats of violence. While the Company takes security measures to protect both personnel and property, there is no guarantee that such measures will provide an adequate level of protection for the Company or its personnel. The occurrence of illegal activity against the Company or its personnel cannot be accurately predicted and could have an adverse effect on the Company's operations.

The Company's operations, exploration and development activities are also subject to extensive foreign federal, state and local laws and regulations governing, among other matters, environmental protection and natural resources including biodiversity and water, soil and air quality and use, management and use of toxic substances and explosives, waste management, exploration and development of mines, production and post-closure reclamation, permitting, health and safety, labour (including local hiring and procurement), human rights, social matters (including historic and cultural preservation), taxes, mining law reform, restrictions on production, price controls, import and export laws, taxation, maintenance of claims, tenure, government royalties and expropriation of property. To comply with applicable laws and future laws, the Company may be required to make significant capital or operating expenditures or face restrictions on or suspensions of its operations and delays in development of its properties. There is no guarantee that more restrictive, or new constraints on the Company's operations or additional taxes will not be imposed, including those that might have significant economic impacts on the Company's operations and profitability. The Company's operations require licenses and permits from various governmental authorities. Further, the regulatory and legal framework in Mexico can at times be outdated, unclear and inconsistent and any failure to comply with these laws and regulations, including with respect to past and current operations, and possibly even actions of parties from whom the Company has acquired its mines or properties, could lead to, among other things, the imposition of substantial fines, penalties, sanctions, the revocation of licenses or approvals, expropriation, forced reduction or suspension of operations, and other civil, regulatory or criminal proceedings the extent of which cannot be reasonably predicted. The Company does not carry political risk insurance and the status of Mexico as a developing country may make it more difficult for the Company to obtain financing for its projects.

#### *Unauthorized Mining*

Mining in Mexico faces incursions by illegal or "artisanal" miners who gain unauthorized access to mines or exploration areas to steal mineralized material primarily through manual mining methods as well as from organized crime. Both the Company's El Cubo and El Pinguico projects have experienced illegal miners resulting in financial losses to the Company. In addition to the risk of losses and disruptions, illegal miners and/or organized crime pose a safety and security risk that can compromise underground structures, equipment and operations and lead to production stoppages thereby impacting the Company's ability to meet production goals. The Company has hired security personnel and taken other security measures at its sites to address this issue and promote the safety and security of its employees, contractors and assets.

#### *Risk of Loss of Concentrate in Storage or Transit*

The concentrates produced by the Company have significant value and are currently stored at its facilities pending transport by truck to a local refinery in Mexico for processing. Such storage and transport of concentrate gives rise to a number of risks including concentrate theft, road blocks and terrorist attacks, losses caused by adverse weather conditions, delays in delivery of shipments, and environmental liabilities in the event of an accident or spill. The Company's ability to transport concentrates is also subject to risk due to regional quarantine measures related to the COVID-19 pandemic which could be imposed by various levels of governments in the jurisdictions in which the Company operates. While the Company takes additional steps to secure its concentrate, whether in storage or in transit, including insurance coverage, there remains a continued risk that theft or loss of concentrate may have a material impact on the Company's financial results as insurance may not cover the full market value of any losses.

#### *Relations with Local Communities and Indigenous Groups*

The Company's relationship with the communities in which it operates is important to ensure the future success of its existing operations and the construction and development of its projects. While the Company believes its relationships with the local communities and ejidos in which it operates are strong, public concerns regarding the perceived effect of mining activities on the environment and the communities impacted thereby are on the rise. Various non-

governmental organizations (“NGOs”) opposed to globalization and resource development are often vocal critics of the mining industry and its practices. Adverse publicity generated by such NGOs or others regarding extractive industries generally, or the Company’s operations specifically, could have an adverse effect on the Company’s reputation or financial condition and may impact its relationship with the communities in which it operates. The Company believes that it operates in a socially responsible manner; however, there are no assurances that these efforts will mitigate this potential risk.

#### *Foreign Currency Exchange Rate Fluctuations*

The Company maintains bank accounts in Canadian, United States and Mexican currencies. In addition, the Company raises its funds through equity issuances which are priced in Canadian dollars and loan facilities priced in US dollars while the majority of its exploration and development costs are denominated in United States dollars or Mexican peso. As a result, the Company may suffer losses due to adverse foreign currency fluctuations.

#### *Global Financial Conditions*

In recent years, global financial markets have experienced increased volatility and global financial conditions have been subject to increased instability impacting many industries, including mining. Contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign exchange and precious metal markets and a lack of market liquidity may adversely affect the Company’s ability to secure equity or debt financing on terms favourable to the Company or at all, reduce or cease existing operations or planned growth and the trading price of the Company’s Common Shares may be adversely affected.

#### *Potential Conflicts of Interest*

The directors and officers of the Company may serve as directors and/or officers of other public and private companies, and may devote a portion of their time to manage other business interests. This may result in certain conflicts of interest.

To the extent that such other companies may participate in ventures in which the Company is also participating, such directors and officers of the Company may have a conflict of interest. The directors and officers are required by law and the Company’s Code of Ethics to act honestly, in good faith, and in the best interests of the Company and its shareholders. However, in conflict of interest situations, directors and officers of the Company may owe the same duty to another company and will need to balance the competing obligations and liabilities of their actions. There are no assurances that the needs of the Company will receive priority in all cases and, certain circumstances, such conflicting legal obligations may expose the Company to liability to others and impair its ability to achieve its business objectives. In determining whether or not the Company will participate in a particular venture and the interest to be acquired therein, it is expected that the directors and officers of the Company will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

#### *Volatility of Share Price*

The Company’s share price is highly volatile and subject to significant price and volume fluctuations due to numerous factors, many of which are beyond the Company’s control including fluctuations in the market price of silver, gold and other metals, government regulations, performance of competitors and general market conditions. Furthermore, the stock market in general and the market for precious metals producers in particular have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of such companies. These broad market and industry factors including public perception of the prospects of mining companies in general may adversely affect the market price of the Company’s shares, regardless of operating performance.

The Company’s shares are also subject to wide price and volume fluctuations as a result of the public’s reaction to Company announcements including announcements relating to the Company’s prospects, litigation, arrival or departure of key personnel, operating performance, changes in guidance, recommendations by research analysts who track the Company’s securities and the risk factors described in this AIF, all of which can individually or collectively can have a material detrimental impact on the market price of the Company’s Common Shares.

In the past, following periods of volatility in the market price of a company’s securities, securities class-action litigation has been known to be initiated. Such litigation, if instituted, could result in substantial costs and a diversion of management’s attention and resources.

### *Lack of Dividends*

The Company has never declared or paid any dividends on its Common Shares. The Company intends to retain its future earnings, if any, for the foreseeable future, to finance its exploration activities and the further development and expansion of its business. The payment of future dividends, if any, will be reviewed periodically by the Board and will depend upon, among other things, conditions then existing including earnings, financial conditions, cash on hand, financial requirements to fund the Company's exploration activities, development and growth, and other factors that the Board may consider appropriate in the circumstances.

### *Financial Reporting Standards and Internal Controls*

The Company prepares its financial reports and statements in accordance with accounting policies and methods prescribed by IFRS. In the preparation of financial reports and statements, management may need to rely upon assumptions, make estimates or use their best judgment in determining the financial condition or results of operations of the Company. Significant accounting details are described in more detail in the notes to the Company's annual consolidated financial statements for the year ended December 31, 2020. In order to have a reasonable level of assurance that financial transactions are properly authorized, assets are safeguarded against unauthorized or improper use and transactions are properly recorded and reported, the Company has implemented and continues to analyze its internal control systems for financial reporting. Although the Company believes its financial reporting and financial statements are prepared with reasonable safeguards to ensure reliability, the Company cannot provide absolute assurance in that regard.

Furthermore, there are no assurances that the Company will be able to achieve and maintain the adequacy and effectiveness of its internal controls over financial reporting as such standards are modified, supplemented, or increased from time to time. The Company's failure to maintain effective internal controls over financial reporting could result in the loss of investor confidence in the reliability of its financial statements, result in harm to the Company's business and negatively impact the trading price of the Company's Common Shares. In addition, any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's operating results or cause it to fail to meet its reporting obligations. There can be no assurance that the Company will be able to remediate material weaknesses, if any, identified in future periods, or maintain all the controls necessary for continued compliance, and there can be no assurance that the Company will be able to retain sufficient skilled finance and accounting personnel, especially in light of the increased demand for such personnel among publicly traded companies. Future acquisitions of companies may provide the Company with challenges in implementing the required processes, procedures and controls in its acquired operations. Acquired companies may not have disclosure controls and procedures or internal control over financial reporting that are as thorough or effective as those required by the securities laws currently applicable to the Company.

No evaluation can provide complete assurance that the Company's internal control over financial reporting will detect or uncover all failures of persons within the Company to disclose material information otherwise required to be reported. The effectiveness of the Company's controls and procedures could also be limited by simple errors or faulty judgment. The challenges involved in implementing appropriate internal controls over financial reporting will likely increase with the Company's plans for ongoing development and growth of its business and this will require that the Company devote substantial time and costs, as necessary, to continually improve its internal controls over financial reporting. There are no assurances that the Company will be able to maintain or improve its internal controls over financial reporting in the future to ensure the reliability of its financial reporting and financial statements or compliance with applicable laws.

### *Credit and Counterparty Risk*

Credit risk is the risk of financial loss if a customer or counterparty fails to meet its contractual obligations. The Company's credit risk relates primarily to cash and cash equivalents, trade receivables in the ordinary course of business, and value added tax refunds primarily due from Mexico taxation authorities, and other receivables. The Company sells and receives payment upon delivery of its concentrates primarily through large, established international organizations with good credit ratings. Payments for concentrate are scheduled, routine and received within the specific terms of the contract. If a customer or counterparty fails to meet its contractual obligations or becomes insolvent, the Company may incur losses for products already shipped and be forced to sell greater volumes of concentrate than intended in the spot market, or there may be no market for the concentrates, and the Company's future operating results may be materially adversely impacted.

### *Risk of Dilution Resulting from the Issuance of Additional Shares*

Depending on the Company's exploration, development and capital investment plans, acquisition activities, and operating and working capital requirements, the Company may issue additional Common Shares as a means of raising capital. If the Company is required to issue additional shares or decides to enter into joint venture arrangements with other parties in order to raise financing through the sale of equity securities at prices per share different than the price per share paid by investors, investors' interests in the Company will be diluted and investors may suffer dilution in their net book value per share depending on the price at which such securities are sold.

The Company has also granted, and in the future may grant, to directors, officers, employees, and consultants, options to purchase Common Shares as non-cash incentives to those persons in accordance with the Company's stock option plan and the policies of the Exchange. The issuance of additional shares upon the exercise of incentive stock options will cause existing shareholders to experience dilution of their ownership interests. As at September 30, 2021, there were outstanding share options exercisable into 13,329,166 Common Shares at a weighted average exercise price of \$0.38 per share which, if exercised, would represent approximately 5.94% of the Company's issued and outstanding shares as of the date of this AIF.

Furthermore, the Company may in the future adopt additional equity compensation plans for its directors, officers and employees including, but not limited to, restricted share units, performance share units or deferred share units as awards for service to those persons. Upon settlement, such awards may entitle the recipient to receive Common Shares, a cash equivalent, or combination thereof, resulting in further dilution to existing shareholders.

### *Information Systems and Cyber Security*

The Company's operations depend, in part, upon information technology systems to securely process, maintain and transmit information and data critical to the Company's business. The Company and its third-party service providers also collect and store sensitive data in the ordinary course of business, including personal information of the Company's employees, as well as proprietary and confidential business information relating to the Company (including potential merger candidates or other parties with whom the Company may have entered into confidentiality agreements) and in some cases, the Company's customers, suppliers, investors and other stakeholders. With the increasing dependence and interdependence on electronic data communication and storage, including the use of cloud-based services and personal devices, the Company is exposed to evolving technological risks relating to this information and data. Disruption or damage to or failure of the Company's information technology systems may arise from a number of sources, including, but not limited to, hacking, computer viruses, malware, ransom ware, security breaches, natural disasters, power loss, vandalism, theft and defects in design.

Although the Company employs security measures in respect of its information and data including implementing systems to monitor and detect potential threats, the performance of periodic audits, and penetration testing, the Company cannot be certain that it will be successful in securing this information and data and there may be instances where the Company is exposed to malware, cyber or ransom ware attacks or other unauthorized access or use of the Company's information and data. Any data breach or other improper or unauthorized access or use of the Company's information could have a material adverse effect on the Company's business and could severely damage the Company's reputation, compromise the Company's network or systems and result in the loss or escape of sensitive information, the destruction or corruption of data, the misappropriation of assets or incidents of fraud, the disruption of the Company's normal operations including delays and production downtimes, and cause the Company to incur additional time and expense to remediate and improve the Company's information systems. In addition, the Company could also be subject to legal and regulatory liability in connection with any such cyber-attack or breach, including potential breaches of laws relating to the protection of personal information.

Accordingly, due to the potential risk to the Company's reputation, business, results of operations, financial condition or share price resulting from a breach or failure of the Company's information systems, cyber security and the continued development and enhancement of controls, processes and practices designed to protect the Company's systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority for the Company. As cyber threats continue to evolve, the Company will be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

## *Climate Change*

Extreme weather events (such as prolonged drought, increased frequency and intensity of storms, flooding, landslides and wildfires) have the potential to disrupt the Company's operations and the transportation routes that the Company uses. The Company's ability to conduct mining operations also depends upon access to the volumes of water that are necessary to operate its mines and processing facilities. Changes in weather patterns and extreme weather events including flooding or wildfires, either due to normal variances in weather or due to global climate change, could adversely impact, disrupt or increase the costs of the Company's mining operations including the volume of water or other supply lines necessary to operate its facilities, or damage to facilities, plant and operating equipment, any of which would adversely impact the Company's cash flow and profitability.

Also, various governments around the world have introduced or are moving to introduce climate change legislation and treaties at the international, national, state/provincial and local levels regulating, among other things, emission levels (such as carbon taxes) and energy efficiency is becoming more stringent. If current regulatory trends continue, this may result in increased costs at some or all of the Company's operations.

## *Anti-Corruption and Anti-Bribery Laws*

The Company's operations are governed by, and involve interactions with, various levels of government in Mexico and therefore subject to anti-corruption and anti-bribery laws, including the *Corruption of Foreign Public Officials Act* (Canada) and the *Foreign Corrupt Practices Act* (US) and similar laws in México which prohibit a company and its employees or intermediaries from bribing or making improper payments to foreign officials or other persons to obtain or retain business or gain some other business advantage. In addition, the recent introduction of the *Extractive Sector Transparency Measures Act* (Canada) in Canada seeks to increase transparency and deter corruption in the extractive sector by requiring extractive entities active in Canada to publicly disclose, on an annual basis, specific payments made to all governments in Canada and abroad.

In recent years, there has been a general increase in both the frequency of enforcement and the severity of penalties under such laws, resulting in greater scrutiny and punishment to companies convicted of violating anti-corruption and anti-bribery laws. A company may be found liable for violations by not only its employees, but also by its contractors and third party agents. Although the Company has adopted internal procedures and policies to mitigate such risks, such measures may not be effective in ensuring that the Company, its employees, contractors or third-party agents will strictly comply with all such laws.

If the Company becomes subject to an enforcement action or is found to be in violation of such laws, this may have a material adverse effect on the Company's reputation, result in significant penalties or sanctions, and have a material adverse effect on the Company's operations, business and financial condition. The Company cannot predict the nature, scope or effect of future regulatory requirements to which the Company's operations might be subject or the manner in which existing laws might be administered, interpreted or changed.

## *Claims Under U.S. Securities Laws*

The enforcement by investors of civil liabilities under the federal securities laws of the United States may be affected adversely by the fact that the Company is incorporated under the laws of British Columbia, Canada, that the independent chartered professional accountants who have audited the Company's financial statements and the majority of the Company's directors and officers are residents of Canada or elsewhere, and that all or a substantial portion of the Company's assets and said persons are located outside the United States. As a result, it may be difficult for holders of the Company's Common Shares to effect service of process within the United States upon people who are not residents of the United States or to realize in the United States upon judgments of courts of the United States predicated upon civil liabilities under the federal securities laws of the United States.

### **5.3 Asset-Backed Securities Outstanding**

The Company has not issued any asset-backed securities.

## 5.4 Mineral Projects

### Summary of Mineral Resources and PEA

The Company's material mineral project is the combined El Cubo/El Pinguico Mine Complex located near the city of Guanajuato, Mexico.

As at January 31, 2021, the El Cubo/El Pinguico Mine Complex contained estimated total indicated mineral resources of 718,655 tonnes grading 160 gpt Ag and 1.90 gpt Au, or 306 gpt AgEq, which equates to approximately 7.2 M oz AgEq using a conversion ratio of 1 oz of Au is equivalent to 80 oz of Ag. Estimated total inferred mineral resources for the El Cubo/El Pinguico Mine Complex are 1,453,000 tonnes grading 214 gpt Ag and 2.78 gpt Au, or 435 gpt AgEq, which equates to approximately 20.4 M oz AgEq using a conversion ratio of 1 oz of Au is equivalent to 80 oz of Ag. A breakdown of the mineral resources at the El Cubo/El Pinguico Mine Complex between El Cubo and El Pinguico is set out below:

<b>TABLE 14.4*</b>						
<b>ESTIMATE OF THE PRESENT EL CUBO MINERAL RESOURCES AS OF 31 JANUARY 2021</b>						
<b>Classification</b>	<b>Tonnes</b>	<b>Silver</b>		<b>Gold</b>		<b>Silver Eq g/t</b>
		<b>g/t</b>	<b>oz</b>	<b>g/t</b>	<b>oz</b>	
Measured	None					
Indicated	508,055	194	3,169,000	2.44	39,860	389
Inferred	1,453,000	214	10,004,000	2.78	129,900	435
<b>Notes:</b>						
1. Silver Equivalent calculated using 1 ounce of gold is equal to 80 ounces of silver, on the basis of the average 5-year historic silver and gold prices of \$17.36 and \$1,387.						
2. Numbers have been rounded.						
3. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the Mineral Resources estimated will be converted into Mineral Reserves.						

<b>TABLE 14.5*</b>						
<b>EL PINGUICO MINERAL RESOURCES AS OF 31 JANUARY 2021**</b>						
<b>Classification</b>	<b>Tonnes</b>	<b>Silver</b>		<b>Gold</b>		<b>Silver Eq g/t</b>
		<b>g/t</b>	<b>oz</b>	<b>g/t</b>	<b>oz</b>	
Measured	0					
Indicated						
Surface Stockpile	185,000	67	398,500	0.45	2,680	103
Underground Stockpile	25,600	166	136,600	1.67	1,375	300
<b>Total</b>	<b>210,600</b>	<b>79</b>	<b>535,100</b>	<b>0.60</b>	<b>4,055</b>	<b>127</b>
<b>Notes:</b>						
1. Silver Equivalent calculated using 1 ounce of gold is equal to 80 ounces of silver, on the basis of the average 5-year historic silver and gold prices.						
2. Numbers have been rounded.						
3. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the Mineral Resources estimated will be converted into Mineral Reserves.						

\* Extracted from the 2021 PEA Report dated May 6, 2021 (effective date January 31, 2021).

\*\* There are two stockpiles at El Pinguico that date back to 1913 when the mine shut down during the Mexican Revolution; a surface and an underground stockpile. See "El Cubo/El Pinguico Mine Complex, Guanajuato, Mexico" below for further details regarding these stockpiles.

Mineral resources that are not mineral reserves do not have demonstrated economic viability. There has been insufficient exploration to allow for the classification of the inferred mineral resources at El Cubo as an indicated or measured mineral resource, however, it is reasonably expected that the majority of the inferred mineral resources

could be upgraded to indicated or measured mineral resources with continued exploration. There is no guarantee that any part of the mineral resources discussed herein will be converted into a mineral reserve in the future. At present, there are no mineral reserves at El Cubo or El Pinguico.

In late 2020, the Company engaged Behre to undertake a preliminary economic assessment or PEA of the El Cubo/El Pinguico Mine Complex as part of the Company's investigation and due diligence for its acquisition of El Cubo completed in April 2021. See Item 4.2 "GENERAL DESCRIPTION OF THE BUSINESS – *Mineral Properties – El Cubo Project, Guanajuato, Mexico*" above for details regarding the Company's acquisition of El Cubo. The results of the preliminary economic assessment for the El Cubo/El Pinguico Mine Complex as extracted from the 2021 PEA Report (effective date: January 31, 2021) are summarized below:

<b>TABLE 22.1</b> <b>SUMMARY OF PRELIMINARY ECONOMIC ASSESSMENT FOR THE COMBINED</b> <b>EL PINGUICO AND EL CUBO PROJECT</b>		
<b>Metal Prices<sup>1</sup></b>		
Silver	\$US/oz Silver	19.49
Gold	\$US/oz Gold	1,527
Net Present Value (5%)	\$US million	32.9
Net Present Value (8%)	\$US million	28.5
Internal Rate of Return	%	105
Net Smelter Return	\$US million	221.0
Total Operating Costs	\$US million	124.4
Other Costs and Depreciation	\$US million	54.8
NPI Royalty	\$US million	0.5
Taxes	\$US million	12.5
Life of Mine Capital and Development Costs	\$US million	69.4
Net Cash Flow	\$US million	42.2
Payback Period	Years	1.87
Tonnes Processed	Mtonnes	1.78
Life of Mine Recovered Silver Equivalent <sup>2</sup>	Moz	13.21
Initial Capital and Development <sup>3</sup>	\$US million	28.1
Sustaining Capital and Development	\$US million	41.3
Total Capital and Development	\$US million	69.4
Mine Life	Years	7
<sup>1</sup> <b>Source:</b> Consensus Economics, Inc.©, Energy & Metals Consensus Forecasts®, January 19, 2021. <sup>2</sup> Silver Equivalents are based on a 1:80 gold:silver ratio as per the average 5-year historic silver price of \$17.36/oz and gold price of \$1,387/oz. <sup>3</sup> Includes 15% contingency.		

The above preliminary economic assessment was prepared by Behre in accordance with NI 43-101 for PEA studies. Key parameters, cash flow model inputs and assumptions reflected in the preliminary economic assessment are more particularly described below under "*El Cubo/El Pinguico Mine Complex, Guanajuato, Mexico*".

**Note:** The above cash flow model includes indicated mineral resources for the stockpiled material at El Pinguico and indicated and inferred mineral resources for El Cubo. Readers are cautioned that the PEA is preliminary in nature and includes indicated and inferred mineral resources considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty the PEA will be realized. Mineral resources that are not mineral reserves have not demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, socio-political, marketing, and other relevant issues.

### **El Cubo/El Pinguico Mine Complex, Guanajuato, Mexico**

The following scientific and technical disclosures regarding the El Cubo/El Pinguico Mine Complex and all figures and tables included under this Item 5.4 “DESCRIPTION OF THE BUSINESS - *Mineral Projects – El Cubo/El Pinguico Mine Complex, Guanajuato, Mexico*” have been extracted or derived from the 2021 PEA Report dated May 6, 2021 (effective January 31, 2021), save and except for and as updated by the sections “*El Cubo/El Pinguico Mine Complex, Guanajuato, Mexico, 2021 Company Update*” and “*Exploration and Development Outlook*” below or as otherwise noted. A complete copy of the 2021 PEA Report is available for review under the Company’s profile on SEDAR at [www.sedar.com](http://www.sedar.com).

#### ***Property Description, Location, Access and Local Resources***

The El Cubo and El Pinguico properties are located in central Mexico, in the state of Guanajuato, approximately 11 km east of the city of Guanajuato as shown in Figure 4.1 below. The principal property, El Cubo, is located roughly 21°00’17” N Latitude and 101°12’25” W Longitude, at an elevation 2,265 m above mean sea level.



\*SEIP, Gobierno del Estado de Guanajuato: <http://seip.guanajuato.gob.mx/mapagto/>

**Figure 4.1. General location of the El Cubo and El Pinguico properties**

The El Cubo and El Pinguico properties are located in the west-central portion of the state, among a series of low, gentle mountains, which are part of the Sierra Madre Occidental. The terrain consists of gentle slopes with some abrupt volcanic intrusions.

The climate in the project area is temperate with an average annual temperature of 18°C, with summer months typically around 30°C and as low as 5°C in the winter. The rainy season is between the months of June and September with annual precipitation typically 650 mm. The classification of the regional climate would be warm-sub humid.

The El Cubo mine offices are located at an elevation of 2,265 m above mean sea level, and the mine workings range in elevation from 2,646 m to 1,905 m. The El Cubo Project was put on care and maintenance by Endeavour at the end of November 2019 and all of the mine, mill and support infrastructure is largely in place including electricity, water, tailings basins, plant security, offices, and shop facilities. See “*El Cubo/El Pinguico Mine Complex, Guanajuato, Mexico – 2021 Company Update*” below for a discussion of the Company’s work to refurbish the El Cubo Mill and re-commence production from El Cubo and El Pinguico.

El Cubo is accessed by a local unpaved roadway, which also connects the villages of El Cubo and Calderones with Guanajuato and other surrounding communities, and the Company owns or leases adequate surface areas to support planned and current operations. See Item 4.2 ‘GENERAL DEVELOPMENT OF THE BUSINESS – *History – Mineral Properties – El Cubo Project, Guanajuato, Mexico*’ above for details of the Company’s surface and access rights for El Cubo.

The El Cubo mine, mill, and other operations are fully permitted for a resumption of operations, exploration work, and all other mine and mill operational support activities. No additional permits are required to complete the Company’s proposed work program at El Cubo and the Company is not aware of any significant or material technical, legal, environmental, or political considerations or liabilities, which would have an adverse effect on the extraction and processing of the resources located at the El Cubo Project. However, see Item 5.2 “DESCRIPTION OF THE BUSINESS – *Risk Factors – Risks Associated with Permits*” regarding the current status of the Company’s blasting permit for El Cubo. See also Item 5.1 “DESCRIPTION OF THE BUSINESS – *General – Environmental Protection*” for a description of the state program for urban development and territorial ecological planning adopted by the state of Guanajuato which impacts certain non-core portions of the El Cubo Project.

The El Pinguico property is approximately 2,200 m above sea level and is accessed by an unpaved local road. The village of Calderones is located adjacent to the project site. The surface land area at El Pinguico is adequate to support currently planned operations, such as the loading and shipment of the surface and underground stockpiles to the El Cubo Mill. See Item 4.2 ‘GENERAL DEVELOPMENT OF THE BUSINESS – *History – Mineral Properties – El Pinguico Project, Guanajuato, Mexico*’ above for details of the Company’s surface and access rights for El Pinguico.

Since the El Pinguico mine has been dormant since 1913, most operating infrastructure has been removed. The Company has erected a small hoist and headframe to facilitate the rehabilitation of an access shaft to support exploration and rehabilitation activities. Additional rehabilitation work has been completed on several adits, which access the Level 4 and Level 7 of the mine. No milling is planned at the El Pinguico site; therefore, there is no need for tailings storage areas or basins at the site. Most mine waste can be disposed of underground and additional surface area will be made available for storage of materials once the surface stockpile is hauled away.

There are no significant or material pre-existing environmental conditions or liabilities at the El Pinguico Project.

A review of the environmental regulations and discussions with local officials indicates that no further permits are required for removing the surface and underground stockpiles and transporting them to the El Cubo Mill for processing.

As the surrounding area and larger community is supported by the mining industry and assuming compliance with all regulations and continued community involvement, no opposition to re-starting the mine and the required permitting process is expected. See Item 4.2 ‘GENERAL DEVELOPMENT OF THE BUSINESS – *History – Mineral Properties – El Pinguico Project, Guanajuato, Mexico*’ above for details the Company’s land use agreement with the Calderon ejido.

See also Item 4.2 ‘GENERAL DEVELOPMENT OF THE BUSINESS – *History – Mineral Properties*’ above for a discussion of the Company’s acquisition of El Cubo and El Pinguico and any ongoing royalties, outstanding payments or encumbrances to which such projects are subject.

The capital city of Guanajuato has a population of approximately 190,000 and hosts several universities and post-secondary schools, including a mining college. Tourism is a principal industry. Due to the long history of mining in the state, there are multiple suppliers of mining equipment and supplies, experienced laborers, and other vendors required to support mines in the area.

## History

The mining history of Guanajuato dates back to 1520 when the Spanish conquistadors began exploration for minerals in the region discovering silver in 1548. The discovery led to the settling of people in the area and the city of Guanajuato as a population center and one of the premier mining districts of Nueva España (New Spain).

In 1558, the first mine shafts were sunk leading to the discovery of the Veta Madre (Mother Vein). Today, this vein runs along the hills that border the glen of Guanajuato in the north and northwest, marked by mines and shafts along its way. This discovery triggered an exploration rush that saw the discovery of multiple silver occurrences. The Mexican Revolution occurred between 1910 and 1920 and all mining was stopped or slowed during this time.

### El Cubo

Mining on the El Cubo property has occurred since the 17<sup>th</sup> Century. In the 19<sup>th</sup> and 20<sup>th</sup> centuries, mining at El Cubo focused on northwest striking veins known as the Villalpando, Dolores, La Loca, and La Fortuna and production was divided between many operators. In the early 1900s, construction began on the Túnel Aventurero de San Felipe (now El Cubo Level 4) in order to connect the Pastora-Fortuna, Villalpando, and La Loca veins. At the time, significant grades and widths were encountered on the Villalpando vein (including shoots up to 4 m wide and intercepts that assayed close to 1,000 grams of silver per tonne), located in the central portion of the modern day El Cubo claim block and the main source of production through the 1970s.

The El Cubo mine has changed ownership multiple times since the 1970s and in 1995 production was expanded from 350 to 800 tonnes per day, and then in 2001 to 1,400 tonnes per day. Each expansion showed a decrease in head grade, likely due to the use of low-grade material from old stope fill, as supply for the increased tonnage.

El Cubo was purchased by Mexgold Resources Inc. in March 2004. In 2006, Mexgold Resources became a wholly owned subsidiary of Gammon Lake Resources Inc., later known as Gammon Gold Inc. On August 26, 2011, Gammon Gold Inc. changed its name to AuRico Gold Inc. (“AuRico”).

Previous owners and operators, prior to AuRico, did not keep reliable production records for the El Cubo mine. Production achieved at the El Cubo mine between 2007 and 2011, as reported in AuRico’s annual reports, is summarized in Table 6.5 below.

TABLE 6.5 EL CUBO HISTORIC PRODUCTION STATISTICS					
Year	Tonnes	Grade (g/t)		Production (ounces)	
		Au	Ag	Au	Ag
2007	689,753	1.77	83	33,740	1,582,316
2008	658,105	1.98	94	38,772	1,783,148
2009	505,388	1.92	83	27,842	1,183,339
2010	233,006	1.63	83	10,844	536,457
2011	256,150	1.24	80	8,670	556,379

In 2011, the El Cubo mine produced 556,379 ounces of silver and 8,670 ounces of gold from 256,150 tonnes of ore grading 80 g/t Ag and 1.24 g/t Au. Silver and gold recoveries averaged 82% and 86%, respectively. Production in 2011 was affected by a labor strike that was settled during the year.

In 2012, AuRico sold El Cubo to Endeavour. Saleable silver and gold production by Endeavour through 2019 totaled 12,112,892 ounces of silver and 144,100 ounces of gold. Endeavour ceased production in late 2019.

On April 9, 2021, the Company acquired El Cubo from Endeavour for a combination of cash, shares, and contingent future payments. See Item 4.2 “GENERAL DEVELOPMENT OF THE BUSINESS – History – Mineral Properties – El Cubo Project, Guanajuato, Mexico” above.

## *El Pinguico*

At El Pinguico, the first rich deposits on the property began to be exploited in 1904, a year after the former owner of the mine, Amado Delgado, transferred the mine to the Guanajuato Development Company, subsequently renamed the Pinguico Mining and Milling Company. The mine was in production from the late 1800s to 1913 and is reported to have produced over 200,000 ounces of gold equivalent during this time. The mine and plant were operated until 1913 when the owners left the region due to violence associated with the Mexican Revolution.

Between 1913 and 2020, very little work was done at El Pinguico, save for repeated sampling programs of a surface and an underground stockpile, which was recently sampled again by the Mexican Geological Survey, and Findore S.A. de C.V. (“**Findore**”), a geological consulting company. Certain historic resource estimates for the underground and surface stockpiles have been completed at El Pinguico as detailed in the 2021 PEA Report. However, the Company does not treat these historic estimates as current resources as there is little information available regarding the key assumptions, parameters, and methods used for the estimates to classify such estimates as current resources under NI 43-101. Accordingly such historic estimates should not be relied upon. See “*Mineral Resource and Mineral Reserve Estimates*” below for details of the Company’s current resource estimate for El Pinguico prepared by Behre in the 2021 PEA Report. See also “*El Cubo/El Pinguico Mine Complex, Guanajuato, Mexico – 2021 Company Update – El Pinguico*” below for a discussion of work carried out by the Company at El Pinguico in 2020 and 2021.

The Company acquired El Pinguico from EMBSA in April 2017 for a combination of cash and shares. See Item 4.2 “GENERAL DEVELOPMENT OF THE BUSINESS – *History – Mineral Properties – El Pinguico Project, Guanajuato, Mexico*” above.

## ***Geological Setting, Mineralization, and Deposit Types***

### *Geology*

The Guanajuato mining district lies along the southern edge of the Mexican Central Plateau (Sierra Madre Occidental Geologic Province). Rock units within the district consist of flow and tuffs of principally basaltic to rhyolitic composition with related intrusive units and sedimentary and volcanoclastic units. The district is located on the northeast flank of a poorly defined northwest-trending anticline and cut by many faults, many of which host silver and gold mineralization. The oldest fault set includes pre-mineral deformation during the Laramide orogeny (80-40 Ma) and resulted in west-northwest trending folds and thrust faults. The intermediate set includes an early post-Laramide extension ( $\pm 30$  Ma) set of faults that are both pre-mineralization and mineralization stage. This intermediate set consists of three major systems: the Veta Madre, La Luz, and the Sierra set of faults and fault zones. The major fault and vein direction is north-northwest accompanied by early-stage intermediate-sulfidation style mineralization, but somewhat younger movement created faults trending east-northeast to west-northwest in a basin and range and block faulting style perhaps accompanied by higher gold values. The youngest fault set includes northeast striking faults which are post mineralization.

### *Mineralization*

The El Cubo and El Pinguico mineral resources (see “*Mineral Resource and Mineral Reserve Estimates*” below) are similar mineralogically and typical of the Guanajuato mining district. Mineralization at El Cubo occurs as open-space fillings in fracture/fault zones or impregnations in locally porous wall rock. Mineralization at El Cubo occurs in several stratigraphic formations with the principal hosts being the Guanajuato Formation conglomerate and the Bufa Formation rhyolite. The major veins are northwest striking but several transverse, northeast striking veins with high grade gold mineralization also occur. Mineralization is open-ended due to a lack of exploration drilling and development. Vein mineralization is normally 1 to 2 m wide, with mineralized breccia zones up to 10 m wide. Some high-grade veins are only 10 to 20 centimeters (cm) wide. Most of the important veins dip steeply at 70° to 90°, but some of the northwest striking veins have a shallower dip, ranging from 50° to 60°.

Typical of this style of mineralization, economic concentrations of silver and gold occur in ore shoots distributed vertically and laterally between barren or weakly mineralized portions of the veins. Bonanza grades may occur at the site of vein intersections, such as the nearly perpendicular San Nicolas-Villalpando vein intersection. Other vein intersections of various named splays along the principal Villalpando vein also host bonanza grade silver-gold mineralization. Movement along the strike or dip direction of veins during the hydrothermal episodes causes wide sigmoidal breccia zones typified by pinch and swell mineralization.

El Cubo and El Pinguico mineralization is typical of the classic high-grade silver-gold, banded epithermal vein deposits with low sulfidation mineralization characterized by adularia-sericite-silica alteration. Silver occurs in dark sulfide and sulfosalt-rich bands within the veins with little mineralization but significant alteration minerals in the surrounding wall rocks. Native silver occurs primarily in the near surface oxidized zones while at depth, the ores contain lead, zinc, and copper sulfides.

### *Deposit Types*

The Guanajuato mining district is a world-class, high-grade, silver-gold, epithermal vein system with low sulfidation and adularia-sericite alteration. It is historically a well-known, studied, and documented mining district. The Guanajuato veins are typical of most epithermal silver-gold vein deposits in Mexico with respect to volcanic activity, volcanic and sedimentary host rock affinities, mineral paragenesis, silver-gold grades and ratios, vein mineralogy, and alteration styles. Epithermal systems form relatively near the surface, ranging from hot spring style gold and gold-silver mineralization developed in sinter terraces and shallow bedrock with deeper hydrothermal feeder zones to vein deposits and hanging wall splits at depths of several hundred meters. The hydrothermal solutions are driven by heat from volcanic activity. The hot, circulating, hydrothermal waters rise up through fissures with pressures building up until the hydrostatic pressure is released (sometimes explosively) allowing solutions to boil and precipitate the metallic minerals. Typically, this is a cyclical or recurring event, as the fissures repeatedly get plugged and pressure builds up until fracturing once again releases the hydrostatic pressure. The typical banding nature of the veins represents the cyclical pressure build-up, released by fracturing, boiling, and precipitation of minerals multiples of time until the system is finally exhausted. These multiple events allow the range of economic mineralization to expand to a broader vertical range. Low sulfidation epithermal veins in the region typically have a well-developed, sub-horizontal ore horizon about 300 to 500 m in vertical extent where high grade vertical ore shoots develop during hydrothermal fluid boiling and mineral precipitation. In some districts, multiple sub-horizontal horizons develop. The minimum and maximum elevations of mineralized horizons at El Cubo have not yet been precisely defined, but historic production spans an elevation range from 1,850 meters to 2,650 meters, with known mineralization down to the 1,825 m elevation.

Silver and gold are commonly zoned in epithermal systems and mineralization at El Cubo is no exception. The gold to silver ratios range from 1:15-1:30 in the upper reaches of mineralization (typified by San Nicolas, Area 1) to 1:100-1:150 at depths (typified by Peregrina, Area 4, and Dolores 2, Area 2).

Low sulfidation deposits are formed by the circulation of hydrothermal solutions that are near neutral in pH; thus, there is very little acidic alteration within the host rocks and no widespread pyritic haloes. The characteristic alteration assemblages include illite clay, sericite, and adularia along with silicification that are hosted within the veins or in the adjacent wall rocks. Adularia is a particularly important alteration mineral as it is a guide to economic mineralization. Amethyst is locally associated with gold and silver mineralization and calcite is a late stage mineral. The hydrothermal fluids travel along fissure/faults or other openings or can also travel through very porous rock types such as poorly welded ignimbrites or ash fall tuffs. Fluids that travel along fissure and faults develop into veins or vein breccia zones while fluids traveling along porous rock units tend to form disseminated deposits.

### *Exploration*

The Guanajuato mining district has been active for hundreds of years and is one of the great silver-gold districts in Mexico. Extensions to known ore bodies and new discoveries, along with increased metal prices, has allowed for continued production at many mines. Based upon the number of veins already exposed at El Cubo and El Pinguico, it is likely that further exploration efforts will result in extensions of known mineralization along strike and down-dip.

### *El Cubo*

Since acquiring El Cubo in April 2021, the Company's efforts have been focused on rehabilitating the El Cubo Mill and infill drilling for mining grade control purposes such that to date the Company has not carried out any new systematic exploration at El Cubo. See "*El Cubo/El Pinguico Mine Complex, Guanajuato, Mexico – 2021 Company Update*" below for details of the Company's refurbishment of the El Cubo Mill and re-commencement of production from the El Cubo mine in October 2021.

Recent surface and/or adit sampling in the Purisima, Cabrestantes II, and San Juan areas by Endeavour in 2016 suggest that these areas are quite high in the mineralized system with potential at depth. However, surface sampling in

the Las Palomas area appears discouraging as selected samples reported low silver and gold values and the presence of anglesite, the oxide equivalent of galena (PbS), a base metal mineral suggestive of the lower reaches of the mineralized system. Sampling in the El Bosque and Georgina (Nayal) area returned generally discouraging values, although some moderately anomalous gold values were received.

In 2016, diamond drilling by Endeavour at San Juan de Dios intersected strong mineralization. In 2018 and 2019 Endeavour drilled a total of 75 diamond core holes and 40 diamond core holes, respectively, encountering values greater than 160 equivalent grams of silver per tonne and thicknesses in several holes. In all, there were 44 intercepts in 33 holes and an additional 42 intercepts in 25 holes, some of which are greater than the minimum mining width, intersected in the 2018 and 2019 campaigns, respectively. See “Drilling” below.

#### *El Pinguico*

El Pinguico had been a successful mine developing high-grade ores when it shut down in 1913 due to violence related to the Mexican Revolution. However, except for sampling campaigns on the surface and underground stockpiles, the El Pinguico mine lay dormant for over 100 years until the Company began its mine rehabilitation, sampling and exploration drilling work in 2020 and 2021. Recent sampling by the Company in 2020 identified several areas where high grade mineralization is exposed in drifts and crosscuts. Mine rehabilitation, follow by additional sampling and exploration drilling, in 2021 is currently underway along the El Pinguico vein at the Don Ricardo, Don Ernesto, and Don Felipe targets. See “*El Cubo/El Pinguico Mine Complex, Guanajuato, Mexico – 2021 Company Update*” below.

On December 1, 2020, the Company announced assay results from underground channel sampling at El Pinguico. Sample widths averaging 1.1 m were taken from vein exposures of the El Pinguico vein along Adit Level 4 and from the San Jose vein along crosscuts parallel to Adit Level 4. Table 9.2 summarizes the results from Adit Level 4. Table 9.3 summarizes the results from the San Jose vein, which is 60 m to the east and roughly parallel with the El Pinguico vein, before the two veins merge further north. Although the material sampled from the San Jose vein appears to have more erratic values, some of the assays have strong gold and silver values. Based upon historic records, the San Jose vein runs parallel to the El Pinguico vein for approximately 700 m in strike length. Sample widths are as collected underground and may not be true widths.

TABLE 9.2 EL PINGUICO ADIT LEVEL 4 CHANNEL SAMPLING RESULTS					
‘Pillar’ Target Area	Strike Length (m)	Vein Name	Grade Weighted Average Silver (gpt)	Grade Weighted Average Gold (gpt)	Grade Weighted Average AgEq (gpt)
Pinguico North	47	Pinguico	256	1.7	394
Pinguico Shaft	15	Pinguico	733	5.0	1,136
Pinguico South A	13	Pinguico	209	1.35	230
Pinguico South B	30	Pinguico	98	1.37	207
Pinguico South C	18	Pinguico	100	1.84	268
Pinguico South D	37	Pinguico	66	0.83	132
Pinguico South E	13	Pinguico	131	1.22	215

TABLE 9.3 SAN JOSE #1 PARALLEL DRIFT – NORTH TO SOUTH CHANNEL SAMPLING RESULTS					
‘Pillar’ Target Area	Strike Length (m)	Vein Name	Grade Weighted Average Silver (gpt)	Grade Weighted Average Gold (gpt)	Grade Weighted Average AgEq (gpt)
San Jose NW Pillar	25	San Jose	154	1.9	303
San Jose Pillar	30	San Jose	86	1.0	163
San Jose East Pillar	13	San Jose	131	1.2	216

Several veins and structures on other claims in the El Pinguico Project area have been sampled by the Company with favorable results suggesting strong potential at depth, particularly at El Pinguico, La Joya, La Joyita, El Carmen, El Pirul, and El Pino.

To the south, the La Joya vein appears to be the strike extension of the El Pinguico vein. Both veins dip toward the Veta Madre and lie in the hanging wall of the 45° west dipping Veta Madre, the major ore producing structure in the Guanajuato mining district. The El Pinguico-La Joya veins are sub-parallel to the Veta Madre and may, in fact, be splits off the Veta Madre. Down-dip on the Veta Madre structure, where it is postulated to intersect the El Pinguico-La Joya veins, is a prime exploration target for bonanza style mineralization.

Recent work by the Company has been to open the El Pinguico Mine shaft to Level 7 of the mine. Level 7 is an important haulage way which will provide access to undeveloped parts of the El Pinguico vein and also allow access to the underground stockpile of what was considered by the original miners as waste, but based upon tests by the Mexican Geological Survey, was shown to have potentially economic grades of silver and gold. Exploitation of pillars in abandoned areas would also be possible.

#### *El Pinguico Underground Stockpile*

In addition to the potential of future underground mining of in-place vein mineralization, El Pinguico contains a surface and an underground stockpile. The stockpiles date back to 1913 when the mine shut down during the Mexican Revolution.

The underground stockpile has been sampled multiple times by hand dug trenches and more recently by a five-hole diamond drill program designed to cut across the stockpile at various locations.

In 1959, the Mexican Geological Survey or “Consejo de Recursos Minerales” (CRM) hand dug trenches, collected representative samples, and completed a topographic survey. This sampling campaign resulted in an average gold grade of 2.72 g/t and an average silver grade of 251 g/t. In 2012, the Mexican Geological Survey, now known as “Servicio Geológico Mexicano” (SGM) again sampled the trenches and estimated “certified tonnes” with an influence of 5 m in depth. Aside from the average assay data and trench locations, no other data is available on sampling methods. This sampling campaign resulted in an average gold grade of 1.66 g/t and an average silver grade of 143 g/t. These figures are historic and should not be relied upon.

In 2017, the Company’s consulting geologist and qualified person completed a re-sampling program on the top of the stockpile consisting of 57 samples from 20 trenches (mostly historic with a few new trenches) and returned similar grades for these trench samples, as report by the SGM. The trenches average 6.42 m in length and averaged 183.5 g/t of silver and 1.75 g/t of gold confirming the grades found by SGM in 2012, as most of the individual assay results and the overall averages grades are close for both gold and silver. The results from the CRM study in 1959, however, show considerably higher gold and silver values than either SGM’s or the Company’s sampling. It is speculated that the top of the stockpile may be diluted by years of occasional rock fall of waste rock from the walls of the open stope.

Figure 9.4 below shows the underground stockpile long section and Figure 9.5 shows the location of the 2017 trenches on the underground stockpile which were distributed over a length of 340 m (the approximate length of the stockpile).

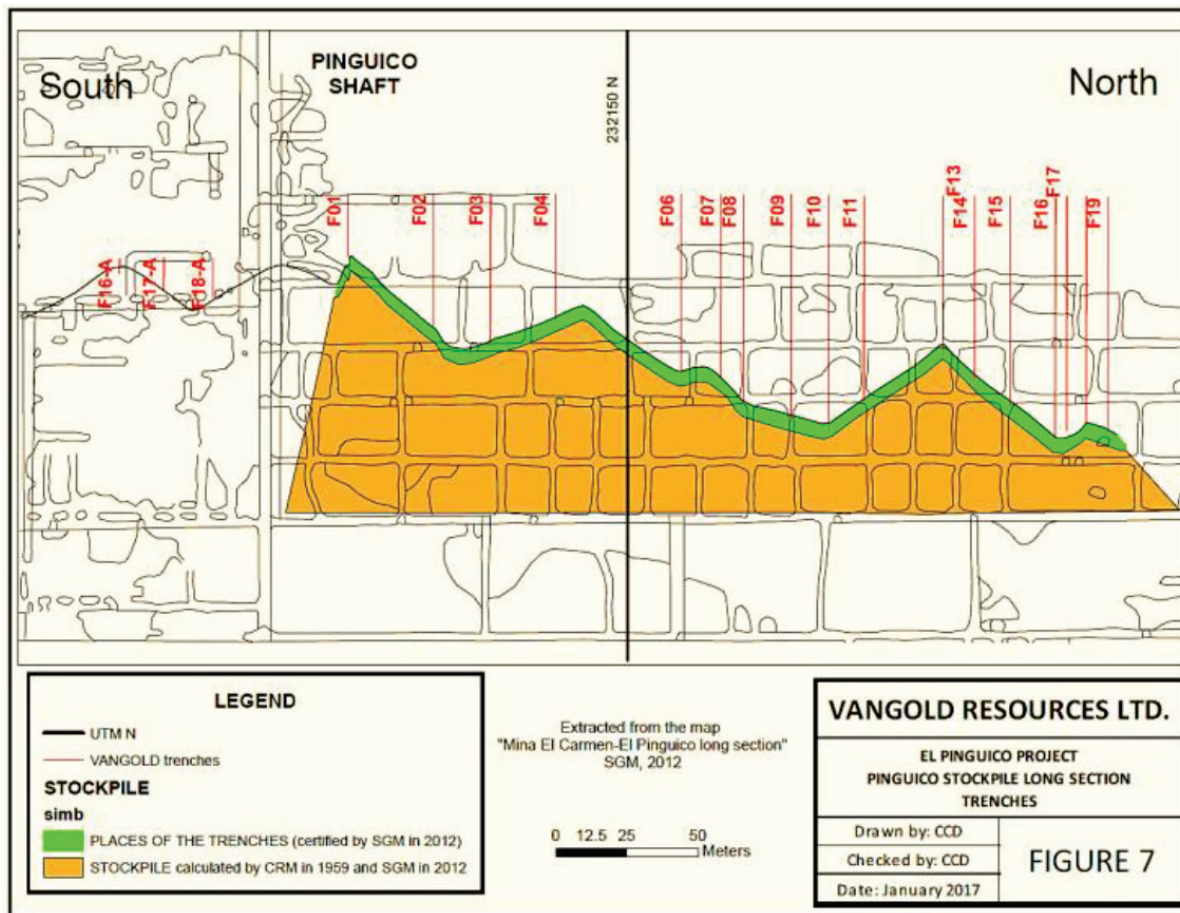


Figure 9.4. Stockpile long section

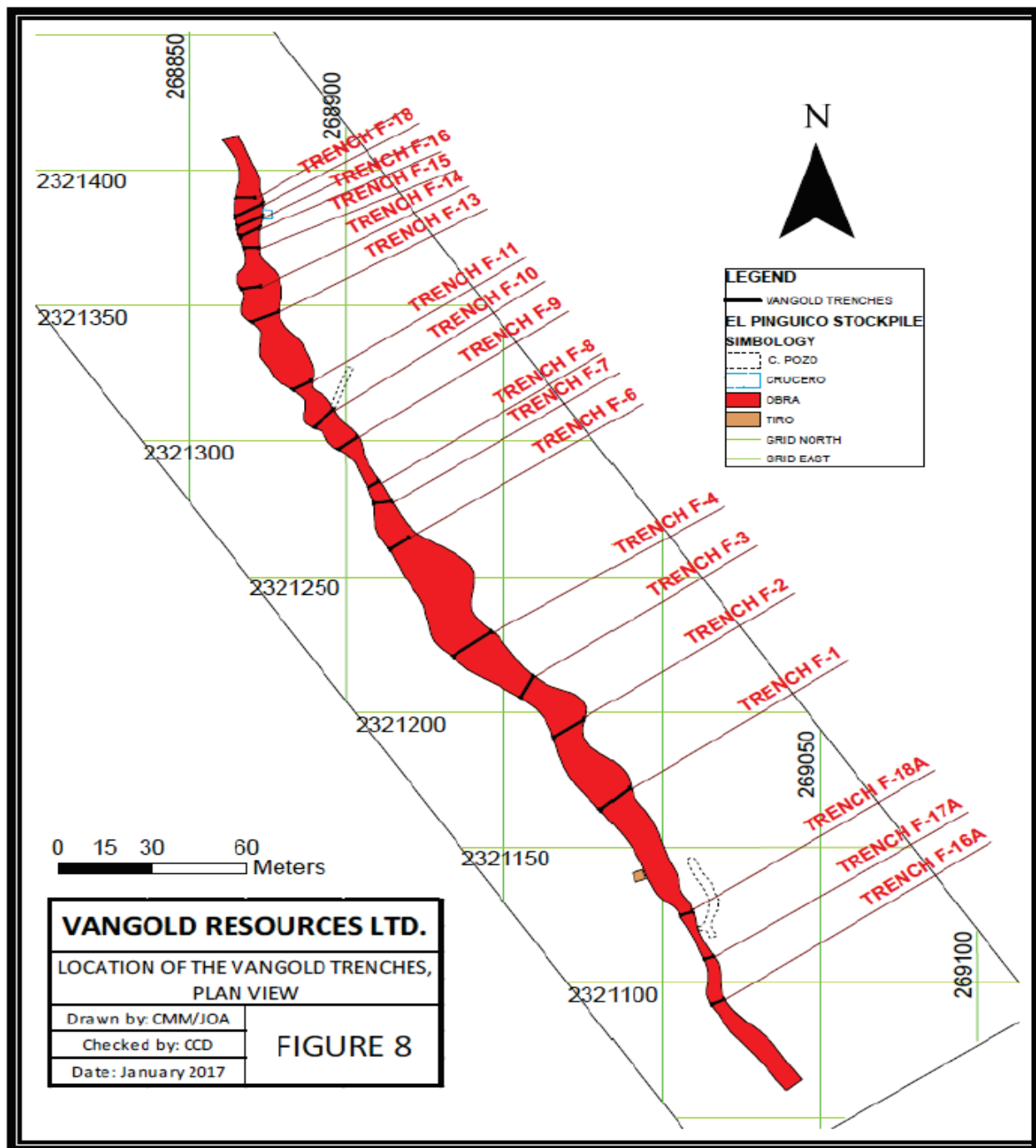


Figure 9.5. Location of the 2017 GSilver trenches on the underground stockpile

The underground stockpile sampling programs are well documented; however, there are serious questions as the bulk of the stockpile is un-sampled. The underground stockpile fills an old open stope area from Level 4 to Level 7 of the El Pinguico mine and ranges from 25 m to 100 m thick and occupies portions of the stoped out El Pinguico vein. At present, only the surface of the stockpile can be manually sampled. More recently, the Company drilled five core holes through portions of the underground stockpile. The shallowest hole cutting the uppermost portion of the stockpile returned similar grades to the trench samples, but the others returned disappointing results, which may be the result of very poor core recovery of the small fragments and fine material.

## *El Pinguico Surface Stockpile*

In 2012, EMBSA, on the recommendation of the Mexican Geological Survey, dug six trenches to test the grade of the surface stockpile. The tonnage estimate is based upon a topographic survey. Six trenches were dug returning an average silver grade of 66 g/t and an average gold grade of 0.46 g/t. These figures are historic in nature and should not be relied upon as QA/QC data is not available for this sampling campaign.

In early 2017, after acquiring El Pinguico, the Company contracted Findore to undertake a second sampling campaign on the surface stockpile. Findore collected two large samples at each site for a total of 20 samples. Sampling was supervised by a qualified person and followed NI 43-101 guidelines. Ten holes were dug with a backhoe and samples collected near the top and near the bottom of each hole. The top samples returned slightly higher assay values than the bottom reflecting no bias in sampling and matching the previous sampling results quite well. Blanks and standards were inserted into the sample stream and results confirmed no contamination or bias. Assaying was performed by a certified laboratory and with appropriate QA/QC procedures followed. Based upon photos and a sample location map, sample sites were scattered so samples representative of the entire stockpile could be collected. The 2017 results showed a silver grade of 68 g/t and a gold grade of 0.53 g/t; thus, matching quite well the 2012 results. This grade was confirmed by the Company's 1,000 tonne bulk sample of the surface stockpile material undertaken in May 2020. See Item 4.2 "DESCRIPTION OF THE BUSINESS – History – Corporate Developments - 2020" above.

A third sampling campaign by the Company on the surface stockpile was undertaken in December 2017, but results returned lower values for both silver and gold with an average silver grade of 49.3 g/t and an average gold grade of 0.28 g/t. QA/QC data for this sampling program is not available and accordingly the results thereof should not be relied.

For details of the Company's exploration work completed at El Pinguico since the effective date of the 2021 PEA Report (January 31, 2021), see "*El Cubo/El Pinguico Mine Complex, Guanajuato, Mexico – 2021 Company Update*" below.

## **Drilling**

### *El Cubo – Endeavour Drilling Programs*

During its tenure as owner, Endeavour carried out a number of surface and underground drilling programs at El Cubo.

From 2012 through 2014, approximately 73,000 m in 277 diamond drill holes from the surface were completed at El Cubo. During 2015, a total of approximately 7,200 m in 25 surface diamond drill holes were drilled.

Underground drilling completed in 2016 was conducted to evaluate mineralization along the Villalpando, Dolores, Soledad, and La Loca veins in areas near existing mine workings. All underground drilling was performed with Endeavour's VERSA Kmb-4 drill rig. A total of 4,018 m were drilled in 22 underground holes in 2015. In 2016, another 3,800 m were drilled in 13 surface diamond drill holes along with 1,710 m in underground drilling. An underground diamond core drilling campaign was undertaken in 2018 and 2019. In 2018, 75 holes were drilled in the La Loca, Vein 274, San Juan de Dios, La Paz, and San Nicolas vein exploration target areas. In 2019, the underground drilling campaign continued with another 40 holes drilled in these same areas.

The following discussion regarding Endeavour's previous drilling at El Cubo has been extracted from the 2021 PEA Report. Paragraphs shown in italics (unless otherwise specified) were excerpted by Behre from Endeavour's NI 43-101 Technical Report: Updated Mineral Resource and Reserve Estimates for the El Cubo Project, Guanajuato State, Mexico by Hard Rock Consulting, LLC. Effective Date, December 31, 2016, Report Date: March 3, 2017, Amended Date: March 27, 2018 (the "**Endeavour Report**"), and reproduced in the 2021 PEA Report.

- **Drilling Prior to 2015**

*Clark (2009) and Cameron (2012) describe exploration drilling prior to 2013, which was carried out by or on behalf of AuRico and previous operators. Between 2012 and 2015, Endeavour Silver's drilling exploration efforts were focused on locating mineralized bodies over primary and secondary structures, mainly near the current production areas. Surface drilling was conducted over the Villalpando (Villalpando Gap, Asunción and Villalpando South), Dolores (Dolores North), La Loca, and the La Paz veins. The mine exploration drilling program was undertaken to determine the extent of additional mineralization near areas currently being mined. The principal targets were the*

*Villalpando (Area II and IV) and Dolores (II) vein systems, though a number of other structures were also explored. As of December 2014, a total of 72,969 m of drilling had been completed in 277 holes, with an associated 16,522 samples.*

*During 2015, Endeavour Silver completed a total of 7,178.55 m in 25 surface diamond drill holes at the El Cubo, with a total of 2,603 samples collected and submitted for assays. Underground drilling completed by Endeavour Silver in 2016 was conducted to evaluate mineralization along the Villalpando, Dolores, Soledad, and La Loca veins in areas near existing mine workings. All underground drilling was performed with Endeavour Silver's VERSA Kmb-4 drill rig. A total of 4,018.65 m was drilled in 22 underground holes in 2015.*

- 2016 Surface Drilling

*In 2016, Endeavour Silver spent US\$1,060,668 (including property holding costs) on exploration activities mainly in the Nayal, Cabrestantes, and Asunción areas in a continuing effort to identify and evaluate mineralized zones as potential targets for further exploration. A total of 3,799 m was drilled in 13 surface diamond drill holes, and 777 samples were collected and submitted for assay.*

These holes were not used in Behre's current resource estimations. Surface drilling was conducted in the Nayal-Cabrestantes area, but results were disappointing. Note that the El Nayal vein does host about 30% of the total current inferred mineral resource.

- 2016 Underground Drilling

An underground drilling exploration program was also conducted in 2016 on targets (La Loca, Vein 274, SJD, La Paz, and San Nicolás) located in close proximity to the then active mines. A total of 12 underground drill holes was completed for 1,710 m at the El Cubo Project and 584 samples were collected and submitted for analysis.

Underground drilling at San Juan de Dios returned strong gold values in hole CUDG-1006. Moderate values were returned from one hole targeting the 274 vein and one hole targeting the San Nicolas vein, while drilling at La Paz was disappointing.

As these intersections are scattered throughout the El Cubo mine workings and at different azimuths and dips and maps include many hundreds of historic drill holes, it is impractical to attempt to show the collar and downhole projections. Nonetheless, intersections with gold and silver mineralization prove the existence of vein structures and that the mineralization will require further drilling before these scattered intercepts can contribute to the current inferred mineral resource.

- 2018 and 2019 Underground Drilling at El Cubo

An underground diamond core drilling campaign was undertaken in 2018 and 2019. Year 2018 saw a major underground drilling program with 75 holes drilled in the La Loca, Vein 274, San Juan de Dios, La Paz, and San Nicolas targets. In 2019, the underground drilling campaign continued with another 40 holes drilled. Significant 2018 and 2019 drill hole intersections should be considered as mineralized material requiring further drilling and modeling before they can be considered resources. However, these results suggest that the exploration potential to expand the mineral resources at El Cubo are very favorable.

In all, there were 44 gold and silver intercepts in 33 holes and an additional 42 gold and silver intercepts in 25 holes, some of which are greater than the minimum mining width, intersected in the 2018 and 2019 campaigns, respectively. An gold and silver intercept is one that contains >160 g/t equivalent silver. While gold and silver intercepts do not imply actual mine grade ores, they do represent the presence of strong mineralization which with additional drilling might be upgraded to mineral resources. Table 10.2 below sets out significant 2018 and 2019 gold and silver intercepts at El Cubo. The silver equivalent used by Endeavour in Table 10.2 was based upon past gold and silver prices and expected recoveries utilizing the following formula:

$$\text{AgEq} = \text{Ag g/t} + [(\text{Au g/t}) \times 80].$$

**TABLE 10.2**  
**SIGNIFICANT 2018 AND 2019 DIAMOND DRILL HOLE CORE INTERCEPTS AT EL CUBO**

2018 Underground Core Drilling						2019 Underground Core Drilling					
Hole Number	From-To	Thickness	Ag g/t	Au g/t	AgEq (g/t)	Hole Number	From-To	Thickness	Ag g/t	Au g/t	AgEq (g/t)
BDD-001	67.25-69.95	2.7	93.6	3.72	391	CUDG-1093	44.95 – 46.5	1.55	264	2.94	499
BDD-002	47.5-47.95	0.45	138.7	2.7	355	CUDG-1094	23.15 – 23.6	0.45	10	7.7	626
BDD-012	4.2-5.2	1	432.2	1.02	514	CUDG-1095	38.1 – 38.9	0.8	159	4.88	549
BDD-015	20.25-21.9	1.65	1,006.8	3.24	1,266	CUDG-1095	41.45 – 44.7	3.25	142	2.6	350
BDD-017	28.9-30.5	1.6	79.7	1.46	196	CUDG-1096	34.75 – 35.85	1.1	16.5	2.51	217
BDD-021	43.45-43.95	0.5	136.0	6.19	631	CUDG-1097	20.3 – 20.85	0.55	246	0.705	302
BDD-021	48-48.4	0.4	60.1	3.85	368	CUDG-1098	39.4 – 39.95	0.55	99	2.16	272
BDD-023	40.85-44.35	3.5	695.2	2.98	934	CUDG-1099	40.95 – 42.1	1.15	113	2.7	329
BDD-024	55.55-56.35	0.8	208.5	1.23	307	CUDG-1099	43.9 – 44.4	0.5	35	2.99	274
BDD-026	39.55-39.95	0.4	1,054.1	7.13	1625	CUDG-1099	50.85-52.45	1.35	127	1.8	271
BDD-027	38.75-39.80	1.05	23.1	2.89	254	CUDG-2005A	51.5 – 51.85	0.35	36	1.91	189
BDD-028A	22.22-45	0.45	30.8	13.73	1,129	CUDG-1105	59.65 – 61.25	1.6	89	1.41	202
BDD-028B	30.9-32.15	1.25	63.7	1.29	167	CUDG-1103	48.65 – 49.05	0.4	128	0.36	157
BDD-028B	41.6-41.9	0.3	212.1	0.79	275	CUDG-1102	22.7 – 23.45	0.75	137	0.59	184
BDD-028B	52.3-53.55	1.25	109.0	0.84	176	CUDG-1102	58.7 – 59.25	0.55	170	0.47	208
BDD-029	54-60.25	5.2	212.74	0.81	277	CUDG-1102	60-25 – 61.95	1.7	392	0.9	464
BDD-030	34.3-36.95	2.65	344.7	3.73	643	CUDG-1102	65.1 -66	0.9	29	3.01	270
BDD-031	48.65-51.9	3.25	202.6	1.03	285	CUDG-1107	62.55 -64.3	1.75	59	2.62	269
SFC-18-005	51.95-53.75	1.8	168.6	1.25	269	CUDG-1111	32.5 – 32.85	0.35	11	3.32	277
SFC-18-009	39.15-39.65	0.5	108.9	3.76	410	CUDG-1113	32.95 – 33.35	0.4	239	1.292	342
CUDG-1051	57.05-59.55	2.5	106.4	0.98	185	CUDG-1115	18.65 – 19.1	0.45	47	1.47	165
CUDG-1051	62.25-62.55	0.3	57.16	4.04	380	CUDG-1116	23.4 – 23.7	0.3	185	0.31	210
CUDG-1054	100.5-102	1.5	1,077.1	0.57	1,123	CUDG-1116	40.85 – 41.6	0.75	136	0.91	209
CUDG-1058	3.1-3.45	0.35	215.1	1.28	318	CUDG-1116	43.85 – 46.7	2.85	777	7.43	1,371
CUDG-1060	1.65-2.15	0.5	214.2	7.65	826	CUDG-1117	59.95 -60.95	1	174	0.605	222
CUDG-1060	5.6-9.6	4	595.7	5.92	1,069	CUDG-1117	62.65 -63.2	0.55	145	1.959	302
CUDG-1061	1.45-3.55	2.1	332.5	6.45	848	CUDG-1117	64 – 64.8	0.8	51	2.467	248
CUDG-1061	12.35-16.35	4	1790.2	29.73	4,169	CUDG-1117	67.65 – 68.2	0.55	259	2.012	420

<b>TABLE 10.2</b> <b>SIGNIFICANT 2018 AND 2019 DIAMOND DRILL HOLE CORE INTERCEPTS AT EL CUBO</b>											
2018 Underground Core Drilling						2019 Underground Core Drilling					
Hole Number	From-To	Thickness	Ag g/t	Au g/t	AgEq (g/t)	Hole Number	From-To	Thickness	Ag g/t	Au g/t	AgEq (g/t)
CUDG-1064	96.2-97.1	0.9	70.9	5.47	508	CUDG-1119A	70.85 – 72.75	1.9	242	0.89	313
CUDG-1066	4.2-4.8	0.6	272.7	0.65	325	CUDG-1119A	74.1 – 75	0.8	335	0.78	397
CUDG-1069	138.15-138.5	0.35	297.0	0.89	368	CUDG-1118	87.3 – 87.65	0.35	234	1.1	322
CUDG-1072	18.3-19.2	0.9	622.8	1.77	764	CUDG-1118	88 – 88.6	0.6	224	.34	251
CUDG-1082	48.3-348.6	0.3	25	2.60	233	CUDG-1120	20.3 – 20.6	0.3	216	0.39	247
CUDG-1082	51.1-52.4	1.3	26.4	4.92	420	CUDG-1122	23.5 – 23.95	0.45	327	2.62	537
CUDG-1082	65.75-66.25	0.5	2174	14.53	3,336	CUDG-1124	8.55 – 8.95	0.4	78	1.705	214
CUDG-1084	81.8-87.3	5.5	105.8	2.50	306	CUDG-1124	29.1 – 29.5	0.4	92	1.34	199
CUDG-1085	92.4-95.85	3.45	45.2	2.41	238	CUDG-1124	36.8 – 37.1	0.3	149	1.796	293
CUDG-1086	24.8-25.6	0.8	68	3.26	329	CUDG-1125	14.7 – 15.15	0.45	130	1.04	213
CUDG-1088	46.2-47	0.8	378.6	2.20	555	CUDG-1125	19.5 – 20.1	0.6	53	1.64	184
CUDG-1089	69.1-71	1.9	209.2	2.12	379	CUDG-1125	26 – 26.3	0.3	308	3.67	602
CUDG-1090	36-36.55	0.55	165	1.60	293	CUDG-1125	27.65 – 27.95	0.3	135	0.72	193
CUDG-1092	38-38.4	0.4	271	2.75	491	CUDG-1126	63.95 – 64.6	0.65	234	1.15	326
CUDG-1092	48.2-50.3	2.1	170.3	6.30	674						
CUDG-1092	56.95-59.15	2.2	111.9	1.00	192						

Also, a number of holes intersected low-grade mineralization proving the existence of vein structures. Based upon computer and geologic modeling screen shots showing these underground drill holes, it appears that many of the intercepts have no adjacent channel sampling, suggesting that many of these mineralized zones have not yet been mined.

Gold and silver and low-grade intersections prove the existence of vein structures and mineralization that will require further drilling before these intercepts (scattered throughout the El Cubo mine workings and at different azimuths and dips) can contribute to the current inferred mineral resource.

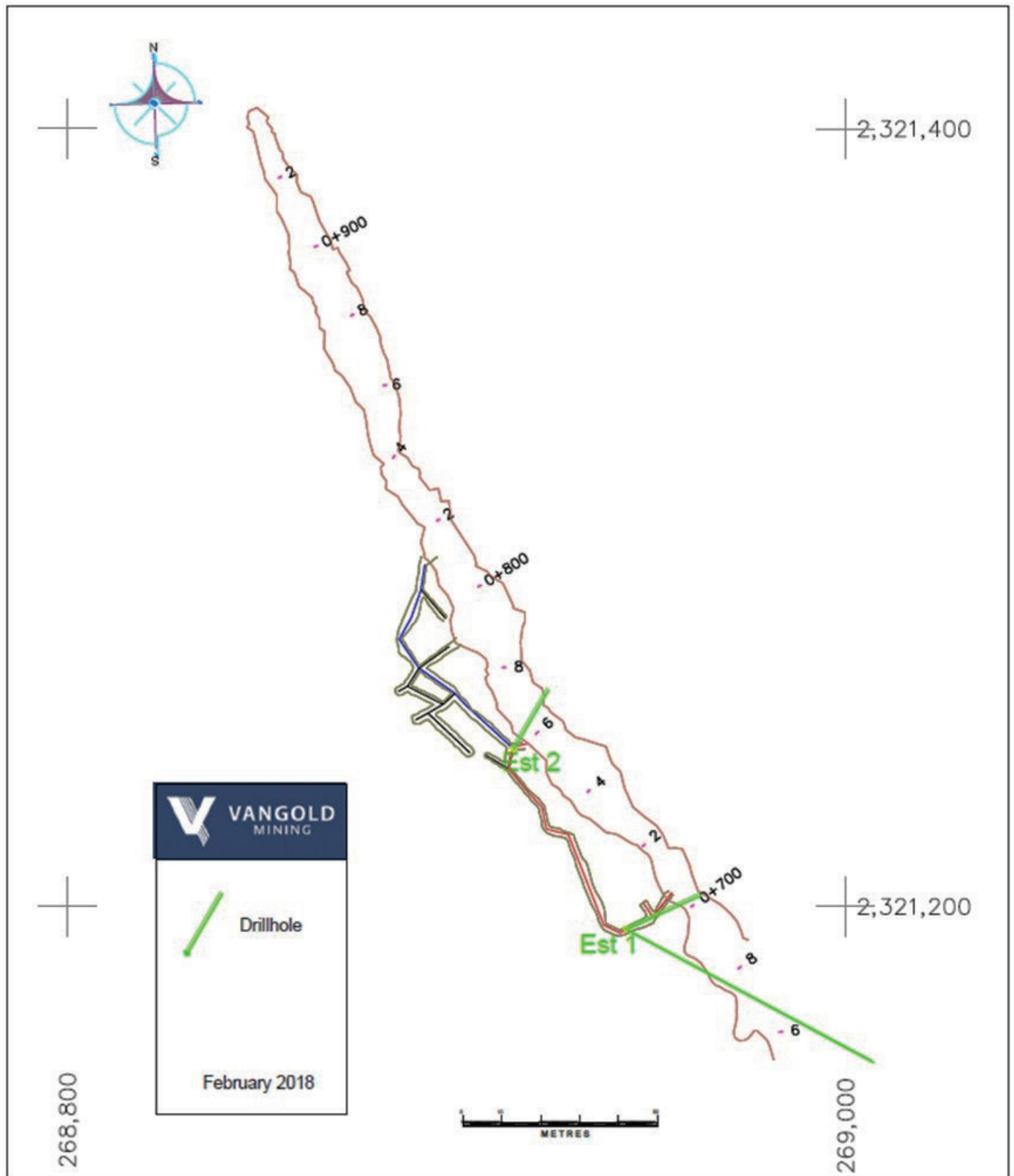
#### *El Pinguico Drilling*

- **Underground Stockpile Drilling Program**

In January and February 2018, the Company, under the supervision of Findore, drilled five HC sized diamond drill core holes to evaluate the grade of the underground stockpile. A total of 214 m was drilled. Several problems were encountered: building drill pads underground suitable for the drilling machine and more importantly, poor core recovery. Core recovery of large blocks of rhyolite was good but fine material was not recovered. The overall average core recovery was allegedly 40% with the best recovery in relatively barren large blocks of rhyolite.

Figure 10.1 below shows the location of the drill pads in relation to the underground stockpile.

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**Figure 10.1. Drill holes locations – Phase 1**

Table 10.4 below shows the assay results from the five underground core holes. The results show less silver and gold than expected, except for the fifth hole, drill hole P5-N, which was an up-hole drilled testing near the top of the stockpile, which returned an average gold grade of 0.228 g/t and an average silver grade of 45.6 g/t, the other four holes failed to substantiate grades similar to those returned from the trench sampling and assaying. Core recovery

through the stockpile was very poor, from small and/or fine fragments with good recovery of solid competent rhyolite. It appears that vein material and sulfide minerals was likely flushed away into void spaces in the stockpile. Whether this can explain the relative absence of “ore-grade” mineralization in deeper levels of the stockpile, it is impossible to know until further sampling data is available.

**TABLE 10.4**  
**2018 EL PINGUICO UNDERGROUND STOCKPILE DRILL HOLE ASSAY RESULTS**

Hole Number	Total Length (m)	Stockpile Interval (m) (not true thickness)	Composited Assay (Au g/t)	Composited Assay (Ag/t)	“High-Grade” Assay Interval (m) (not true thickness)	Composited Assay (Au g/t)	Composited Assay (Ag g/t)
P1-N	45	12-16 (4.0m)	0.037	7.61	12-15 (3.0)	0.049	10.15
P2-N	36	4.5-25 (20.5m)	0.033	0.92	7.5-15 (7.5)	0.092	2.51
P3-N	37	18-37 (19.0m)	0.048	3.16	18-24 (6)	0.110	10.0
P4-N	24	4.5-9 (4.5m)	0.067	5.12	4.5-9 (4.5)	0.067	5.12
P5-N	72	10.5-33 (22.5m)	0.228	45.60	10.5-33 (22.5m)	0.228	45.60

It should be noted that only a small section of the underground stockpile was drill tested.

### ***Sampling, Analysis and Data Verification***

#### ***El Cubo***

- Underground Production Chip Channel Samples

At El Cubo, underground channel samples were handled by Endeavour’s production staff. Endeavour employed standardized procedures at El Cubo for collecting underground grade control chip samples, and these procedures are documented in a detailed, illustrated manual. Chip channel sampling was carried out daily in accessible stopes and development headings by Endeavour’s mine sampling technicians. Chip samples were collected on all vein faces in drifts, crosscuts, raises, and stopes and shipped to Endeavour’s in-house Bolañitos Mine laboratory.

- Exploration Core Samples

Endeavour’s exploration staff was responsible for regional and mine exploration within the El Cubo mining district, including the management, monitoring, surveying, and logging of surface and underground diamond drilling.

Core from diamond drilling followed a standard general procedure, during which depth markers were checked and confirmed; the outside of the boxes labeled with interval information; core washed and photographed; and the recovery and modified rock quality designation (RQD) logged for each drill hole. Core was split using a diamond saw and intervals were based upon geology, separating out vein, breccia, and wall rock.

Standards and blanks were inserted into the sample stream at appropriate intervals. All core samples were held securely by Endeavour’s exploration group until delivered to ALS’ preparation facility in Zacatecas, Mexico. After preparation, the samples were shipped for analysis to ALS’ laboratory in Vancouver, Canada where the samples were logged into the laboratory’s tracking system and prepped. The entire sample was weighed, dried if necessary, and fine crushed to better than 70% passing 2 mm (-10 mesh). The sample was then split through a riffle splitter and a 250 gram split was then taken and pulverized to 85% passing 75 microns (-200 mesh). Table 11.1 below summarizes the procedures utilized in analysing the samples.

**TABLE 11.1**  
**SUMMARY OF ANALYSIS PROCEDURES**

Sample Type	Element	Description	Lower Detection Limit	Upper Detection Limit	ALS Code
Core	Au	Fire Assay and AA analysis	0.005 ppm	10 ppm	AUAA23
	Ag	Aqua Regia and AA analysis	0.2 ppm	100 ppm	AA45AG
	Au, Ag (Samples >20ppm Ag AA45AG)	Fire Assays and Gravimetric Finish	0.05 ppm Au / 5 ppm Ag	1,000 ppm Au / 10,000 ppm Ag	Au,Ag ME-GRA21
Rock	Au	Fire Assay and AA analysis	0.005 ppm	10 ppm	AUAA23
	Multielements (35 Elements)	Aqua Regia and ICP-AES Finish	0.2 ppm Ag / 1 ppm Cu / 2 ppm Pb / 2 ppm Zn	100 ppm Ag / 10,000 ppm Cu, Pb and Zn	ME-ICP41
Soil	Au	Aqua Regia and ICP-MS Finish	0.001 ppm	1 ppm	TL42-PKG Au-TL42 + ME-MS41
	Multielements (51 Elements)	Aqua Regia and ICP-MS and ICP-AES Finish	0.002 ppm Ag / 0.01 ppm Cu, Pb and Zn	100 ppm Ag / 10,000 ppm Cu, Pb and Zn	

- Quality Assurance/Quality Control (QA/QC)***

Standards, blanks, duplicate samples, and check assaying was standard procedure employed by Endeavour for all diamond drill core at El Cubo. All QA/QC results show no bias in the sampling or assaying of diamond drill core, whether from underground or from surface drill holes. Standard reference materials and blank sample assays returned values within industry standards as did the duplicate and check sample results. The assay results for gold and silver from the surface and underground diamond drilling are acceptable to industry standards and appropriate for use in the 2021 PEA Report.

There was an issue with the QA/QC on the production assaying results. Production assaying was undertaken at Endeavour's in-house Bolañitos Mine laboratory. There was poor correlation on check results for both gold and silver. A portion of the failure rate in reject duplicates and mine duplicates can be expected considering the normal erratic nature of silver and gold grades in vein systems. The same type of assay failure was not seen from the samples from the diamond drill hole core. However, for the purposes of the 2021 PEA Report, particularly concerning mineral resources and reserves, the production channel assays are acceptable.

- Data Verification**

*El Cubo*

Behre's qualified person spent two days at EL Cubo where Endeavour's professionals made presentations focused on areas that the Company believed viable for near-term mining. The mineral resources that were presented by Endeavour totaled about 509,000 tonnes. Behre's qualified person also undertook the following steps to verify the accuracy of the mineral resources:

- Visited every projected area selected as a potential resource including in place material ready for blasting and mining;
- Inspected numerous underground vein exposures and mineralization in-place and found they were as depicted on the underground mine maps;
- Inspected drill core encompassing the vein mineralization;
- Inspected geological, structural, and vein maps and was satisfied with their validity; and
- Was present on discussions on resource methodology, sampling and assay analysis procedures, and validity of the results.

Questions were asked and the qualified person was satisfied with the procedures, methodologies, and validity of the analytical results, that the available data was adequate for the purposes used in the 2021 PEA Report and a reasonable expectation exists that the mineralization present is economic.

It is noted that with respect to Endeavour's 75-hole and a 40-hole underground diamond drilling campaign in 2018 and 2019, respectively, QA/QC was not available for the assaying on these drilling campaigns, although the assays were performed by certified laboratories.

#### *El Pinguico*

Behre's qualified person also spent two days at the El Pinguico Project site. During that period, the qualified person:

- Inspected the surface stockpile;
- Inspected the accessible portions of the underground stockpile;
- Was satisfied that the surface and underground stockpiles are present and appear as shown in the database; and
- Inspected exposures of in-place underground vein material and was satisfied that the mineralogy, style of mineralization, and approximate widths were as expected.

No data is available for sample preparation and analysis for the early sampling programs undertaken by the Mexican Geological Survey.

For both the 2017 surface stockpile sampling and the underground stockpile sampling, samples were secured by Findore and/or the Company until shipped to the assay lab.

For the January 2017 Findore underground sampling program, core and rubble were split using non-selective methods. Core was split in half; 50% of the rubble was collected at small but appropriate meter intervals. Where rubble material was poor, 100% was collected on 1.5 m intervals or combined with split core at 1.0 m intervals where a majority of the core run was in solid core.

Secured samples were sent to the ALS Laboratory in Guadalajara, Mexico for sample preparation. Gold, silver, and multi-element ICP analysis was completed at the ALS laboratory in North Vancouver, Canada. Rock samples were fine crushed (70% passing a 2 mm screen), pulverized (85% passing a 75 micron screen) and a pulp split separated for assaying by a riffle splitter. A 30 gram portion was assayed for gold and silver by standard fire assay and a 10 gram split was analyzed for 35 elements by ICP method.

Certified reference material (CRM) was purchased from CDN Resource Laboratories Ltd. in Vancouver, Canada and blank samples (quaternary andesite from Guanajuato) were inserted into the sample stream at a 5% insertion rate with pulped samples from the underground stockpile for quality control purposes.

Behre reports that the data for the surface stockpile at El Pinguico is adequate and suitable for the requirements of the 2021 PEA Report. Behre found that the assay results and estimated grade and tonnes for the El Pinguico surface stockpile are realistic, adequate, and acceptable and that the results of the Company's recent 1,000 tonne bulk sample confirm the estimated grade of the stockpile. See Item 4.2 "GENERAL DEVELOPMENT OF THE BUSINESS – History – Corporate Developments - 2020" above for further details regarding the bulk sample.

Behre also reports that the sample collection of both the underground stockpile trenches and diamond drill core, sample preparation, assaying techniques, and QA/QC for the El Pinguico underground stockpile and the underground stockpile trench assay data are to industry standards and acceptable for the purposes of the 2021 PEA Report.

However, the 2018 five-hole diamond drilling campaign failed to confirm that gold and silver mineralization is relatively uniform through the stockpile although it is noted that such campaign tested a very limited portion of the stockpile and other portions of the stockpile may host grades similar to those found in the trenches. Behre concludes that the results of the underground stockpile drilling are not definitive and additional information about the grade of the stockpile beneath the uppermost metres is required before the entire stockpile can be considered as a mineral resource.

## ***Mineral Processing and Metallurgical Testing***

### ***El Cubo***

The El Cubo Mill complex has been operating since 2014 with mining occurring from a number of different areas and depths. Through experience Endeavour determined the ore had fairly consistent metallurgical characteristics and therefore did not perform any metallurgical testing of ores. Metallurgical parameters were determined from operating data with recoveries, media consumption, and reagent consumptions for future mineral resources estimated using historical information. In 2019, silver recoveries varied by grade by month from a low of 86.4% to a high of 90.7%. During the same period, gold recoveries varied by grade by month from a low of 84.6% to 88.6%. Recoveries were calculated based on anticipated grades and range from 87.6% to 89.5% for silver and between 85.0% to 89.9% for gold.

### ***El Pinguico***

The El Pinguico Project has not been mined since the early 1900s. Additionally, there has not been any significant exploration or metallurgical test work completed.

In June 2020, the Company completed a 1,000 tonne bulk sample from the above ground stockpile at El Pinguico which provides the sole reference for gold and silver recoveries at El Pinguico. The material was milled through Endeavour's neighboring Planta Bolanitos Mill which is approximately the same configuration as the El Cubo Mill, with the exception that there is a cleaner column cell after a conventional two stage cleaning circuit for the final concentrate. See Item 4.2 "GENERAL DEVELOPMENT OF THE BUSINESS – *History – Corporate Developments – 2020*".

The calculated gold head grade averaged 0.74 g/t and the calculated silver head grade averaged 47 g/t. Assay results from the above ground stockpile at El Pinguico indicated that the average gold head grade measured approximately 0.5 g/t and the average silver head grade measured approximately 71 g/t. Both gold and silver grades for the bulk sample milling were lower than the assayed average values of the stockpile.

Gold recovery averaged 75.2% and silver recovery averaged 60.4%.

Table 13.3 below summarizes the result of the bulk milling test as reported by Endeavour.

The concentrate that was produced averaged 132 g/t of Au and 6,661 g/t of Ag. The concentrate also contained 0.6% arsenic and 18.8% moisture

<b>TABLE 13.3</b>											
<b>SUMMARY MILL TEST RESULTS FOR EL PINGUICO ABOVE GROUND STOCKPILE</b>											
	<b>Tonnage (tonnes)</b>		<b>Grade (gpt)</b>		<b>Contained Metal (kg)</b>		<b>% Recovery</b>		<b>Ounces</b>		
	<b>Wet Weight</b>	<b>Dry Weight</b>	<b>Au</b>	<b>Ag</b>	<b>Au</b>	<b>Ag</b>	<b>Au</b>	<b>Ag</b>	<b>Au</b>	<b>Ag</b>	<b>AgEq</b>
Calculated Head	1,039	1,006	0.74	46.79	0.75	47.05			24	1,513	3,824
Head Assay	1,039	1,006	0.57	48.46	0.58	48.73			19	1,567	3,049
Difference			23.1%	-3.64%	-						
Concentrate		4.27	132	6,661	0.56	28.41	75.18	60.36	18	913	2,651
Tailing		1,001	0.19	18.61	0.2	18.6			6	599	1,173

Reagent consumptions for the bulk milling test are shown in Table 13.4.

TABLE 13.4 BULK SAMPLE MILLING TEST REAGENT CONSUMPTION			
	Consumption	Delivery Method	Description
<b>El Pinguico</b>			
Xanthate C-3505	60 g/t	55 gallon drums	Liquid Reagent
Collector – 534	37 g/t	55 gallon drums	Liquid Reagent
Frother – F120	9 g/t	50 pound bags	Solid
Collector – 2200	41	55 gallon drums	Liquid Reagent
Silicate	95	50 pound bags	Solid
Flocculant	35 g/t	50 pound bags	Solid

The reagent scheme is similar to what is being used for the El Cubo ore differing in the use of a silicate depressant. Reagent costs for El Pinguico ore would be expected to be similar to reagent costs for the El Cubo ore.

The El Pinguico underground stockpile has not been tested. However, the vein structure is similar in mineralogy and origin to El Cubo and is likely interconnected. Based on these similarities, the silver recoveries were estimated at 80% and gold recoveries were estimated at 80%.

### **Mineral Resource and Mineral Reserve Estimates**

#### *Mineral Resources*

The mineral resource estimate used as the basis for the PEA in the 2021 PEA Report was developed using Endeavour's mineral resource estimate as at December 31, 2016<sup>1</sup> and computer models for El Cubo and the Company's February 28, 2017 resource estimate for El Pinguico.<sup>2</sup> Behre's qualified person ("Behre's QP") has extensively reviewed and audited the primary drilling data, computer models, wireframes, estimation methods, and the previous estimates to help develop the estimate of the current mineral resources at such properties.

Behre's QP is of the opinion that the estimates in this section are reasonable and can be utilized for the PEA. Although the following mineral resource estimates are used for the economic analysis, Behre cautions that mineral resources are not mineral reserves and do not have demonstrated economic viability.

#### *El Cubo Resource Estimate*

Endeavour's December 31, 2016 resource estimate was comprised of 37 individual models. These models were developed for each vein or area using two different estimation methods: either (1) a traditional manual polygonal method or vertical longitudinal projection (VLP) or a 2-dimensional (2D) polygonal method; or (2) computerized 3-dimensional (3D) block models. Fifteen areas were estimated using manual techniques and 22 different block models were used for the computerized estimates. These models were supplied by Endeavour in electronic form and reviewed and modified by Behre's QP, where appropriate, to generate an estimate of current mineral resources.

In addition, Behre's QP spent two days at EL Cubo verifying the information provided in electronic form by Endeavour including presentations by Endeavour's professionals focused on areas that the Company believed viable for near-term exploitation. The mineral resources in these areas totaled approximately 509,000 tonnes, which agrees with total tonnage presented in Endeavour's 2019 and 2020 public filings for El Cubo. See "*Quality Assurance/Quality Control (QA/QC) – Data Verification*" above for details of the steps taken by Behre's QP to verify the accuracy of the mineral resources.

<sup>1</sup> National 43-101 Technical Report: Updated Mineral Resource and Reserve Estimates for the El Cubo Project, Guanajuato State, Mexico for Endeavour Silver by Hard Rock Consulting, LLC. Effective Date, December 31, 2016, Report Date: March 3, 2017. Downloaded from SEDAR.

<sup>2</sup> NI 43-101 Technical Report for the El Pinguico Project, Guanajuato Mining District Mexico for VanGold Mining, authored by Carlos Cham Dominguez of FINDORE S.A. DE C.V., effective date February 28, 2017. Downloaded from SEDAR.

Based on long production experience and historic measurements, a density factor of 2.5 t/m<sup>3</sup> is used to convert volumes to tonnages at El Cubo.

- Polygonal Method or VLP

VLP estimates were created by projecting the mine workings of a vein onto a vertical 2D long section. Resource blocks were constructed on the VLP based on the sample locations in the plane of the projection and potential mining access. The average grades and thicknesses of the samples were then tabulated for each block. Resource volumes were calculated from the delineated area and the horizontal thickness of the vein, as recorded in the sample database. The resource tonnage for each area in the VLP was determined by multiplying the volume times density (2.5) and the grades are reported as a length weighted average of the samples inside each resource block.

Measured mineral resources are the area of the defined resource blocks within 10 m of a sample. Indicated mineral resources are the area of the defined resource blocks within 20 m of a sample. Inferred mineral resources are those blocks greater than 20 m from a sample and have a value for estimated silver.

- Computerized Block Model Method

The geologic model (wireframes) for the 22 different block models used to estimate mineral resources at El Cubo was generated using the Leapfrog® geologic modeling software. Cross sections drawn orthogonal to the strike of the vein and level maps (horizontal sections) were used to generate the 3D wireframes. The surfaces were then evaluated in 3Ds to ensure that both the down dip and along strike continuity was maintained throughout the model. Vein volumes were clipped using a distance buffer of 100 m, except the Villalpando vein, which used a distance buffer of 125 m, from the selected vein intercepts. Veins were clipped against younger veins, topography, and the concession boundaries.

These wireframes were used to code the blocks in the various block models to vein material using the Datamine® modeling software for each of the veins. The model is rotated along strike and down dip and encompasses the entire vein. A block size of 10 m × 10 m in the strike and dip directions was established. The blocks in the x-direction or y-direction were sub-blocked to the vein thickness except for the Villalpando South model where the block size is set at 2.5 m × 2.5 m. Mined out areas, drifts, and shafts were digitized and removed from the models.

In 2015, the estimations of block grades were completed using ordinary kriging (OK) and inverse distance to the 2.5 power (ID<sup>2.5</sup>) methods and nearest neighbor algorithms. The ID<sup>2.5</sup> method was used for reporting of resource grades as the grade estimates using this method more closely fit the grades in the drill hole data.

Mineral resource classification was determined using kriging efficiency, distance from samples, and the number of samples used to estimate the grade for each individual block. Measured mineral resources are those blocks with at least 15 composites, a kriging efficiency of at least 75%, and a distance no greater than 10 m. Indicated mineral resources are those blocks at least 20 m from a sample. Inferred mineral resources are those blocks greater than 20 m from a sample that has a value for estimated silver.

- Current Mineral Resource Estimate at El Cubo

Behre estimated the current silver and gold resource at El Cubo by taking Endeavour's December 31, 2016 resource estimate and eliminating the known mine production and mined out veins from 2016 to 2019. Table 14.3 below shows the production at the El Cubo mine during 2017 through 2019 as reported in Endeavour's Form F-40 filed with the SEC.

<b>TABLE 14.3</b>			
<b>EL CUBO PRODUCTION BY YEAR</b>			
<b>Year</b>	<b>Tonnes</b>	<b>Ag g/t</b>	<b>Au g/t</b>
2017	511,836	136	1.55
2018	520,784	176	1.87
2019	245,418	155	1.54
<b>Total</b>	<b>1,278,038</b>	<b>156</b>	<b>1.68</b>

Behre's resulting estimate of the current mineral resource at El Cubo is shown in Table 14.4 below. The silver equivalent in Table 14.4 has been calculated using a conversion of 1 ounce of gold is equal to 80 ounces of silver. The conversion ratio of 80 was based solely on gold and silver prices using the average 5-year trailing price for gold of \$1,387 per ounce and for silver of \$17.36 per ounce ( $\$1,387 \div \$17.36 = 80$ ). As the historical recoveries from the El Cubo mill averaged 87% for silver and 86.5% for gold the differential of recoveries was not considered in developing the conversion factor.

<b>TABLE 14.4</b> <b>ESTIMATE OF THE PRESENT EL CUBO MINERAL RESOURCES AS OF 31 JANUARY 2021</b>						
Classification	Tonnes	Silver		Gold		Silver Eq g/t
		g/t	oz	g/t	oz	
Measured	None					
Indicated	508,055	194	3,169,000	2.44	39,860	389
Inferred	1,453,000	214	10,004,000	2.78	129,900	435
<b>Notes:</b> 1. Silver Equivalent calculated using 1 ounce of gold is equal to 80 ounces of silver, on the basis of the average 5-year historic silver and gold prices of \$17.36 and \$1,387. 2. Numbers have been rounded. 3. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the Mineral Resources estimated will be converted into Mineral Reserves.						

There is no certainty that all or any part of the estimated mineral resources will be converted into mineral reserves.

There are no known or material pre-existing environmental conditions or liabilities at El Cubo that could materially affect the potential development of the mineral resources.

#### *El Pinguico Resource Estimate*

There are two stockpiles at El Pinguico that date back to 1913 when the mine shut down during the Mexican Revolution; a surface and an underground stockpile.

- **Surface Stockpile**

The surface stockpile has been sampled by digging 10 pits by excavator and sampling near the top and bottom of the pits. These were assayed using acceptable QA/QC procedures. The data for the surface stockpile was reviewed during Behre's two-day site visit at El Pinguico. The surface of the stockpile was visually inspected and found consistent with lower grade mineralization at El Pinguico. Detailed discussions were held about the topographic survey and sampling procedures. The mineralogy, style of mineralization, and approximate size of the stockpile were found to be consistent with the data provided. Based on visual inspection and the sampling location map reviewed by Behre, these pits are scattered relatively evenly on the stockpile necessary for estimating potential grades.

Based upon the topographic survey and all the sampling data, the Company estimates the surface stockpile to contain approximately 185,000 tonnes with a silver grade of 67 g/t and a gold grade of 0.45 g/t. With the acquisition of El Cubo, the Company plans to reclaim this material and transport it for processing at the El Cubo Mill.

Based on sample work Behre has classified the surface stockpile as an indicated mineral resource. Behre, however, cautions that although the mineral resource estimate for the surface stockpile is used for the PEA mineral resources are not mineral reserves and do not have demonstrated economic viability.

- **Underground Stockpile**

The underground stockpile at El Pinguico fills an old open stope area from Level 4 to Level 7 of the El Pinguico mine ranging from 25 m to 100 m thick and occupying portions of the stoped out El Pinguico vein. As of the date of the 2021 PEA Report, only the surface of the underground stockpile could be sampled. The Company dug and sampled 20 shallow trenches some 0.5 m to 1 m deep in 2017. Part of the dump surface appears to have been contaminated by rock fall from the overlying waste rock adjacent to the Pinguico vein. The data for the underground stockpile was reviewed by Behre during its two-day site visit to the El Pinguico Project. The surface or top of the stockpile was

visually inspected and found consistent with lower grade mineralization at El Pinguico. Behre held detail discussions about the underground survey and sampling procedures. The mineralogy, style of mineralization, and approximate size of the stockpile were found to be consistent with the data provided.

Behre reviewed the sampling work in 2017 and is of the opinion that the underground stockpile contains potentially economic material in the upper portion, or upper 5 m of the stockpile, which has been sampled using modern QA/QC controls. Based upon this sampling, it is estimated that the upper 5 m of the underground stockpile contains 25,600 tonnes at a silver grade of 167 g/t and a gold grade of 1.66 g/t.

Behre does not have confidence in the material in the underground stockpile below 5 m. While it has historically been assumed that this stockpile is comprised of low-grade vein material from development drifts, it could also include barren waste rock from development drifts.

The Company plans to access Level 7 and sample the base of the stockpile via raises and draw points, which may increase the confidence in the entire stockpile grade. However, until that work is completed, Behre is of the opinion that only the top portion (upper 5 m) can be considered as Resources and would classify only 25,600 tonnes as an indicated mineral resource as at January 31, 2021.

- Current Mineral Resources at El Pinguico

Behre estimates the remaining mineral resources at El Pinguico as at January 31, 2021 as shown in Table 14.5. However, Behre cautions that although such mineral resources are used for the PEA, mineral resources are not mineral reserves and do not have demonstrated economic viability.

TABLE 14.5 EL PINGUICO MINERAL RESOURCES AS OF 31 JANUARY 2021						
Classification	Tonnes	Silver		Gold		Silver Eq g/t
		g/t	oz	g/t	oz	
Measured	0					
Indicated						
Surface Stockpile	185,000	67	398,500	0.45	2,680	103
Underground Stockpile	25,600	166	136,600	1.67	1,375	300
<b>Total</b>	<b>210,600</b>	<b>79</b>	<b>535,100</b>	<b>0.60</b>	<b>4,055</b>	<b>127</b>
<b>Notes:</b>						
1. Silver Equivalent calculated using 1 ounce of gold is equal to 80 ounces of silver, on the basis of the average 5-year historic silver and gold prices.						
2. Numbers have been rounded.						
3. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the Mineral Resources estimated will be converted into Mineral Reserves.						

There are no known or material pre-existing environmental conditions or liabilities at El Pinguico that could materially affect the potential development of the mineral resources. As the surrounding area and larger community is supported by the mining industry, no opposition to re-starting the mine and the required permitting process is expected assuming the Company complies with all applicable regulations and continued community involvement.

*Basis for Reasonable Prospects for Economic Extraction*

- El Pinguico Surface Stockpile

The estimated cost for reclaiming, transporting, and processing the surface stockpile material at El Pinguico to the El Cubo Mill is estimated to be approximately \$33.04 per tonne. Assuming a silver price of \$19.49 per troy ounce (\$0.637 per gram) and a silver recovery of 85%, the break-even cut-off for the mineralization is estimated at 62 g/t silver equivalent. The surface stockpile mineralization averages a silver grade of 103 g/t silver equivalent.

- El Pinguico Underground Stockpile

The estimated cost for reclaiming, transporting, and processing the underground stockpile material to the El Cubo Mill is estimated to be approximately \$48.04 per tonne. Again, assuming a silver price of \$19.49 per troy ounce (\$0.637 per gram) and a silver recovery of 85%, the break-even cut-off for the mineralization is estimated at 89 g/t silver equivalent. The estimated underground mineral resource averages approximately 300 g/t silver equivalent.

- El Cubo Underground

The estimated cost for mining, and processing mineralization at El Cubo is approximately \$92.96 per tonne including exploration and development costs. Assuming a silver price of \$19.49 per troy ounce (\$0.637 per gram) and a silver recovery of 85%, the break-even cut-off for the mineralization is estimated at 172 g/t silver equivalent. The underground mineral resource estimate for El Cubo averages approximately 300 g/t silver equivalent.

- Mineral Resource Recommendations

Although Endeavour and the Company have significantly increased the drilling and sampling data at the properties since the 2016 database used for the mineral resource estimate, such drilling was primarily exploration drilling on parallel vein structures and requires additional infill drilling to achieve a drill spacing adequate for an inferred mineral resource estimate. Targeted drilling to increase the mineral resource tonnage, classification, and mine life prior to Pre-feasibility and Feasibility studies is recommended.

At the processing rate of 277,000 tonnes per year, current mineral resources represent approximately 7 years of mine life after adjusting for mine loss and dilution. See “*Economic Analysis*” below.

#### *Mineral Reserves*

Currently, there are no defined Mineral Reserves at either El Cubo or El Pinguico.

#### ***Mining Operations***

The Company plans to operate the combined El Cubo/El Pinguico Mine Complex to provide feed to the El Cubo Mill. Material from the underground mine at El Cubo and both underground material and surface dump material at El Pinguico are planned to be processed.

At El Cubo, there are stopes where Endeavour has drilled ore for blasting. These stopes require no development costs and are ready to be mined. There are other areas where stopes have been defined by Endeavour but not developed. Following this, inferred resources have been identified for evaluation and development.

At El Pinguico, the Company proposes to haul the surface stockpile and a portion of the underground stockpile to the concentrator at El Cubo for processing. Road access for the surface stockpile exists but will require some improvement. Access to the underground stockpile requires that the Level 7 adit be opened and a short road from the adit opening to the El Pinguico surface stockpile be constructed. Construction of this road was completed in May 2021. See “*El Cubo/El Pinguico Mine Complex, Guanajuato, Mexico – 2021 Company Update*” below.

Proposed mining method(s) are methods used throughout Mexico and are well understood in the Guanajuato area. Mechanized cut-and-fill stoping using small LHD (load-haul-dump) machines and handheld jackleg drills with some resuing is the proposed method for the initial production from the underground operation. This methods allows for some degree of resuing to eliminate or minimize the amount of waste dilution and to provide fill for the stopes. Other methods, such as long hole open stoping or stull stoping (tumbe sobre levante), may be considered in the future.

Proposed development methods consist of conventional drill-blast-muck using jumbos for drilling and LHDs and trucks for haulage. Ground support would be installed, as required.

Illegal miners, colloquially known as *Lupios*, appear to have stolen electrical cables and piping throughout the El Cubo Mine. See “*El Cubo/El Pinguico Mine Complex, Guanajuato, Mexico – 2021 Company Update*” below for details of the Company’s re-wiring and refurbishment of the El Cubo Mill. Further, there is evidence of illegal mining efforts in the Villalpando Dolores vein, as observed on Behre’s site visit on November 24, 2020. This issue has been resolved with the addition of armed security personnel at the site.

The following disclosure with respect to mining operations addresses El Cubo and El Pinguico, separately, as far as operations are concerned but combines the economics of the combined El Cubo/El Pinguico Mine Complex in the final analysis.

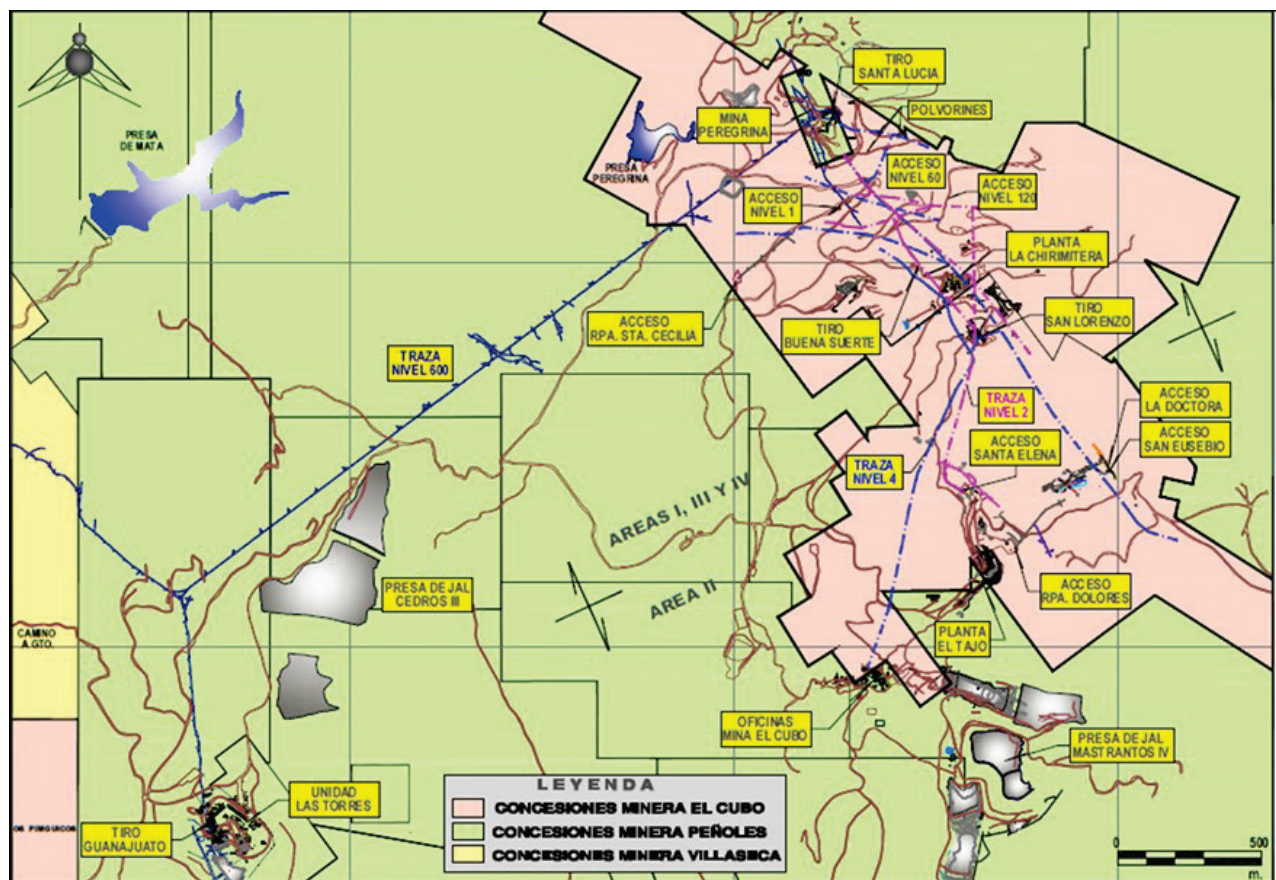
Behre cautions that the results of the PEA are preliminary in nature and includes inferred resources that are too speculative geologically to have economic consideration applied to them that would enable them to be categorized as Mineral Reserves. There is no certainty that the results of the PEA will be realized.

### *El Cubo*

Planned production from El Cubo will initially occur from stopes that were shut down and require no pre-production development. Endeavour reported that approximately 9,000 tonnes have been drilled and blasted and can be hauled to the El Cubo Mill provided access can be restored. Another 60,000 tonnes of material is ready for drill and blasting after some minor development. Some de-watering may be required.

Production would next occur in areas that have been drilled, sampled, and defined as mineral resources. These areas require decline ramps, ore drifts, and ventilation shafts. Approximately 150,000 tonnes are identified for development.

El Cubo was last in operation in November 2019. Figure 16.1 is a plan view of the El Cubo Project and shows the different entrances, surface haulage and underground haulage routes. When Endeavour operated the mine, the mine was divided up into different operating areas and each area maintained designated crews along with separate infrastructure for access stopping, ventilation, and ore haulage. Also shown are surface facilities, such as offices and the El Cubo Mill.



**Figure 16.1. Plan view of the El Cubo property**  
**Source: Endeavour Silver Corp., November 2020.**

## El Pinguico

In the early 1900s when the El Pinguico mine was in operation, it consisted of five vertical shafts and two horizontal adits. The shafts and adits are listed in Table 16.1 with their corresponding physical data information:

TABLE 16.1 SHAFTS AND ADITS		
Shaft Name	Depth (m)	Length (m)
El Pinguico	283	
Humboldt	397	
Fortuna	303	
El Centro	200	
Carmencitas	61	
Adit	Level	
El Carmen	4	800
Sangria	7	1,200

Historically, El Pinguico consisted of 10 mining levels. The levels are in various stages of decay but shafts, adits, and drifts developed in competent rhyolite are still intact. The hanging wall and foot wall that were developed along the vein structure, which are in competent rhyolite, are still intact.

Material contained in the underground stockpile may be available for extraction using draw points from Level 7. See Figure 9.4 under “*Exploration – El Pinguico Underground Stockpile*” above for an outline of the underground stockpile.

The underground stockpile is accessible for top-sampling via the El Pinguico shaft and the El Carmen adit on Level 4.

Stockpile draw points, once established, would make extraction possible by either the El Pinguico shaft or the Level 7 Sangria adit.

On the surface, the stockpile contains approximately 185,000 tonnes of material with a silver grade of 67 g/t and a gold grade of 0.45 g/t. See “*Mineral Resource and Mineral Reserve Estimates – El Pinguico Resource Estimate – Surface Stockpile*” above. This stockpile can be loaded into trucks and hauled directly to the El Cubo Mill.

Following this, the Company plans to begin removing material from the historic shrinkage stope underground stockpile. Observation of the stockpile and drill holes within the material indicate that it contains a mixture of barren wall rock and old stope material that at current commodity prices would be considered to be economic.

Mining methods for extraction of in situ material that may remain in the mine in the form of mineable pillars and resources that may be identified from exploration drilling along the known vein system have not been defined. However, any newly identified mineral resources would likely be mined using the same methods employed at El Cubo.

### ***Processing and Recovery Operations***

The El Cubo Mill was constructed as a conventional crushing, grinding, and flotation plant in 2013 and was operated by Endeavour from 2014 to November 2019. Operating records from 2018 showed that the plant processed an average of 1,400 tonnes per day and that in 2019, the plant processed an average of 730 tonnes per day.

Historical recoveries by Endeavour from the El Cubo Mine for ore processed through this mill averaged 87% for silver and 86.5% for gold.

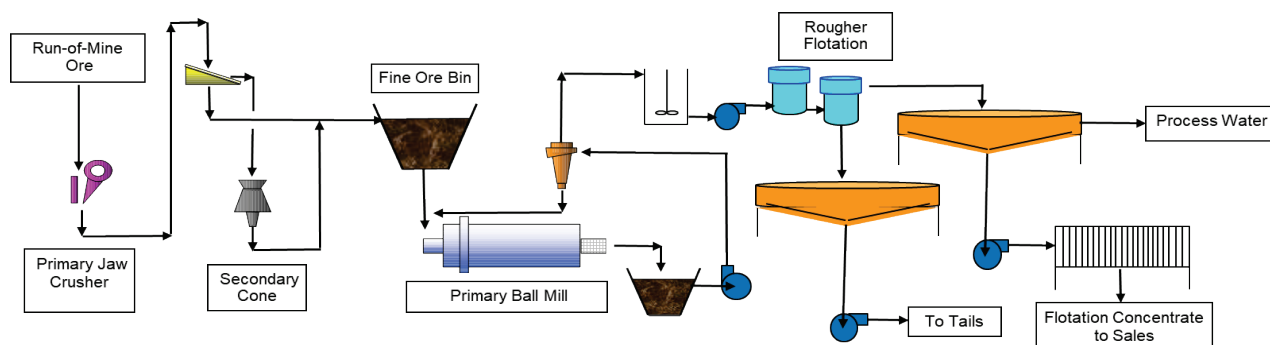
In June 2020, the Company completed a 1,000 tonne bulk sample from the above ground stockpile at El Pinguico which provides the sole reference for gold and silver recoveries at El Pinguico. The material was milled through Endeavour’s neighboring Planta Bolanitos mill which is approximately the same configuration as the El Cubo Mill, with the exception that there is a cleaner column cell after a conventional two stage cleaning circuit for the final

concentrate. See Item 4.2 “GENERAL DEVELOPMENT OF THE BUSINESS – History – Corporate Developments – 2020” for further details regarding the bulk sample.

The Company envisions that the El Cubo Mill would be operated at 750 tonnes per day to produce approximately 12 tonnes of gold/silver concentrate. The rate of 750 tonnes per day would be achieved by a combination of feed from the combined El Cubo/El Pinguico Mine Complex.

The plant is constructed with a two-stage crushing circuit, ball mill grinding, reagent storage, flotation, and flotation concentrate filtration for product shipment. Tailings disposal would be in a conventional tailings pond facility. Precious metals bearing ore will be treated using conventional methods. Water supply for the El Cubo Mill will be from the existing underground workings, which currently make sufficient water for the plant requirements. Power supply for the El Cubo Mill is from an existing 13 kV overhead transmission line.

A simplified flow diagram is shown in Figure 1.1.



**Figure 1.1. El Cubo Mill simplified process flow diagram**

Initially, the ore from the El Pinguico stockpiles and El Cubo mineral resources may be limited. Mining rates have tentatively been set at 250 tonnes per day for initial operation and would ramp up to 750 tonnes per day (22,500 tonnes per month) during the first year of operation. See “*El Cubo/El Pinguico Mine Complex, Guanajuato, Mexico – 2021 Company Update*” below for details of the Company’s current mining operations at El Cubo.

### ***Infrastructure, Permitting, and Compliance Activities***

#### ***Infrastructure***

The El Cubo Mine was shut down in November 2019 with much of the infrastructure intact. Roads, power supply (electrical connection to the grid), water supply, surface buildings for offices, shops, maintenance and warehousing, haulage levels, shafts, and tailings facilities are still in place. Underground crushing and electrical equipment was removed by Endeavour and was identified as one of the few infrastructure items that would need to be replaced. See “*El Cubo/El Pinguico Mine Complex, Guanajuato, Mexico – 2021 Company Update*” below.

The shafts are not planned for hoisting in the re-start of El Cubo but will be used as routes for piping, ventilation, and electrical cables.

Since 2014, ore has been hauled to the EL Cubo Mill via the Santa Cecelia and Dolores declines. Waste rock generated in development was used in the cut-and-fill stoping areas with excess waste used to backfill empty open stopes to avoid haulage to the surface, provide stability for old openings, and to conserve surface area. Haulage will initially be carried out with trackless equipment.

The upper levels of El Cubo are dry. Water inflows are a factor only in the lowest development levels. The El Cubo underground workings produce approximately 8 liters per second of water. An existing pump station at Level 7 will require pumps capable of providing 200 m of head. Auxiliary pumps will be used to de-water the active work faces.

Most vertical services, including compressed air, water and de-water lines, and electrical cables were installed in raises. Most of these cables and pipes were pilfered by *Lupios* but have since been replaced in areas that are planned for future development and production. The ventilation system at EL Cubo has been a combination of natural and forced, with flow rates and directions influenced by the season. Primary fans will be reinstalled to service the discrete working areas proposed in the mining sequence rather than re-establish a whole-mine ventilation. Bulkheads, vent doors, and secondary fans will be constructed underground to direct air as needed and non-ventilated areas isolated to prevent access. See “*El Cubo/El Pinguico Mine Complex, Guanajuato, Mexico – 2021 Company Update*” below.

El Cubo currently has tailing storage for the next 3 years of approximately 900,000 tonnes at the proposed 750 tonnes per day throughput rate. The construction of a diversion structure for run-off is recommended to ensure this storage capacity. An additional 2 years of tailings storage would be possible at another existing storage facility with an upstream dam raise. Additional tailings storage could be available at these two facilities with new dam raises.

Tailings Basin 3B was the basin in use when El Cubo closed in November 2019 and covers an area of 99 hectares. It and the related process water and other related infrastructure is properly secured and in a reasonable operating condition. The dam itself appears to have adequate monitoring instrumentation to detect any adverse conditions that may develop once operations resume.

### *El Pinguico*

The El Pinguico mine has not operated since 1913 and infrastructure, such as roads, power supply, water supply, and buildings would need to be constructed depending on the type and complexity of the mining that will take place at the property.

Mineralized material from the underground stockpile would be hauled along the Level 7 adit that ends at the La Sangria portal.

The steep topography and multiple historic adits, shafts, and raises create adequate natural ventilation for the exploration and initial underground infrastructure installation. Ultimately, the primary ventilation circuit will have fresh air drawn in from El Carmen and Sangria adits and exhausted through the El Pinguico shaft.

Contractors would likely be used to provide temporary power and facilities with more permanent facilities being constructed, should additional mineral resources be identified and developed.

Currently, all accessible areas of the mine are dry, with no de-watering required in the near term.

## ***Proposed Development***

### *El Cubo*

Villalpando within Dolores South contains approximately 60,000 tonnes of material developed and ready for mining. Recommendations for development include efforts to concentrate working places to areas with close proximity to one another with initial work to commence in the defined areas where mining was halted in November 2019. This will reduce tramming time between distant headings with Dolores first followed by Santa Cecilia. It is anticipated that 300 m per month of decline and crosscut waste development will be required mine-wide to ensure continuous production of 11,000 tonnes per month over the life of mine (assuming 300 tonnes per vertical meter of ore).

The existing mineral resources at El Cubo are spread across five different work areas of the mine and therefore require additional planning to extract them in a timely and efficient manner.

### *El Pinguico*

Extraction of the underground stockpile material would be by truck via the Sangria adit which will require rehabilitation and re-installation of rail track or, alternatively, widening for rubber-tired haul trucks. The El Pinguico shaft would not be used for hoisting but solely for utilities and ventilation and possibly secondary egress.

To extract the material between the existing widely spaced draw points of the underground stockpile significant work would be required including:

- the addition of approximately 35 additional draw points over the length of the area;
- sub-level modification and rehabilitation; and
- addition of crosscuts for draw point access.

The surface road connecting the Sangria portal to the El Pinguico shaft was re-established in May 2021.

### *Permitting*

As part of the 2021 PEA Report, Behre reviewed relevant documents from Endeavour regarding environmental permitting and societal obligations at El Cubo. Based upon its analysis, Behre determined that, save for certain compliance modifications, corrections and/or requirements pending approval from regulators (delayed due to COVID-19), El Cubo is compliant, in all material respects, with environmental permits and obligations and there are no apparent significant technical, legal, environmental, or political considerations that would have an adverse effect on the extraction and processing of the mineral resources located at the El Cubo Project.

At El Pinguico, mining has not occurred since 1913 and no permits are in place regarding mining, milling, waste rock disposal, or other associated activities. A review of environmental regulations and discussions with local officials indicates that no specific permits are required for the work currently ongoing on-site including the removal and shipment of the surface or underground stockpiles of mineralized material to the El Cubo Mill for processing. At present, no on-site mining is planned at El Pinguico and no significant or material pre-existing conditions or environmental liabilities have been identified. See Item 5.2 “DESCRIPTION OF THE BUSINESS – *Risk Factors – Risks Associated with Permits*” regarding the current status of the Company’s construction blasting permit for El Pinguico.

Environmental compliance and permitting costs for El Cubo and El Pinguico are currently budgeted at US\$130,000 per year.

### *Ejido Agreements*

As part of its acquisition of El Cubo, the Company acquired Endeavour’s existing agreement with the local ejido covering the area of the El Cubo Project, the neighboring village and surrounding areas. To the Company’s knowledge such agreement contains no negative impacts on the day-to-day operations for the mine, mill, tailings basins, and other project areas.

The El Pinguico mine and the road that services El Pinguico are in close proximity to the village of Calderones. To this end, the Company has entered into an agreement with the local ejido providing local citizens with access rights over the mining concessions and an annual payment of MNX\$30,000 plus inflation, payable February of every year to the community (in addition to an upfront payment of MNX\$100,000 upon signing – paid). The Company has also committed to (1) minimize fugitive dust and noise impacts on the village of Calderones and the surrounding area; (2) rehabilitate the existing but degraded road from the village of Calderones to the intersection of the main road from Guanajuato; (3) re-route all mine traffic from the village of Calderones and construct a new road around the village; and (4) support certain projects such as recreational field improvements, educational programs and other items, as identified by the community. As the surrounding area and larger community is supported by the mining industry, no opposition to re-starting the El Pinguico mine and the required permitting process is expected (assuming compliance with all regulations and continued community involvement) and no significant or material pre-existing conditions or environmental conditions or liabilities have been identified.

## ***Capital and Operating Costs***

### *Capital Cost Summary*

The El Cubo mine was idled in November 2019. When operations ceased, all crushing equipment, mining equipment, electrical equipment, and pumps were removed. The lower levels of the mine were allowed to flood.

At El Pinguico, surface facilities will need to be constructed, including fans, compressors, and electrical equipment. Due to the relatively small amount of tonnes that will initially be recovered underground at El Pinguico, a contractor will be used to mine both the above ground stockpile and the underground stockpile. A contractor will also be used to open the Sangria Adit on Level 7.

In the 2021 PEA Report Behr estimated mine capital costs to purchase new mining equipment, install crushing and electrical equipment, and the pumping for El Cubo as well as surface facilities at both El Cubo and El Pinguico, including sub-stations, compressors, and fans at US\$11 million during the first year of operation. Additional mine capital of US\$4.1 million is required in Year 2 at El Cubo to increase the mine production rate from 350 tonnes per day to 750 tonnes per day. After Year 2, an annual capital sustaining costs for mine equipment is estimated at 10% per year.

Additional development costs including construction of a diversion drainage ditch for rainwater, additional tailings storage and surface and underground exploration drilling to identify additional mineral resources and to possibly extend the life-of-mine increase the total estimated capital and development costs for years 1 to 6 of operations to US\$69.4 million. See “*Economic Analysis – Base Case – Owner Mining*” below.

However, in order to reduce initial capital costs, the Company has contracted with MGA to perform mine development and mine production services at El Cubo on a contract basis for an initial term of 17 months commencing in August 2021 using its own mining equipment (see Item 4.2 “GENERAL DEVELOPMENT OF THE BUSINESS – History – Corporate Developments - 2020” above). As a result, the Company’s initial capital costs will be limited primarily to the construction of surface facilities including sub-stations, compressors and fans at an estimated cost of US\$3.0 million in the first year for both El Cubo and El Pinguico and an additional US\$1.3 million in year two to increase tonnage at El Cubo.

### ***Operating Cost***

The Company’s estimated operating cost for the combined El Cubo/El Pinguico Mine Complex is summarized in Table 1.4 below and represents an average cost for seven years of operation.

<b>TABLE 1.4 SUMMARY OF OPERATING COSTS – US DOLLARS</b>			
<b>Category</b>	<b>El Pinguico – Above Ground Stockpile (\$/tonne)</b>	<b>El Pinguico – Under Ground Stockpile (\$/tonne)</b>	<b>El Cubo (\$/tonne)</b>
Ore Haulage	5.44	5.44	3.78
Mine Development <sup>1</sup>	N/A	N/A	15.88
Definition Drilling <sup>1</sup>	N/A	N/A	2.30
Mine Direct	N/A	15.00	43.40
Mill	14.29	14.29	14.29
General and Administration	13.31	13.31	13.31
<b>Total</b>	<b>33.04</b>	<b>48.04</b>	<b>N/A</b>
<sup>1</sup> Mine Development and Definition Drilling have been capitalized in the cash flow model but have been included here to show their effect on the estimated overall operating cost if the costs were treated as operating costs rather than being capitalized. Since these costs are accounted for in the capital cost, a sum total is not noted in the table.			
<sup>2</sup> Based on Endeavour’s costs from November 2019 escalated to November 2020, as applicable.			

Ore haulage costs for El Pinguico were based on contractor quotes received by the Company. Ore haulage costs for El Cubo were based on Endeavour’s costs of US\$0.47 per tonne per kilometer of haul. Mine direct costs, mill costs and general and administration costs are based on Endeavour’s costs (where applicable) from November 2019 escalated to November 2020. Refining and freight charges are estimated at US\$138 per ounce for gold and US\$3.75 per ounce for silver based on a budget quote from a single refiner in Matehuala, San Louis Potosi.<sup>3</sup>

<sup>3</sup> In September 2021, the Company entered into a concentrate sales agreement with Ocean Partners to supply silver and gold concentrate produced from the El Cubo/El Pinguico Mine Complex in monthly shipments over a term of 18 months commencing in October 2021 (see Item 4.2 “GENERAL DEVELOPMENT OF THE BUSINESS – History – Corporate Developments – January 1, 2021 to Present”). Based on the Company’s experience to date, treatment charges are approximately US\$350 per dry metric tonne and refining charges are approximately US\$8.00 per ounce for gold and US\$1.00 per ounce for silver.

If the Company fully exercises its option to purchase three of the four underlying royalties on El Pinguico from EMBSA (see Item 4.2 “GENERAL DEVELOPMENT OF THE BUSINESS – *History – Material Properties – El Pinguico Project, Guanajuato, Mexico*”), the only remaining royalty against El Pinguico will be the 15% NP1 on minerals removed from the existing surface and underground stockpiles. There are no underlying royalties against El Cubo. Other taxes and fees to the Mexican government include a mining duty on profits of 7.5%, a government fee on precious metals of 0.5% of silver and gold gross revenues and a workers profit share of 10% of pre-tax profits. The income tax rate is projected at 30% of operating profit.

### ***Economic Analysis***

#### ***Base Case – Owner Mining***

Behre prepared a discounted cash flow model for the combined El Cubo/El Pinguico Mine Complex to determine the Net Present Value (NPV), Internal Rate of Return (IRR), and payback period. The technical cash flow was prepared on an after-tax basis in accordance with NI 43-101 Standards of Disclosure for PEA studies.

The cash flow model includes indicated mineral resources for the stockpiled material at El Pinguico and indicated and inferred mineral resources for El Cubo. Readers are cautioned that the PEA is preliminary in nature. It includes indicated and inferred mineral resources considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty the preliminary economic assessment will be realized. Mineral resources that are not mineral reserves have not demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, socio-political, marketing, and other relevant issues.

The following key parameters were integral to the preparation of the cash flow model and determination of NPV.

- All results are expressed in US Dollars (US\$).
- The analysis is based on a 100% equity basis. Specific business considerations, such as debt or equity financing and detailed tax strategies, have purposely not been included or analyzed in detail.
- All cash flows are determined on an after-tax basis.
- Net Present Values (NPV) are determined, assuming end-of-year cash flows.
- All costs and revenues reflect “real” or constant 2021 dollars without escalation.
- The measures used in the PEA are metric except where, by convention, gold and silver content, production, and sales are stated in troy ounces.

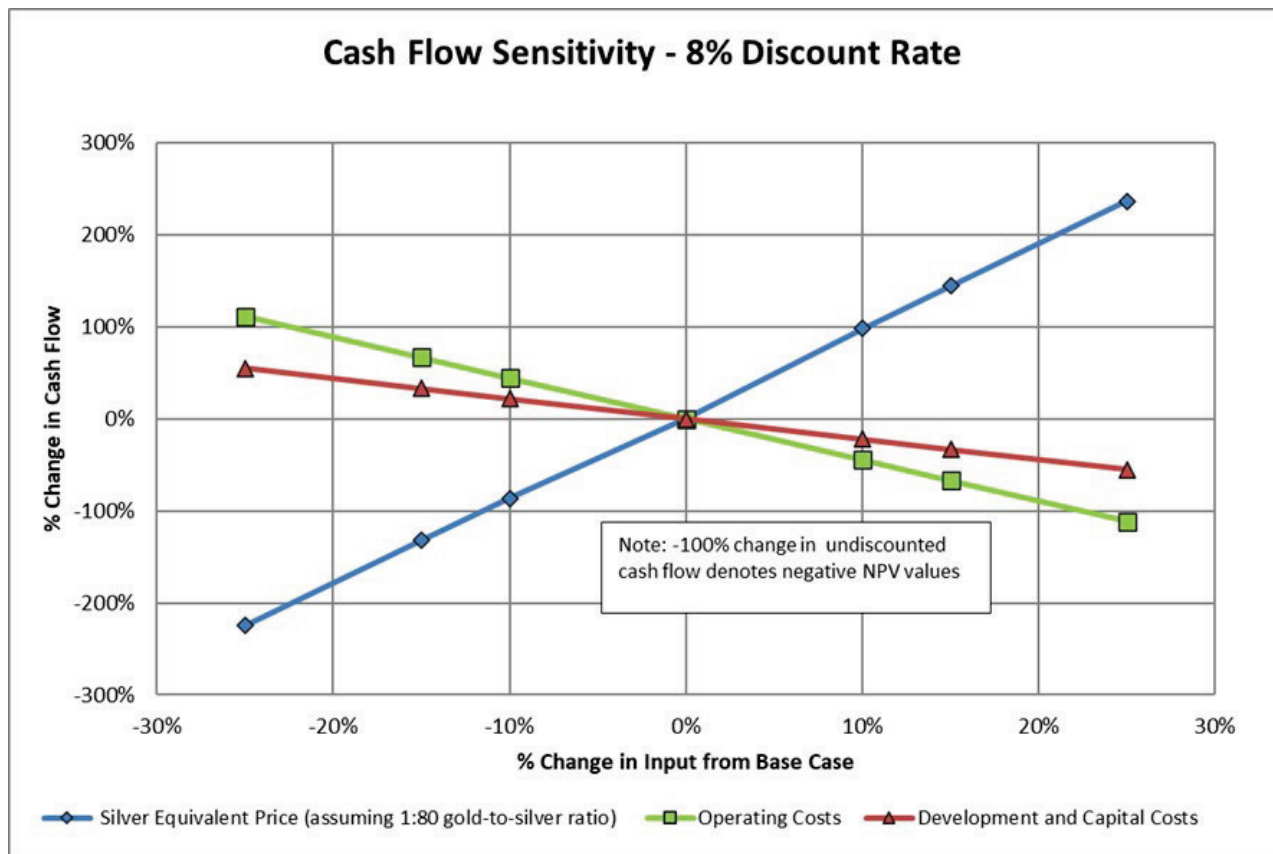
The results of the discounted cash flow analysis are summarized in Table 22.1.

<b>TABLE 22.1</b> <b>SUMMARY OF PRELIMINARY ECONOMIC ASSESSMENT FOR THE COMBINED</b> <b>EL PINGUICO AND EL CUBO PROJECT</b>		
<b>Metal Prices<sup>1</sup></b>		
Silver	\$US/oz Silver	19.49
Gold	\$US/oz Gold	1,527
Net Present Value (5%)	\$US million	32.9
Net Present Value (8%)	\$US million	28.5
Internal Rate of Return	%	105
Net Smelter Return	\$US million	221.0
Total Operating Costs	\$US million	124.4
Other Costs and Depreciation	\$US million	54.8
NPI Royalty	\$US million	0.5
Taxes	\$US million	12.5
Life of Mine Capital and Development Costs	\$US million	69.4
Net Cash Flow	\$US million	42.2
Payback Period	Years	1.87
Tonnes Processed	Mtonnes	1.78
Life of Mine Recovered Silver Equivalent <sup>2</sup>	Moz	13.21
Initial Capital and Development <sup>3</sup>	\$US million	28.1
Sustaining Capital and Development	\$US million	41.3
Total Capital and Development	\$US million	69.4
Mine Life	Years	7
<sup>1</sup> <b>Source:</b> Consensus Economics, Inc.©, Energy & Metals Consensus Forecasts®, January 19, 2021. <sup>2</sup> Silver Equivalents are based on a 1:80 gold:silver ratio as per the average 5-year historic silver price of \$17.36/oz and gold price of \$1,387/oz. <sup>3</sup> Includes 15% contingency.		

See the complete 2021 PEA Report under the Company's profile on SEDAR for further details of the cash flow model inputs used in preparing the PEA including life of mine and production forecasts, commodity prices and net smelter return, operating costs, development and capital costs, royalties, other costs and taxes.

### *Sensitivity Analysis*

A sensitivity analysis was performed to determine the effect of changes in commodity price, operating cost, and capital costs. Of these parameters, the El Cubo/El Pinguico Mine Complex was most sensitive to the changes in commodity price. The sensitivity to changes in commodity prices was determined on the basis of a constant gold-to-silver price ratio of 1:80. This is consistent with a 5-year historical average. The results of the sensitivity analysis are shown in Figure 1.2 below.



**Figure 1.2. Cash flow sensitivity – 8% discount rate**

Figure 1.2 shows that at a 25% increase in the silver price, the resulting silver and gold prices are comparable to the average spot price in January 2021 (\$25.90/oz silver and \$1,867/oz gold). At a 10% decrease in silver price, the El Cubo/El Pinguico Mine Complex demonstrates a positive NPV(5), NPV(8), and an IRR of 22%. The resulting silver and gold prices are comparable to the 3-year historical average prices (\$17.55/oz silver and \$1,477/oz gold).

Based on the results of the sensitivity analysis, the average breakeven price is approximately \$17.25/oz of silver and \$1,371/oz of gold (assuming a constant gold-to-silver ratio of 1:80). There is minimal difference in the breakeven price at a 5% or 8% discount rate (Table 1.6).

<b>TABLE 1.6</b> <b>COMMODITY PRICE SENSITIVITY – BASE CASE</b> <b>ASSUMING A CONSTANT GOLD-TO-SILVER PRICE RATIO OF 1:80</b>					
<b>Change in Commodity Price (%)</b>	<b>Silver Price (\$/oz)</b>	<b>Gold Price (\$/oz)</b>	<b>IRR (%)</b>	<b>NPV5% (US\$ millions)</b>	<b>NPV8% (US\$ millions)</b>
-25	14.62	1,169	N/A	-38.8	-35.5
-15	16.56	1,325	-25	-9.4	-9.2
-10	17.54	1,375	22	5.4	3.9
0	19.49	1,527	105	32.9	28.5
10	21.44	1,680	243	64.3	56.5
15	22.41	1,756	344	79.0	69.6
25	24.36	1,909	750	108.5	95.9

### Contract Mining Alternative

A preliminary assessment was prepared for an alternative operation scenario where both mines would be mined using a contract miner. The advantage is the significant reduction of the initial equipment costs; however, based on the single preliminary contractor quote received at the time of the 2021 PEA Report, the life-of-mine operating and underground development costs are higher for this scenario than the base case. Additional quotations are needed to confirm the operating costs. The resulting NPV(8) is lower than the base case at \$20.3 million, but the reduction in the initial capital cost is significant (nearly \$12 million).

The results of the contractor operation scenario are shown in Table 22.10.

<b>TABLE 22.10</b> <b>COMPARISON OF MINE OWNER OPERATED AND MINING CONTRACTOR ALTERNATIVE</b>			
		<b>Mine Owner Operated</b>	<b>Mining Contractor Alternative</b>
Silver Prices <sup>1</sup>	\$US/oz Silver	19.49	19.49
Gold Prices <sup>1</sup>	\$US/oz Gold	1,527	1,527
Net Present Value (5%)	\$US million	32.9	22.4
Net Present Value (8%)	\$US million	28.5	20.3
Total Operating Costs	\$US million	124.4	140.2
Initial Capital and Development <sup>2</sup>	\$US million	28.1	16.3
Sustaining Capital and Development <sup>2</sup>	\$US million	41.3	49.3
Life of Mine Capital and Development Costs <sup>2</sup>	\$US million	69.4	65.6
Net Cash Flow	\$US million	42.2	27.0
Payback Period	Years	1.87	1.06
<sup>1</sup> <b>Source:</b> Consensus Economics, Inc.©, Energy & Metals Consensus Forecasts®, January 19, 2021			
<sup>2</sup> Including 15% contingency.			

This alternative indicates it may be advantageous to further investigate the possibility of using a contract miner during the first few years of operation and then moving to an owner-operator scenario in later years. The advantage would be a significant decrease in the initial capital costs (nearly \$12 million, as determined in the 2021 PEA Report) while additional exploration work and definition drilling is completed at El Cubo and the underground stockpile at El Pinguico. Conversion of inferred mineral resources to measured and indicated mineral resources and the identification of additional mineral resources would increase the life of mine, further justifying additional capital expenditures to move to an owner-operator scenario. See Item 4.2 “GENERAL DEVELOPMENT OF THE BUSINESS – History – Corporate Developments – January 1, 2021 to Present” for details of the Company’s agreement with MGA to supply contract mine development and mine production services at El Cubo for an initial term of 17 months.

### *El Cubo/El Pinguico Mine Complex, Guanajuato, Mexico – 2021 Company Update*

#### *El Cubo Mine and Mill*

The Company completed approximately US\$3.5 million in planned upgrades and refurbishment of the El Cubo Mill in September 2021 and began processing mineralized material from the El Cubo mine in October 2021 as it currently ramps up production towards its targeted throughput of approximately 750 tonnes per day or 22,500 tonnes per month.

During the refurbishment process, crews dismantled and cleaned the ball mills and completed a mechanical inspection. Mill 3 was in excellent condition, with ball mills 1 and 2 requiring additional maintenance work. The majority of critical ball mill parts arrived in late August 2021 and refurbishment and maintenance of ball mills 1 and 2 was completed in September 2021.

Two crushers were also ordered by the Company in anticipation of restarting the mill. A used secondary crusher, a Symons 4.25ft Standard in excellent condition, was sourced within Mexico and a new tertiary crusher, also a Symons 4.25ft Standard, was sourced in the United States. On August 11, 2021, both crushers were craned into the mill and installed.

A complete electrical re-wiring including the installation of over 8 km of wires, installation of additional pumps and upgraded lubricating systems as well as additional planning, maintenance, inspections and refurbishment was also undertaken. The refurbished El Cubo Mill is capable of processing approximately 1500 tonnes per day, or over 500,000 tonnes per year, and with initial mine production from El Cubo planned at 750 tonnes per day, the mill has ample capacity for expansion to handle material from nearby El Pinguico and/or other sources of material from the greater Guanajuato mining district.

Crews began general mine clean-up ahead of schedule with rehabilitation of the haulage tunnels and removal of previously blasted material from the main Dolores access portal to the 11-1850, 7-2175 and Cebolletas stopes now complete. These three stope areas exist within the main Villalpando vein structure (collectively the “**Villalpando Stopes**”) where the Company intends to focus its El Cubo mining efforts for the first 12 to 18 months. Key factors contributing to the Company’s decision to initially focus on the Villalpando Stopes include: (1) they are readily available, with infrastructure consisting of 4x4m wide access and ramps; (2) they have previously been drilled and sampled by Endeavour; and (3) the Company’s engineers have concluded that ample drilling and sampling have been conducted to establish areas to blast mineralized material and begin stockpiling that material on surface. Crews have cleaned these access routes, installed new lighting and ventilation services, and cleared and re-established emergency exit routes from within the mine. The Company also plans to conduct additional infill and expansion drilling in these areas, primarily for grade control purposes. The Company’s engineers estimate that the Villalpando Stopes could consistently provide up to 15,000 tonnes of mineralized material per month once mining ramps up to full capacity. The Company has hired Rockdrill Mining S.A. de C.V. (“**Rockdrill**”) of Aguascalientes, Mexico to complete a total of 5,200m of underground drilling at El Cubo with a view to increasing the confidence level of the inferred and indicated resources at El Cubo outlined in the 2021 PEA Report and providing better grade control data for mining at the Villalpando Stopes. It is anticipated that the Rockdrill will utilize one of their XRD50 machines to drill primarily NQ diameter holes, generally no more than 300m in length, which is ‘Bobcat’ mounted for ease of movement from drill station to drill station within the mine.

The Villalpando Stopes are just a few of the stopes where mining had previously occurred by Endeavour prior to shutdown of the mine in November 2019. The Company believes it will be able to take the same approach to mining at numerous other areas within the mine, including at the Dolores North, Dolores South, La Loca, San Eusebio, and Asuncion vein structures.

In August 2021, the Company began blasting, mining, mucking and stockpiling mineralized material at the Company’s patio at El Cubo and had accumulated approximately 20,000 tonnes of material for processing when the El Cubo Mill re-commenced production in October 2021.

In June 2021 the Company invited representatives from eight different mine contractors to view El Cubo. The Company received bids from six of these groups and, after a critical review of all the bids, selected MGA as its mine contractor to assist the Company with mining operations for an initial term of 17 months. See Item 4.2 “GENERAL DEVELOPMENT OF THE BUSINESS – *History – Corporate Developments – January 1, 2021 to present*”. MGA has over two decades of experience and has provided mine contracting services to leading companies in Mexican mining including Grupo Mexico, Goldcorp., Fresnillo PLC, Endeavour and First Majestic Silver.

The Company decided to use a contract miner for its initial operations at El Cubo primarily to reduce upfront capital cost expenditures. See “*Economic Analysis – Contract Mining Alternative*” above for Behre’s estimate of the potential reduction in the Company’s initial capital costs during the early stages of mining operations by using a contractor miner versus operating El Cubo on its own.

The Company’s personnel continue to study whether combining material from El Cubo and El Pinguico, or treating the deposits separately would generate higher metallurgical recoveries. Initial testing supports batching material from El Cubo and El Pinguico separately; however, metallurgical testing is ongoing at both third party laboratories and the Company’s in-house chemical and metallurgical laboratory established by GSilver as part of its refurbishment of the El Cubo Mill.

At the anticipated run rate of 22,500 tonnes per month, there is tailings capacity for approximately 4.5 years at two different dams at the El Cubo complex. Wood Engineers PLC of Aberdeen, Scotland (Denver, Colorado office) has been engaged as the Company’s ongoing tailings facility supervisor and to perform tailings geotechnical studies. The Company is also assessing its options to expand its tailings capacity, including new tailings ponds, dry stacking, and hydraulic fill within the past producing open stopes of the El Cubo mine.

The existing environmental assessment for El Cubo, originally granted to Endeavour under Mexico's Cambio de Titularidad of the Manifiesto de Impacto Ambiental and authorized by SEMARNAT, was transferred to OMPSA as part of the Company's acquisition of the El Cubo Project and governs all mining activities at El Cubo including beneficiation, tailings and waste dumps.

In September 2021, the Company entered into a concentrate sales agreement with Ocean Partners to sell silver and gold concentrate produced from the El Cubo/El Pinguico Mine Complex for a term of 18 months. See Item 4.2 "GENERAL DEVELOPMENT OF THE BUSINESS – History – Corporate Developments – January 1, 2021 to present".

In October 2021 the Company commenced processing of silver and gold bearing material at its El Cubo Mill and shortly thereafter completed its first sale of approximately 75 tonnes of bulk silver and gold concentrate, worth approximately US\$480,000, to Ocean Partners. The concentrate graded approximately 200 ounces per tonne silver and 2 ounces per tonne gold. In November, 2021, the Company received provisional proceeds of approximately US\$750,000 from the sale of a second shipment of silver and gold concentrate from El Cubo consisting of approximately 90 tonnes of bulk silver and gold concentrate grading approximately 220 ounces per tonne silver and 2.2 ounces per tonne gold. A third shipment of approximately 175 additional tonnes of concentrate at similar grades was completed in early December 2021 for which the Company received a third provisional payment of approximately US\$1,300,000. Future shipments are anticipated to be larger and of higher grade as the Company continues to ramp-up production at the El Cubo Mill.

Since October 15, 2021, the Company has mined mineralized material at the rate of approximately 450 tonnes per day from the El Cubo mine. For the week ending November 21, 2021, the Company averaged 950 tonnes per day while combining mining from El Cubo and deliveries from the El Pinguico stockpile, demonstrating the Company's ability and flexibility to accelerate production as desired and warranted. As of the date of this AIF, the El Cubo Mill is operating at approximately 1,000 tonnes per day and the Company expects the mill to operate for 22 to 24 days per month, with 6 to 8 days per month of downtime for refurbishment and mill maintenance, for an average monthly operating rate of 22,500 tonnes for the next 6 months. Since the recommencement of production in October 2021, silver recoveries have averaged approximately 85% or 99% of the Company's target recovery rate for silver. Gold recoveries have averaged approximately 74% or 84% of the targeted historical recovery rate. The Company has implemented and continues to implement several procedures to boost gold recoveries and is confident that gold recoveries will continue to increase to more than 80% in the near future.

### *El Pinguico*

During the first four months of 2021, the Company continued to clear rockfall debris along adit Level 7, north of the El Pinguico shaft, gaining access for approximately 200m, or one third of the length of the underground stockpile. Metallurgical samples from the underground stockpile were taken from draw points along adit Level 7, as well as from 'windows' accessing the stockpile from adit Levels 5 and 6. These metallurgical samples were sent to SGS Labs in Durango, Mexico for analysis. Assay results have been received and are currently undergoing analysis and interpretation by the Company's geologists and mining personnel.

In October 2020, the Company purchased a portable drill rig, an Explorer – 75E core drill, for use underground at El Pinguico. See Item 4.2 "GENERAL DEVELOPMENT OF THE BUSINESS – History – Corporate Developments – 2020". The drill rig was delivered in January 2021 and crews initially drilled two test holes outside the mine in the patio of the portal of adit Level 4 to 'break-in' the drill and test its capabilities. These holes were not intended as traditional exploration holes. However, both holes, P21-01 and P21-02, encountered noticeable visible vein material, which the Company now interprets to be southern extensions of the San Jose vein, exposures of which can be seen in crosscuts off of adit Level 4 within the mine approximately 500m to the north. A third hole, P21-03, was drilled to test the area for further vein extensions and intersected several intervals of significant gold and silver values including 4.05m of 116 gpt AgEq, with an additional higher-grade interval of 0.55m of 674 gpt AgEq.

The drill was then moved inside the El Pinguico mine, approximately 500m along adit Level 4, then east for about 80m along the San Jose #1 crosscut where the Company has established a drilling station to facilitate drilling to the west to target both the San Jose and El Pinguico vein systems. Drill holes P21- 05 to P21- 08 were drilled to the west at various azimuths and dips. Drill holes P21-05 and P21-06 cut long sections of alteration and crossed both the San Jose and El Pinguico structures; however only moderate widths of moderate silver and gold grades were encountered at the El Pinguico contact. Drill hole P21-07 immediately encountered quartz and carbonate material of an unknown vein but had to be abandoned further down the hole at the San Jose contact due to difficult and poor drilling

conditions. Hole P21-08 encountered numerous intervals of good grade material, and a 0.75m intersection of almost 9 gpt gold boding well for further exploration deeper and to the north.

Drill holes P21-09 and P21-10 cut through intervals of both the San Jose and El Pinguico veins from the San Jose #1 drill station. Of particular note, P21-10 was drilled 'up' (above the horizon) at a +30-degree angle to test for extensions of vein material above El Pinguico's previous mining during the early 1900s. This drill hole returned 0.90m of 5.96 gpt Au and 476 gpt Ag or 953 gpt AgEq, within a broader interval of 8.10m of 1.00 gpt Au and 93 gpt Ag.

Assay results from drill holes P21-01 to P21-10 are set out below:

Drill Hole	From	To	Interval (m)	Au gpt	Ag gpt	AgEq gpt	Description / Interpretation
P21-01	79.50	80.10	0.60m	0.46	81	118	San Jose Splays
	84.73	85.23	0.50m	0.15	48	60	San Jose Splays
	87.96	88.46	0.50m	0.25	50	70	San Jose Splays
	93.76	95.25	1.49m	0.28	34	56	San Jose Splays
P21-02	79.65	80.20	0.55m	0.11	27	36	San Jose Splays
	82.30	83.00	0.70m	0.11	13	22	San Jose Splays
	116.25	117.00	0.75m	0.17	15	29	San Jose Vein
P21-03	87.9	88.40	0.50m	0.38	88	118	San Jose Alto
	97.95	102.00	4.05m	0.68	62	116	San Jose Vein
including	99.15	100.15	1.00m	1.50	122	242	San Jose Vein
	106.8	107.35	0.55m	2.11	505	674	San Jose Bajo
P21-05	172.90	173.40	0.50m	0.42	29	63	El Pinguico vein
P21-06	151.25	153.00	1.75m	0.68	35	89	San Jose vein
P21-07	2.40	2.90	0.50m	0.35	83	111	Unknown vein
	4.15	4.60	0.45m	0.32	66	92	Unknown vein
	83.60	84.65	1.05m	0.51	12	53	(35% rec.) San Jose vein
P21-08	102.25	103.90	1.65m	2.45	125	321	(60% rec.) San Jose vein
	158.60	159.10	0.50m	0.21	48	65	El Pinguico Splay
	169.20	171.25	2.05m	3.79	100	403	Alto Pinguico
including	169.70	170.45	0.75m	8.81	208	913	Alto Pinguico
	174.60	175.60	1.00m	0.93	41	115	El Pinguico vein
	176.15	177.15	1.00m	1.65	45	177	El Pinguico vein
P21-09	91.2	91.85	0.65m	0.49	38	77	San Jose vein
	165.05	165.70	0.65m	0.65	51	103	El Pinguico vein
P21-10	57.90	59.50	1.60m	0.22	10	28	San Jose vein
	107.55	115.65	8.10m	1.00	93	173	El Pinguico vein
including	113.00	113.90	0.90m	5.96	476	953	El Pinguico vein

**Note:** All silver equivalent values are calculated on a long-term silver to gold price ratio of 80 to 1 as used in the 2021 PEA Report. No attempt has been made by the Company to establish the true width of these veins as the Company has determined that it would be premature to do so.

Based on the foregoing, the Company's modelling suggests that the San Jose vein and El Pinguico veins get closer and may merge at depth and geological staff are currently designing and budgeting a further drill program with a view to connecting vein material below the #7 adit level, from the San Jose #1 drill station to within 75m of the #7 adit portal – a distance of some 450m.

### *Sampling and QA/QC*

The drill core was first reviewed by a Company geologist who identified and marked intervals for sampling. The marked sample intervals were cut in half with a diamond saw with half of the core left in the core box and the other half removed, placed in plastic bags, sealed and labeled. Intervals and unique sample numbers are recorded on the drill logs and the samples were sequenced with standards and blanks inserted according to a predefined QA/QC procedure. The samples were maintained under security on site until they were shipped to SGS Mexico, S.A de C.V, Durango, Mexico for analytical work. SGS is an ISO/IEC (International Organization for Standardization/International Electrotechnical Commission) geo-analytical laboratory and is independent of the Company and its qualified person. Core samples were subject to crushing at a minimum of 70 per cent passing two millimeters, followed by pulverizing of a 250-gram split to 85 per cent passing 75 microns. Gold determination was via standard atomic absorption (AA) finish 30-gram fire assay (FA) analysis, in addition to silver and 34 element using fire assay and gravimetry termination. The Company follows industry-standard procedures and a QA/QC program for work carried out at El Pinguico. Blank and standard samples were inserted into the sample sequence sent to SGS for analysis. Data verification of the analytical results included a statistical analysis of the standards and blanks that must pass certain parameters for acceptance to ensure accurate and verifiable results. The Company detected no significant QA/QC issues during review of the data and is not aware of any sampling, recovery or other factors that could materially affect the accuracy or reliability of the above assay results.

### *Explosives Permit*

In May 2021 the Company received a construction explosives permit for El Pinguico enabling the Company to remove material from adit Level 7 and other areas of the mine more expeditiously in anticipation of accessing both stockpiled material and fresh in-situ vein material underground for processing at the El Cubo Mill. This permit expired in October 2021 and the Company is in the process of re-establishing same.

### ***Exploration and Development Outlook***

#### *El Cubo*

The Company's immediate exploration efforts at El Cubo will be focused on two main fronts: (a) expansion drilling of the main NW striking Dolores and Villalpando vein systems; and (b) exploration of numerous NE striking, perpendicular, transversal, veins. These transverse veins are well known in the region, are usually narrow but often historically high grade and with proportionately higher gold grades. The Company believes these veins offer an overlooked exploration opportunity and has begun mapping, sampling, and drilling numerous such targets both underground and from surface.

#### *El Pinguico*

Based on the success of the Company's initial drill program at the southern portion of the El Pinguico and San Jose veins, the Company is currently undertaking a follow-up drill program of approximately 18 drill holes totalling an estimated 3,800m. See "*El Cubo/El Pinguico Mine Complex, Guanajuato, Mexico – 2021 Company Update – El Pinguico*" above. If successful, the Company proposes to undertake a maiden "in-situ" resource estimate for the area in the first quarter of 2023.

In addition, based on further modelling of the El Pinguico vein system, as well as fault structures on the property that have down-dropped stratigraphic sections of the project to the south, the Company has re-interpreted the potential location of the intersection of the El Pinguico vein system with the Veta Madre. Company geologists now feel that drilling the interpreted target from the southern portion of the property may allow drilling to intersect the target at a much shallower distance than drilling at other locations on the property. Plans to permit drill stations in this area and to source an appropriate drill are well advanced.

#### *Other opportunities*

The Company now owns over 7,800 hectares of mining claims in one of Mexico's oldest and best-established precious metals camps. This land package will serve as the basis for exploration opportunities and growth for many years in the future. Plans to develop and advance these properties are ongoing.

## ITEM 6: DIVIDENDS AND DISTRIBUTIONS

All of the Common Shares of the Company are entitled to an equal share in the dividends declared and paid by the Company. There are no restrictions in the Company's articles which could prevent the Company from paying dividends as long as there are no reasonable grounds for believing that the Company is insolvent or the payment of the dividend would render the Company insolvent.

However, the Company has not paid any dividends since incorporation and intends to retain all future earnings, if any, and other cash resources for the future operation and development of its business. Accordingly, the Company does not intend to declare or pay any cash dividends in the foreseeable future. Payment of any future dividends will be at the discretion of the Company's Board after taking into account many factors including the Company's operating results, financial condition and current and anticipated cash needs.

## ITEM 7: DESCRIPTION OF SHARE STRUCTURE

The authorized share structure of the Company consists of an unlimited number of Common Shares without par value and an unlimited number of Preferred shares without par value. The following shares of the Company were issued and outstanding as of the dates set out below:

Type of Security	Amount Authorized or to be Authorized	Outstanding as at December 31, 2020	Outstanding as at December 8, 2021
Common Shares	Unlimited	111,037,351	224,216,031
Preferred shares	Unlimited	Nil	Nil

### *Common Shares*

The Company's issued Common Shares are fully paid and not subject to any future call or assessment. In addition, all Common Shares rank equally as to voting rights, participation in a distribution of the assets of the Company on a liquidation, dissolution or winding-up of the Company and the entitlement to dividends. The holders of the Common Shares are entitled to receive notice of all meetings of shareholders and to attend and vote the shares at the meetings. Each Common Share carries with it the right to one vote. The Common Shares have no pre-emptive, conversion, exchange, redemption, retraction, purchase for cancellation or surrender provisions and there are no sinking fund provisions in relation to the Common Shares.

In the event of the liquidation, dissolution or winding-up of the Company or other distribution of its assets, the holders of the Common Shares will be entitled to receive, subject to the rights of holders of Preferred shares, on a pro rata basis, all of the assets remaining after the Company has paid out its liabilities. Distribution in the form of dividends, if any, will be set by the Board. See Item 6 "DIVIDENDS AND DISTRIBUTIONS" above for particulars of the Company's dividend policy.

Provisions as to the modification, amendment or variation of the rights attached to the capital of the Company are contained in the Company's Articles and the BCBCA. Generally speaking, substantive changes to the share capital require the approval of the shareholders by either an ordinary (50% +1 of the votes cast) or special (at least 66 2/3% of the votes cast) resolution. However, in certain cases, the directors may, subject to the BCBCA, alter the Company's authorized and issued share capital to, inter alia, create one or more classes of shares or, if none of the shares of a class are allotted or issued, eliminate that class of shares; increase, reduce or eliminate the maximum number of shares that the Company is authorized to issue out of any class of shares; subdivide or consolidate all or any of its unissued, or fully paid issued, shares; or alter the identifying name of any of its shares.

### *Preferred Shares*

Preferred Shares may be issued in one or more series and, with respect to the payment of dividends and the distribution of assets in the event that the Company is liquidated, dissolved or wound-up, rank prior to the Common Shares. Preferred Shares of each series rank on parity with the Preferred Shares of every other series. The Board has the authority to issue Preferred Shares in series and determine the price, number, designation, rights, privileges, restrictions and conditions, including dividend rights, redemption rights, conversion rights and voting rights, of each series without any further vote or action by shareholders. The holders of Preferred Shares do not have pre-emptive

rights to subscribe for any issue of securities of the Company. Currently, the Company has no issued and outstanding Preferred Shares or plans to issue any such shares.

## ITEM 8: MARKET FOR SECURITIES

### 8.1 Trading Price and Volume

The Common Shares of the Company currently trade on the TSXV in Canada under the symbol “GSVR” and are quoted on the OTCQX market in the United States under the symbol “GSVRF”. As of December 7, 2021 the closing price of the Company’s Common Shares was \$0.49 per share on the TSXV and US\$0.3857 on the QTCQX.

The following table sets out the high and low sale prices and the volume of trading of the Common Shares on the TSXV and OTCQX on a monthly basis since the commencement of the Company’s fiscal year ended December 31, 2020.

Period	TSXV			QTCQX		
	\$ High	\$ Low	Volume	US\$ High	US\$ Low	Volume
December 1 - 7, 2021	0.5100	0.4150	2,091,649	0.40	0.3228	1,157,531
November 2021	0.6500	0.4900	8,947,326	0.5200	0.3670	2,644,338
October 2021	0.6200	0.3900	6,476,079	0.4969	0.3098	3,227,692
September 2021	0.5700	0.3700	9,294,081	0.4600	0.2951	5,386,034
August 2021	0.5800	0.3600	6,595,763	0.4770	0.2852	4,681,720
July 2021	0.6000	0.3800	11,120,763	0.4800	0.2950	5,321,597
June 2021	0.7000	0.4800	8,783,395	0.6170	0.3851	4,608,192
May 2021	0.7400	0.5200	12,379,729	0.6500	0.4258	8,083,319
April 2021	0.6500	0.4850	8,356,442	0.7000	0.3760	4,117,040
March 2021	0.7300	0.3900	14,009,906	0.5841	0.3100	6,378,533
February 2021 <sup>(1)</sup>	0.4850	0.2750	17,801,737	0.3900	0.2170	4,994,148
January 2021 <sup>(1)</sup>	-	-	-	-	-	-
December 2020 <sup>(1)</sup>	0.2850	0.2000	6,826,362	0.3400	0.1500	1,337,261
November 2020	0.3000	0.2100	3,345,343	0.2434	0.1500	1,025,970
October 2020	0.3400	0.2000	7,454,136	0.2800	0.1400	1,475,510
September 2020	0.2250	0.1450	7,784,547	0.1950	0.1000	2,079,319
August 2020	0.2050	0.1500	9,995,129	0.2700	0.0821	1,405,191
July 2020	0.1950	0.1200	36,308,318	0.2810	0.0700	974,107
June 2020	0.1350	0.1000	23,283,051	0.2810	0.0700	974,107
May 2020	0.1050	0.0800	8,613,071	0.0780	0.0544	249,700
April 2020	0.0900	0.0350	5,247,885	0.0613	0.0320	101,648
March 2020 <sup>(2)</sup>	0.0550	0.0300	2,289,452	0.0429	0.0386	45,099
February 2020 <sup>(2)</sup>	-	-	-	-	-	-
January 2020 <sup>(2)</sup>	-	-	-	0.0429	0.0300	3,167

- (1) The Company’s shares were subject to a trading halt by the TSXV from December 18, 2020 to February 17, 2021 pending acceptance of the Company’s acquisition of the El Cubo Project from Endeavour. See Item 4.2 “GENERAL DEVELOPMENT OF THE BUSINESS – History – Mineral Properties – El Cubo Project, Guanajuato, Mexico” above.
- (2) The Company’s shares were subject to a trading halt by the TSXV from December 2019 to March 9, 2020 in connection with the Company’s proposed acquisition of the Tassawini gold project in Guyana, South America. The Company subsequently terminated the acquisition in October 2019. See Item 4.2 “GENERAL DEVELOPMENT OF THE BUSINESS – Corporate Developments – 2018” above.

## 8.2 Prior Sales

The following table summarizes the issuance of securities convertible into or exercisable for Common Shares by the Company since the commencement of the fiscal year ended December 31, 2020:

Share Purchase Warrants				
Date of Issue	Type of Transaction	Number of Warrants	Exercise Price (C\$)	Expiry Date
August 5 and 11, 2020	Private Placement	12,820,951 warrants <sup>(1)</sup>	\$0.25	August 5 and 11, 2022
		821,011 finder’s warrants <sup>(1)</sup>	\$0.25	August 5 and 11, 2022
November 30, 2020	Option to Purchase El Pinguico Royalties	3,750,000 warrants <sup>(2)</sup>	\$0.175	November 30, 2025
March 11, 2021	Private Placement	28,250,000 warrants <sup>(3)</sup>	\$0.45	March 11, 2024
		1,648,669 finder’s warrants <sup>(3)</sup>	\$0.45	March 11, 2024
November 30 and December 7, 2021	Private Placement	8,652,153 warrants <sup>(4)</sup>	\$0.75	November 30 and December 7, 2023
		176,455 finder’s warrants <sup>(4)</sup>	\$0.75	November 30 and December 7, 2023
Stock Options				
Date of Grant	Number of Stock Options	Exercise Price (C\$)	Expiry Date	
March 31, 2020	2,700,000	\$0.075	March 30, 2023	
June 1, 2020	150,000	\$0.10	May 31, 2023	
October 13, 2020 to February 17 2021	3,125,000	\$0.30	October 12, 2023 to February 17, 2024	
March 24, 2021	6,450,000	\$0.51	March 24, 2026	
April 26 to May 14, 2021	650,000	\$0.60	April 26 to May 14, 2026	
July 15, 2021	200,000	\$0.45	July 15, 2023	
September 8, 2021	400,000	\$0.40	September 8, 2026	
October 12, 2021	150,000	\$0.405	October 12, 2026	

- (1) These warrants were issued in connection with the Company's 2020 Placement. See Item 4.2 "GENERAL DEVELOPMENT OF THE BUSINESS – History – Financings - 2020" herein.
- (2) These warrants were issued to EMPSA pursuant to the Company's option to acquire certain underlying royalties against El Pinguico. See Item 4.2 "GENERAL DEVELOPMENT OF THE BUSINESS – History – Mineral Properties – El Pinguico Project, Guanajuato, Mexico" herein.
- (3) These warrants were issued in connection with the Company's 2021 Placement #1. See Item 4.2 "GENERAL DEVELOPMENT OF THE BUSINESS – History – Financings – January 1, 2021 to Present" herein.
- (4) These warrants were issued in connection with the Company's 2021 Placement #2. See Item 4.2 "GENERAL DEVELOPMENT OF THE BUSINESS – History – Financings – January 1, 2021 to Present" herein.

## ITEM 9: ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

As of the date of this AIF, a total of 21,331,058 Common Shares issued to Endeavour as partial consideration for the Company's acquisition of the El Cubo Project are subject to a contractual one year trading restriction which expires on April 8, 2022. See Item 4.2 "GENERAL DEVELOPMENT OF THE BUSINESS – History – Mineral Properties – El Cubo Project, Guanajuato, Mexico".

Save as aforesaid, to the knowledge of the directors and officers of the Company, no securities of the Company are subject to escrow or any contractual restriction on transfer.

## ITEM 10: DIRECTORS AND OFFICERS

### 10.1 Name, Occupation and Security Holding

The following are the names and provinces/states and countries of residence of the directors and executive officers of the Company, the positions and offices they currently hold with the Company, their principal occupations within the five preceding years, and the number and percentage of Common Shares beneficially held by each of them. Each director will hold office until the next annual general meeting of the Company unless his office is earlier vacated in accordance with the provisions of the BCBCA or the Articles of the Company.

Name, Province/State and Country of Residence and Position with Company	Principal Occupation during preceding 5 years	Date of first appointment as a Director of the Company	Number and Percentage of Common Shares held at December 8, 2021 <sup>(1)</sup>
<b>James Anderson</b> <sup>(5)</sup> B.C., Canada <i>Chairman, President, CEO and Director</i>	President and Chief Executive Officer, Guanajuato Silver Company Ltd., March 2019 to present; Director, Orestone Mining Corp., May 2019 to present; previously Chief Executive Officer, NuLegacy Gold Corporation (TSXV); July 2012 to April 2019	January 7, 2019	6,463,236 or 2.88%
<b>Ramon Davila</b> <sup>(3)</sup> Durango, Mexico <i>Director</i>	Mining Industry Consultant, June 2020 to present; former Minister of Economic Development for the State of Durango, Mexican Government; September 2016 to June 2020; former Chief Operating Officer, First Majestic Silver Corp., 2004 to 2013 (director from 2004 to 2015)	May 12, 2021	Nil
<b>William T. Gehlen</b> <sup>(3)(4)(5)</sup> B.C., Canada <i>Director</i>	Manager of Geology, JR Resources Corp (private company), Jan. 2021 to present; Manager of Corporate Development, Gold Standard Ventures Corp. (TSX, NYSE American), April 2018 to Dec. 2020; Manager of Resource Development in the Americas, OceanaGold Corp. (TSX), 2013 to 2018; former VP Exploration, Pacific Rim Mining Corp., 1997 to 2013. Certified Professional Geologist with the AIPG (CPG-10626).	March 31, 2020	Nil
<b>Daniel Oliver, Jr.</b> <sup>(3)(4)</sup> New York, U.S.A. <i>Director</i>	Managing Member of Myrmikan Gold Fund LLC (research/gold fund), New York, NY, since 2009; President of the Committee for Monetary Research & Education.	October 2, 2019	22,961,042 or 10.24% <sup>(2)</sup>

Name, Province/State and Country of Residence and Position with Company	Principal Occupation during preceding 5 years	Date of first appointment as a Director of the Company	Number and Percentage of Common Shares held at December 8, 2021 <sup>(1)</sup>
<b>Richard Silas</b> <sup>(4)</sup> B.C., Canada <i>Vice-President, Corporate Development, Secretary and Director</i>	Vice-President, Corporate Development and Corporate Secretary, Guanajuato Silver Company Ltd., May 2021 to present; Corporate Secretary, Barksdale Resources Corp. (TSXV) August 2016 to February 2021 (previously President and director of Barksdale from June 2015 to April 2019); CEO, CFO and director of Sanibel Ventures Corp. (NEX), October 2017 to present; Director and Corporate Secretary, Northern Lion Gold Corp. (TSXV), September 2019 to present; Principal of Universal Solutions Inc., private company providing management and administration services to TSX Venture Exchange issuers, 1997 to present.	October 18, 2019	1,225,000 or 0.55%
<b>Hernan Dorado Smith</b> <sup>(5)</sup> Ontario, Canada <i>Chief Operating Officer and Director</i>	Mining engineer since 2003; Member of the Mining and Metallurgical Society of America (MMSA); Chief Operating Officer, Guanajuato Silver Company Ltd., May 2021 to present; LATAM Mining Manager, OMYA, August 2019 to May 2021; Chief Mining Engineer and Construction Superintendent at Rainy River Mine (Northwestern Ontario), New Gold Inc., December 2016 to August 2019.	April 26, 2017	4,760,000 or 2.12%
<b>Lisa Dea</b> <sup>(6)</sup> B.C., Canada <i>Chief Financial Officer</i>	Chartered Professional Accountant, 1997 to present; Chief Financial Officer, Guanajuato Silver Company Ltd., April 2021 to present; Chief Financial Officer, Latitude Health Sciences Inc., August 2019 to April 2020; Chief Financial Officer, Harvest One Cannabis Inc., June 2017 to March 2019; Chief Financial Officer, Kabuni Ltd., September 2016 to June 2017; Chief Financial Officer, Captiva Verde Industries Ltd., January 2016 to September 2016; Chief Financial Officer, Greenbriar Capital Corp., February 2014 to September 2016.	N/A	22,000 or 0.01%

- (1) The approximate number and percentage of Common Shares of the Company carrying the right to vote in all circumstances beneficially owned, directly or indirectly, or over which control or direction is exercised by each director or executive officer as of December 8, 2021. This information is not within the knowledge of the management of the Company and has been furnished by the respective individuals, or has been extracted from the register of shareholdings maintained by the Company's transfer agent or from insider reports filed by the individuals and available through the Internet at [www.sedi.ca](http://www.sedi.ca).
- (2) 9,745,642 shares are held indirectly through Myrmikan Gold Fund LLC, 10,540,000 shares are held indirectly through Myrmikan SPV I, LLC, and 2,675,400 shares are held indirectly through Myrmikan SPV II, LLC, each a limited liability company based in Connecticut, U.S.A. Mr. Oliver is the managing member of Myrmikan Gold Fund LLC, Myrmikan SPV I, LLC and Myrmikan SPV II, LLC.
- (3) Member of audit committee. Ramon Davila is the Chair of the audit committee.
- (4) Member of corporate governance and compensation committee. Daniel Oliver, Jr. is the Chair of the corporate governance and compensation committee.
- (5) Member of health and safety committee. William T. Gehlen is the Chair of the health and safety committee.
- (6) Lisa Dea was appointed as Chief Financial Officer of the Company on April 1, 2021.

The Company does not have an executive committee. Pursuant to the provisions of the BCBCA and applicable securities legislation, the Company is required to have an audit committee whose members are Ramon Davila (Chair), Daniel Oliver, Jr. and William T. Gehlen. See Item 17.2 “ADDITIONAL INFORMATION - *Audit Committee*” below.

The Company has also appointed a corporate governance and compensation committee and a health and safety committee whose members are as follows:

Name of Committee	Members of Committee
Corporate Governance and Compensation Committee	Daniel Oliver, Jr. (Chair) William T. Gehlen Richard Silas
Health and Safety Committee	William T. Gehlen (Chair) James Anderson Hernan Dorado Smith

As of December 8, 2021, the directors and executive officers of the Company, as a group, beneficially owned, directly or indirectly, 35,431,278 Common Shares representing 15.80% of the total issued and outstanding Common Shares of the Company.

### ***Management and Directors***

The following sets forth further background information on each of the directors and executive officers of the Company.

#### **James Anderson (age 56), Chairman, President, Chief Executive Officer and Director**

James Anderson serves as Chairman, President, Chief Executive Officer and a director of the Company. Mr. Anderson’s career began in the financial services industry as a retail broker, investment banker, and manager with several Canadian investment firms over a period of 19 years including First Canada Capital Ltd., Research Capital Corp., and Majendie Securities Ltd. where he was instrumental in the financing of numerous small-cap public companies in the mining exploration and development industry. He then went on to a career in mining exploration, serving as Chief Executive Officer of NuLegacy Gold Corp. (TSXV) from 2012 until April 2019. James is also a director of Orestone Mining Corp. (TSXV). Mr. Anderson was born in the gold mining community of Timmins, Ontario, and is a graduate of the University of Alberta.

#### **Lisa Dea (age 51), Chief Financial Officer**

Lisa Dea, CPA, CA, has 20 years of experience in the finance, securities and accounting fields. Ms. Dea has been the CFO of several TSX, TSXV, CSE and ASX listed companies where she was responsible for corporate strategy, all aspects of finance and legal, debt and capital market activities, managing banking relationships with US, Canadian and International banks, internal and external public reporting, financial controls, processes and corporate governance. She has been instrumental in helping several companies grow from the development stage to large-scale commercial operations. Previous to her time in industry, Ms. Dea spent eleven years at Deloitte & Touche LLP, achieving the position of Senior Manager. Ms. Dea obtained her Chartered Professional Accountant designation in 1997 and holds a Bachelor of Commerce from the University of British Columbia.

#### **Hernan Dorado Smith (age 41), Chief Operating Officer and Director**

Mr. Hernan Dorado Smith has been a director of the Company since April 2017 and now also serves as Chief Operating Officer. Mr. Dorado possesses 18-years of underground and open-pit mining experience and has worked with several mining companies on major projects: New Gold at its Peak Mine, Australia and Rainy River, Canada; Pan-American Silver at Navidad, Argentina and La Preciosa, Mexico; and OMYA as Mine Operations Manager for LATAM in Mexico, Ecuador, Colombia, Dominican Republic and Brazil. Mr. Dorado graduated as a mining engineer from Universidad de Guanajuato in 2003 and received an Executive MBA from Escuela Europea de Negocios, Salamanca in 2013 and also holds a QP designation from the Mining and Metallurgical Society of America.

**Richard Silas (age 49), Vice-President, Corporate Development, Corporate Secretary and Director**

Richard Silas has been a director of the Company since October 2019 and now also serves as Vice-President, Corporate Development and Corporate Secretary. Previously Mr. Silas was President and a director of Barksdale Resources Corp. (TSXV), where he played a vital role in acquiring the company's flagship Sunnyside base metal project in Santa Cruz County, Arizona. Mr. Silas has 20+ years' experience in corporate governance, regulatory compliance, and administration of junior resource companies. Prior to Barksdale, Mr. Silas was a director and Corporate Secretary of Gold Standard Ventures Corp. (TSX and NYSE-Market) from 2009 until 2017. Mr. Silas holds a certificate (securities program) from Simon Fraser University in British Columbia.

**Ramon Davila (age 68), Director**

Ramon Davila was Chief Operating Officer and a director of First Majestic Silver Corp. from 2004 to 2013 (director until 2015). In September 2016, Mr. Davila was appointed Minister of Economic Development for the State of Durango, Mexico and held such post until June 2020. Mr. Davila holds a degree in Mining and Metallurgical Engineering from the University of Guanajuato, Mexico as well as a Master of Science degree in Mineral Economics from the Colorado School of Mines.

**William Gehlen (age 67), Director**

William Gehlen has over 40 year's experience in minerals exploration and holds a Master of Science (Geology) from the University of Idaho and a Bachelor of Science (Geology) from the University of Oregon and currently serves as Manager of Geology for JR Resources Corp (private company). From April 2018 to Dec 2020, Mr. Gehlen was Manager of Corporate Development for Gold Standard Ventures Corp. (TSX and NYSE American). From 2013 to 2018, Mr. Gehlen was Manager of Resource Development for OceanaGold Corp. (TSX) and prior to that he served as Vice-President of Exploration for Pacific Rim Mining Corp. where he managed all aspects of mineral exploration for Pacific Rim and was in charge of exploration at the El Dorado gold deposit in El Salvador, and the Diablillos silver-gold deposit in Argentina.

**Daniel Oliver, Jr. (age 49), Director**

Mr. Oliver. manages Myrmikan Gold Fund LLC of New York, NY, which actively invests in the precious metals mining sector. Mr. Oliver also serves as President of the Committee for Monetary Research & Education, an organization founded by prominent economists and businessmen in 1970 in opposition to the Bretton Woods monetary system. His articles have been published in Forbes.com, The Wall Street Journal, The Washington Times, Real Clear Markets, National Review Online, among others, and he speaks frequently at precious metals conferences. Mr. Oliver has a J.D. from Columbia Law School and an MBA from INSEAD.

None of the members of the Company's management or key personnel has entered into a non-competition agreement with the Company. Each of James Anderson, Lisa Dea and Richard Silas are bound by non-disclosure covenants in their respective consulting or employment agreements with the Company.

## **10.2 Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

### *Corporate Cease Trade Orders*

Except as disclosed below, no director or executive officer of the Company is, or within the ten years prior to the date of this AIF, has been, a director, chief executive officer or chief financial officer of any other issuer that was the subject of a cease trade or similar order, or an order that denied the other issuer access to any statutory exemptions, for a period of more than thirty consecutive days:

- (a) while that person was acting as a director, chief executive officer or chief financial officer; or
- (b) after that person ceased acting as a director, chief executive officer or chief financial officer which resulted from an event that occurred while that person was acting in that capacity.

Lisa Dea is a former Chief Financial Officer of Silvermex Resources Inc. ("**Silvermex**"). On March 13, 2012, the SEC in the United States issued an order revoking the registration of Silvermex's common shares as a class under section 12(g) of the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"). The SEC issued the

order pursuant to section 12(j) of the Exchange Act, with Silvermex's consent, as Silvermex was unable to cure certain filing delinquencies of its predecessor company, Genco Resources Ltd., under the Exchange Act.

Richard Silas is the Chief Executive Officer and a director of Sanibel Ventures Corp., a capital pool company that was suspended from trading by the TSXV on July 30, 2020 for failure to complete a qualifying transaction within 24 months of its listing in accordance with TSXV policy. Mr. Silas is also a former director of Spirit Bear Capital Corp., a capital pool company that was suspended from trading by the TSXV on May 15, 2014 for failure to complete a qualifying transaction within 24 months of its listing.

#### *Corporate Bankruptcies*

No director, executive officer or securityholder holding a sufficient number of securities of the Company to affect materially the control of the Company, is, or within the ten years prior to the date of this AIF has been, a director or executive officer of any other issuer that, while that person was acting in that capacity, or within one year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

#### *Penalties or Sanctions*

Except as disclosed below, no director, executive officer or securityholder holding a sufficient number of securities to materially affect the control of the Company has, to the knowledge of the Company, been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely to be considered important to a reasonable investor in making an investment decision.

On April 29, 2013, Mr. Silas was fined \$8,000 by the Autorité des marchés financiers in Quebec for failure to file insider reports within the prescribed time periods in respect of changes in his control over securities of Northern Star Mining Corp., a reporting issuer whose common shares were previously listed for trading on a predecessor to the TSXV, in November 2008 and April 2010. Such fine has been paid in full.

#### *Personal Bankruptcies*

No director, executive officer or securityholder holding a sufficient number of securities of the Company to affect materially the control of the Company has, within the ten years prior to the date of this AIF, to the knowledge of the Company, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his or her assets.

### **10.3 Conflicts of Interest**

The directors and officers of the Company may, from time to time, serve as directors or officers of other issuers or organizations or may be involved with the business and operations of other issuers or organizations, in which case a conflict of interest may arise between their duties as a director or officer of the Company and their duties as a director or officer of such other issuers or organizations. In particular, certain of the directors and officers of the Company are involved in executive or director positions with other mineral exploration or mining companies whose operations may, from time to time, be in direct competition with those of the Company or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of the Company. See Item 10.1 "*Name, Occupation and Security Holding*" above for a description of certain other mineral exploration or mining companies in which the directors and officers of the Company are currently involved with.

The directors and officers of the Company are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosure by directors of conflicts of interest and the Company will rely upon such laws in respect of any directors' or officers' conflicts of interest or in respect of any breaches of duty by any of its directors or officers. All such conflicts will be disclosed by such directors or officers in accordance with the BCBCA and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

Save and except as aforesaid or otherwise disclosed in this AIF, in the notes to the Financial Statements, or in the MD&A, to the Company's knowledge, there are no known existing or potential conflicts of interest between the Company and any director or officer of the Company.

See also Item 5.2 "DESCRIPTION OF THE BUSINESS - *Risk Factors – Potential Conflicts of Interest*".

## **ITEM 11: PROMOTERS**

Since January 1, 2019 no person or company has acted as a promoter of the Company.

## **ITEM 12: LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

### **12.1 Legal Proceedings**

The Company is not and was not a party to, and its property is not and was not the subject of, any legal proceedings during the fiscal year ended December 31, 2020 and no such proceedings are known by the Company to be contemplated.

### **12.2 Regulatory Actions**

There were no penalties or sanctions imposed against, or settlement agreements with any court or securities regulatory authority relating to securities legislation entered into by, the Company or any other penalties or sanctions imposed by a court or regulatory body against the Company during the fiscal year ended December 31, 2020 that would likely be considered important to a reasonable investor in making an investment decision.

## **ITEM 13: INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Other than as disclosed below or elsewhere in this AIF, in the notes to the Financial Statements, or in the MD&A, no director or executive officer of the Company, and no shareholder holding of record or beneficially, directly or indirectly, more than 10% of the Company's outstanding Common Shares, and none of the respective associates or affiliates of any of the foregoing, had any material interest, direct or indirect, in any transaction with the Company or in any proposed transaction within the three most recently completed financial years or the current financial year of the Company that has materially affected or is reasonably expected to materially affect the Company, save and except as follows:

1. Pursuant to a royalty purchase option agreement dated November 11, 2020, the Company holds the sole and exclusive option to purchase certain existing royalties over the Company's El Pinguico Project from EMBSA for the aggregate sum of C\$1,675,000 cash (of which C\$525,000 has been paid to date) and 3,750,000 units of the Company at a deemed price of \$0.12 per unit (issued) as more particularly described under Item 4.1 "GENERAL DEVELOPMENT OF THE BUSINESS – *History – Mineral Properties – El Pinguico Project, Guanajuato, Mexico*" above. EMBSA is a private Mexican company of which Hernan Dorado Smith, the Chief Operating Officer and a director of the Company, is the Managing Director and a principal shareholder. Gerardo Sergio Dorado Cantu, OMPSA's country manager, is also a principal shareholder of EMBSA.
2. Since the beginning of the Company's last completed financial year ended December 31, 2020, certain directors and officers of the Company have participated, to a material extent, in equity financings by the Company as follows:

<b>Name of Informed Person</b>	<b>Position with Company</b>	<b>Securities Acquired</b>	<b>Purchase Price Per Security</b>	<b>Aggregate Subscription Price</b>
James Anderson	President and CEO	150,000 units <sup>(1)</sup>	\$0.155	\$23,250
		494,273 units <sup>(2)</sup>	\$0.30	\$148,282
Daniel Oliver, Jr.	Director	2,000,000 units <sup>(1)(4)</sup>	\$0.155	\$310,000
		8,000,000 units <sup>(2)(5)</sup>	\$0.30	\$2,400,000
		2,675,400 units <sup>(3)(6)</sup>	\$0.55	\$1,471,470

- (1) These units formed part of the Company's 2020 Placement. See Item 4.2 "GENERAL DEVELOPMENT OF THE BUSINESS – *History – Financings – 2020*".

- (2) These units formed part of the Company's 2021 Placement #1. See Item 4.2 "GENERAL DEVELOPMENT OF THE BUSINESS – *History – Financings – January 1, 2021 to Present*".
  - (3) These units formed part of the Company's 2021 Placement #2. See Item 4.2 "GENERAL DEVELOPMENT OF THE BUSINESS – *History – Financings – January 1, 2021 to Present*".
  - (4) Acquired indirectly through Myrmikan Gold Fund LLC, of which Mr. Oliver is the managing member.
  - (5) Acquired indirectly through Myrmikan SPV I, LLC, of which Mr. Oliver is the managing member.
  - (6) Acquired indirectly through Myrmikan SPV II, LLC, of which Mr. Oliver is the managing member.
3. In November 2021, the Company announced it had arranged for early payment of the El Cubo Note in the principal amount of US\$2,500,000 due to Endeavour on April 8, 2022. In consideration for the early payment, Endeavour reduced the principal amount of the El Cubo Note by US\$25,000 and settled the Mexican value added tax payable on the purchase price for El Cubo represented by the El Cubo Note totaling US\$396,000 for a total of 901,224 VAT Shares at a deemed price of C\$0.55 per VAT Share as more particularly described under Item 4.2 "GENERAL DEVELOPMENT OF THE BUSINESS – *History – Mineral Properties – El Cubo Project, Guanajuato, Mexico*" above. Pursuant to the El Cubo Agreement, Endeavour acquired a total of 21,331,058 Common Shares of the Company as part of the purchase price for El Cubo. By virtue of such shareholdings, the VAT Settlement with Endeavour constituted a "related party transaction" as defined in MI 61-101. However, as neither the fair market value of the VAT Settlement nor the fair market value of the VAT Shares issued to Endeavour exceeded 25% of the Company's market capitalization such related party transaction was exempt from the formal valuation and minority shareholder approval requirements of MI 61-101 pursuant to sections 5.5(a) and 5.7(1)(a) thereof.
  4. On November 30 and December 7, 2021, the Company completed the 2021 Placement #2 consisting of 17,304,306 units at a price of \$0.55 per unit for gross proceeds of \$9,517,368 as more particularly described under Item 4.2 "GENERAL DEVELOPMENT OF THE BUSINESS – *History – Financings – January 1, 2021 to Present*" above. Endeavour subscribed for 5,750,000 units of the 2021 Placement #2 for an aggregate purchase price of \$3,162,500 such that immediately following closing and after giving effect to the issuance of 901,224 VAT Shares to Endeavour pursuant to the VAT Settlement, Endeavour owned 27,982,282 Common Shares or approximately 12.48% of the Company's issued and outstanding Common Shares as at December 8, 2021. In addition, certain directors and/or officers of the Company participated, directly or indirectly, in the 2021 Placement #2 for an aggregate of 2,712,400 units for a total purchase price of \$1,491,820. However, as neither the fair market value of the total number of units issued to Endeavour and directors and/or officers of the Company (collectively the "**Participating Insiders**") in the 2021 Placement #2 or the consideration paid by the Participating Insiders for such units, in either case, exceeded 25% of the Company's market capitalization such related party transactions were exempt from the formal valuation and minority shareholder approval requirements of MI 61-101 pursuant to sections 5.5(a) and 5.7(1)(a) thereof.

#### **ITEM 14: TRANSFER AGENT AND REGISTRAR**

The registrar and transfer agent for the Common Shares of the Company is Odyssey Trust Company with an office at #350 - 409 Granville Street, Vancouver, B.C. V6C 1T2.

#### **ITEM 15: MATERIAL CONTRACTS**

Other than contracts entered into in the ordinary course of business, the only material contracts entered into by the Company since the commencement of the Company's fiscal year ended December 31, 2020 or before such time that are still in effect are as follows:

1. El Cubo Agreement dated March 16, 2021 among OMPSA, as purchaser, CMDC, as vendor, Gsilver and Endeavour with respect to the acquisition of the El Cubo Project. See Item 4.2 "GENERAL DEVELOPMENT OF THE BUSINESS – *History – Mineral Properties – El Cubo Project, Guanajuato, Mexico*".
2. OCIM Loan Agreement dated May 31, 2021 between Gsilver, as borrower, OCIM, as lender, and OMPSA, as guarantor, with respect to the Company's US\$7.5 million gold and silver loan from OCIM. See Item 4.2 "GENERAL DEVELOPMENT OF THE BUSINESS – *History – Financings – January 1, 2021 to Present*".

3. Concentrate sales agreement dated September 22, 2021 between OMPSA and Ocean Partners with respect to the sale of silver and gold concentrate from the Company's El Cubo/El Pinguico Mine Complex. See Item 4.2 "GENERAL DEVELOPMENT OF THE BUSINESS – History – Corporate Developments – January 1, 2021 to Present".

## ITEM 16: INTERESTS OF EXPERTS

### 16.1 Names of Experts

The following table lists the persons and companies who have prepared or certified a report, valuation, statement or opinion described or included in a filing, or referred to in a filing, made under National Instrument 51-102 *Continuous Disclosure Obligations* by the Company during the fiscal year ended December 31, 2020 or subsequent thereto:

Name of Individual or Company	Document Prepared or Certified
Lancaster & David Chartered Professional Accountants	Audited consolidated financial statements of the Company for the years ended December 31, 2020 and December 31, 2019
Mark K. Jorgensen, MMSA #012020QP Bernard J. Guarnera, MMSA #01171QP Reinis N. Sipols, P.E., MMSA #1440QP John E. Thompson, MMSA #1448QP Joseph A. Kantor, MMSA #1309QP Robert E. Cameron, Ph.D., MMSA #01357QP Amy E. Jacobsen, MMSA #1197QP	2021 PEA Report dated May 6, 2021 (effective date January 31, 2021)

### 16.2 Interests of Experts

To the knowledge of the Company, none of the experts named above or their respective associates or affiliates held, as of the date of the applicable report, valuation, statement or opinion referred to in Item 16.1 "Names of Experts" above, or currently hold any registered or beneficial interests, direct or indirect, in any securities or other property of the Company.

## ITEM 17: ADDITIONAL INFORMATION

### 17.1 Additional Information

Additional information including directors' and officer's remuneration and indebtedness, principal holders of the Company's securities, securities authorized for issuance under equity compensation plans, and corporate governance practices, is contained in the Company's management information circular dated August 10, 2021 for the Company's 2021 annual general meeting of shareholders held on September 24, 2021.

Additional financial information is also provided in the Company's Financial Statements and related MD&A for its fiscal year ended December 31, 2020.

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

### 17.2 Audit Committee

National Instrument 52-110 *Audit Committees* of the Canadian Securities Administrators ("NI 52-110") requires the Company to disclose annually in its AIF certain information concerning the constitution of its audit committee and its relationship with its external auditor as set forth below.

#### 1. The Audit Committee Charter

The Company's audit committee is governed by an audit committee charter, the text of which is attached as Schedule "A" to this AIF.

## **2. Composition of Audit Committee**

The Company's audit committee is currently comprised of three directors, Ramon Davila (Chair), Daniel Oliver, Jr. and William Gehlen, all of whom are considered "independent" as that term is defined in applicable securities legislation.

All three members of the Company's audit committee have the ability to read and understand financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements and are therefore considered "financially literate".

## **3. Relevant Education and Experience**

All of the audit committee members are business persons with experience in financial matters; each has an understanding of accounting principles used to prepare financial statements and varied experience as to general application of such accounting principles, as well as the internal controls and procedures necessary for financial reporting, garnered from working in their individual fields of endeavor.

Ramon Davila was Chief Operating Officer and a director of First Majestic Silver Corp. from 2004 to 2013 (director until 2015). In September 2016, Mr. Davila was appointed Minister of Economic Development for the State of Durango, Mexico and held such post until June 2020. Mr. Davila holds a degree in Mining and Metallurgical Engineering from the University of Guanajuato, Mexico as well as a Master of Science degree in Mineral Economics from the Colorado School of Mines.

Daniel Oliver, Jr. manages Myrmikan Gold Fund LLC of New York, NY, which actively invests in the precious metals mining sector. Mr. Oliver also serves as President of the Committee for Monetary Research & Education, an organization founded by prominent economists and businessmen in 1970 in opposition to the Bretton Woods monetary system. His articles have been published in Forbes.com, The Wall Street Journal, The Washington Times, Real Clear Markets, National Review Online, among others, and he speaks frequently at precious metals conferences. Mr. Oliver has a J.D. from Columbia Law School and an MBA from INSEAD.

William Gehlen has over 40 years experience in minerals exploration and holds a Master of Science (Geology) from the University of Idaho and a Bachelor of Science (Geology) from the University of Oregon and currently serves as Manager of Geology for JR Resources Corp (private company). From April 2018 to Dec 2020, Mr. Gehlen was Manager of Corporate Development for Gold Standard Ventures Corp. (TSX and NYSE American). From 2013 to 2018, Mr. Gehlen was Manager of Resource Development for OceanaGold Corp. (TSX) and prior to that he served as Vice-President of Exploration for Pacific Rim Mining Corp. where he managed all aspects of mineral exploration for Pacific Rim and was in charge of exploration at the El Dorado gold deposit in El Salvador, and the Diablillos silver-gold deposit in Argentina.

## **4. Audit Committee Oversight**

Since the commencement of the Company's most recently completed financial year ended December 31, 2020, the Board has not failed to adopt a recommendation of the audit committee to nominate or compensate an external auditor.

## **5. Reliance on Certain Exemptions**

Since the commencement of the Company's most recently completed financial year ended December 31, 2020, the Company has not relied on the exemptions contained in sections 2.4 or 8 of NI 52-110. Section 2.4 provides an exemption from the requirement that the audit committee must pre-approve all non-audit services to be provided by the auditor, where the total amount of fees related to the non-audit services are not expected to exceed 5% of the total fees payable to the auditor in the fiscal year in which the non-audit services were provided. Section 8 permits a company to apply to a securities regulatory authority for an exemption from the requirements of NI 52-110, in whole or in part.

## **6. Pre-Approval Policies and Procedures**

The audit committee has not adopted specific policies and procedures for the engagement of non-audit services. Subject to the requirements of NI 52-110, the engagement of non-audit services is considered by the audit committee and, where applicable, the Board, on a case-by-case basis.

## 7. External Audit Service Fees (By Category)

In the following table, “audit fees” are fees billed by the Company’s external auditor for services provided in auditing the Company’s annual financial statements for the subject year. “Audit-related fees” are fees not included in audit fees that are billed by the auditor for assurance and related services that are reasonably related to the performance of the audit or review of the Company’s financial statements. “Tax fees” are fees billed by the auditor for professional services rendered for tax compliance, tax advice and tax planning. “All other fees” are fees billed by the auditor for products and services not included in the foregoing categories.

The fees paid by the Company to Lancaster & David, Chartered Professional Accountants, for services rendered to the Company in each of the last two fiscal years, by category, are as follows:

Financial Ending	Period	Audit Fees	Audit Related Fees	Tax Fees	All Other Fees
	December 31, 2020	30,000	Nil	Nil	Nil
	December 31, 2019	20,000	Nil	Nil	Nil

See Item 4.2 “GENERAL DEVELOPMENT OF THE BUSINESS – *History – Corporate Developments – January 1, 2021 to Present*” for details of the Company’s change of auditor from Lancaster & David to KPMG LLP effective December 3, 2021.

## 8. Exemption

The Company is relying on the exemption provided by section 6.1 of NI 52-110, which provides that the Company, as a venture issuer, is not required to comply with Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations) of NI 52-110.

## Schedule "A"

### GUANAJUATO SILVER COMPANY LTD. AUDIT COMMITTEE CHARTER

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#### Purpose

The overall purpose of the Audit Committee (the "**Audit Committee**") of Guanajuato Silver Company Ltd. (the "**Company**") is to ensure that the Company's management has designed and implemented an effective system of internal financial controls, to review and report on the integrity of the consolidated financial statements and related financial disclosure of the Company, and to review the Company's compliance with regulatory and statutory requirements as they relate to financial statements, taxation matters and disclosure of financial information. It is the intention of the Board that through the involvement of the Committee, the external audit will be conducted independently of the Company's management to ensure that the independent auditors serve the interests of Shareholders rather than the interests of management of the Company. The Committee will act as a liaison to provide better communication between the Board and the external auditors. The Committee will monitor the independence and performance of the Company's independent auditors.

#### Composition, Procedures and Organization

- The Committee shall consist of at least three members of the Board of Directors (the "Board").
- At least two members of the Committee shall be independent, and the Committee shall endeavor to appoint a majority of independent directors to the Committee, who in the opinion of the Board, would be free from a relationship which would interfere with the exercise of the Committee members' independent judgment. At least one member of the Committee shall have accounting or related financial management expertise. All members of the Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices applicable to the Company. For the purposes of this Charter, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.
- The Board, at its organizational meeting held in conjunction with each annual general meeting of the shareholders, shall appoint the members of the Committee for the ensuing year. The Board may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee.
- Unless the Board shall have appointed a chair of the Committee, the members of the Committee shall elect a chair and a secretary from among their number.
- The quorum for meetings shall be a majority of the members of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and to hear each other.
- The Committee shall have access to such officers and employees of the Company and to the Company's external auditors, and to such information respecting the Company, as it considers to be necessary or advisable in order to perform its duties and responsibilities.
- Meetings of the Committee shall be conducted as follows:
  - (a) the Committee shall meet at least four times annually at such times and at such locations as may be requested by the chair of the Committee. The external auditors or any member of the Committee may request a meeting of the Committee;

- (b) the external auditors shall receive notice of and have the right to attend all meetings of the Committee; and
  - (c) management representatives may be invited to attend all meetings except private sessions with the external auditors.
- (8) The internal auditors and the external auditors shall have a direct line of communication to the Committee through its chair and may bypass management if deemed necessary. The Committee, through its chair, may contact directly any employee in the Company as it deems necessary, and any employee may bring before the Committee any matter involving questionable, illegal or improper financial practices or transactions.

#### Role and Responsibilities

- (1) The overall duties and responsibilities of the Committee shall be as follows:
- (a) to assist the Board in the discharge of its responsibilities relating to the Company's accounting principles, reporting practices and internal controls and its approval of the Company's annual and quarterly consolidated financial statements and related financial disclosure;
  - (b) to establish and maintain a direct line of communication with the Company's internal and external auditors and assess their performance;
  - (c) to ensure that the management of the Company has designed, implemented and is maintaining an effective system of internal financial controls; and
  - (d) to report regularly to the Board on the fulfilment of its duties and responsibilities.
- (2) The duties and responsibilities of the Committee as they relate to the external auditors shall be as follows:
- (a) to recommend to the Board a firm of external auditors to be engaged by the Company, and to verify the independence of such external auditors;
  - (b) to review and approve the fee, scope and timing of the audit and other related services rendered by the external auditors;
  - (c) review the audit plan of the external auditors prior to the commencement of the audit;
  - (d) to review with the external auditors, upon completion of their audit:
    - A. contents of their report;
    - B. scope and quality of the audit work performed;
    - C. adequacy of the Company's financial and auditing personnel;
    - D. co-operation received from the Company's personnel during the audit;
    - E. internal resources used;
    - F. significant transactions outside of the normal business of the Company;
    - G. significant proposed adjustments and recommendations for improving internal accounting controls, accounting principles or management systems; and
    - H. the non-audit services provided by the external auditors;
  - (e) to discuss with the external auditors the quality and not just the acceptability of the Company's accounting principles; and
  - (f) to implement structures and procedures to ensure that the Committee meets the external auditors on a regular basis in the absence of management.

- (3) The duties and responsibilities of the Committee as they relate to the internal control procedures of the Company are to:
- (a) review the appropriateness and effectiveness of the Company's policies and business practices which impact on the financial integrity of the Company, including those relating to internal auditing, insurance, accounting, information services and systems and financial controls, management reporting and risk management;
  - (b) review compliance under the Company's business conduct and ethics policies and to periodically review these policies and recommend to the Board changes which the Committee may deem appropriate;
  - (c) review any unresolved issues between management and the external auditors that could affect the financial reporting or internal controls of the Company; and
  - (d) periodically review the Company's financial and auditing procedures and the extent to which recommendations made by the internal audit staff or by the external auditors have been implemented.
- (4) The Committee is also charged with the responsibility to:
- (a) review the Company's quarterly statements of earnings, including the impact of unusual items and changes in accounting principles and estimates and report to the Board with respect thereto;
  - (b) review and approve the financial sections of:
    - A. the annual report to Shareholders;
    - B. the annual information form, if required;
    - C. annual and interim MD&A;
    - D. prospectuses;
    - E. news releases discussing financial results of the Company; and
    - F. other public reports of a financial nature requiring approval by the Board, and report to the Board with respect thereto;
  - (c) review regulatory filings and decisions as they relate to the Company's consolidated financial statements;
  - (d) review the appropriateness of the policies and procedures used in the preparation of the Company's consolidated financial statements and other required disclosure documents, and consider recommendations for any material change to such policies;
  - (e) review and report on the integrity of the Company's consolidated financial statements;
  - (f) review the minutes of any audit committee meeting of subsidiary companies;
  - (g) review with management, the external auditors and, if necessary, with legal counsel, any litigation, claim or other contingency, including tax assessments that could have a material effect upon the financial position or operating results of the Company and the manner in which such matters have been disclosed in the consolidated financial statements;
  - (h) review the Company's compliance with regulatory and statutory requirements as they relate to financial statements, tax matters and disclosure of financial information; and
  - (i) develop a calendar of activities to be undertaken by the Committee for each ensuing year and to submit the calendar in the appropriate format to the Board of Directors following each annual general meeting of shareholders.

(5) The Committee shall have the authority:

- (a) to engage independent counsel and other advisors as it determines necessary to carry out its duties,
- (b) to set and pay the compensation for any advisors employed by the Committee; and
- (c) to communicate directly with the internal and external auditors.