Technical Report

On The

La Negra Ag-Au-Pb-Zn Mine, Querétaro, Mexico

WGS84 UTM Zone 14Q, 426,443 m E; 2,303,950 m N
LATITUDE 20° 51' 1'' N, LONGITUDE 99° 30' 9'' W

Prepared for:

Silverco Mining Ltd.
750 – 1095 W Pender St
Vancouver, BC, V6E 2M6

Report Date: May 5, 2026
Effective Date: March 25, 2026

Qualified Persons	Company
Olivier Vadnais-Leblanc, P. Geo.	SGS Geological Services ("SGS")
Allan Armitage, Ph. D., P. Geo.	SGS Geological Services ("SGS")
Johnny Canosa, P.Eng.	SGS Geological Services ("SGS")
Henri Gouin, P.Eng.	SGS Geological Services ("SGS")
Shaohai Yu, PE	SGS – Bateman

SGS Project # 21059-02A

TABLE OF CONTENTS PAGE

LIST OF FIGURES

LIST OF TABLES

1 SUMMARY

1.1 Introduction

SGS Geological Services Inc. ("SGS") was contracted by Silverco Mining Ltd., ("Silverco" or the "Company") to prepare a National Instrument 43-101 ("NI 43-101") Technical Report for the La Negra Ag-Cu-Pb-Zn Mine ("La Negra" or "Project" "or "Property") in Querétaro, Mexico. La Negra is a producing mine.

Silverco Mining Ltd., formerly Quetzal Copper Corp., was incorporated on November 30, 2020 pursuant to the Business Corporations Act (British Columbia). The Company is a Canadian-based mining company listed on the TSX Venture Exchange (TSX-V: SICO) and the OTCQB Venture Market (OTCQB: SICOF) with its corporate office at located 750 – 1095 W Pender St, Vancouver, BC, V6E 2M6. The Company's principal business activity is the acquisition, exploration and development of mineral properties in Mexico.

Silverco entered into a binding letter (the "Binding Letter") dated January 19, 2026, providing for the acquisition by the Company of an arm's length party, Nuevo Silver Inc. ("Nuevo Silver"). Pursuant to the Binding Letter, existing shareholders of Nuevo Silver will be issued common shares of Silverco (each, a "Silverco Share") in consideration for common shares of Nuevo Silver (each, a "Nuevo Silver Share") presently held (the "Acquisition"). Nuevo Silver recently acquired the La Negra mine.

Closing of the Acquisition is subject to a number of customary conditions, including all necessary consents, approvals, and other authorizations of any regulatory authorities or third parties being obtained.

This Technical Report will be used by Silverco in partial fulfillment of the requirements for the closing of the Acquisition, and has been prepared pursuant to National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101").

The current report is authored by Allan Armitage, Ph.D., P. Geo., ("Armitage"), Olivier Vadnais-Leblanc, P.Geo. ("Vadnais-Leblanc"), Johnny Canosa, P.Eng., and Henri Gouin, P.Eng. ("Gouin") of SGS and Shaohai Yu, PE of SGS – Bateman (collectively, the "Authors"). The Authors are independent Qualified Persons as defined by NI 43-101 and are responsible for all sections of this report.

1.2 Property Description, Location, Access, Infrastructure, and Physiography

The La Negra mine is located in central Mexico approximately 90 km in a direct line to the northeast of Querétaro, capital of the state of the same name, or approximately 150 km by paved road. The center of the property is located at approximately 20º51.1.' North Latitude and 99˚30.9' West Longitude (UTM 14Q 2303950N / 426443E (WGS84 datum)).

Querétaro has a population of 2.4 M inhabitants, based on the 2020 census, and the capital city has a population of 1.1 M. The closest international airport to the site is the Aeropuerto Intercontinental de Querétaro (Querétaro Intercontinental Airport), located approximately 30 km to the east of the city of Querétaro, and 125 km to the SE of La Negra. The port of Manzanillo, in the state of Colima, is the main shipping port for concentrates destined for Asian smelters and is approximately 800 km WSW of the La Negra mine site. The port of Guaymas, in the state of Sonora, is also a concentrate shipping port.

La Negra is located in a mountainous range known as the Sierra Gorda, which is part of the Sierra Madre Oriental, consisting of rugged, steep topography with peaks up to 3100 m in altitude and deep river valleys at an elevation of 1700 m. The climate is temperate, but the region is semi-arid, and consists of scrubby vegetation and cacti, with deciduous forest and pine trees in those areas that receive greater rainfall, primarily MW of the property area and locally in drainages and the margins of rivers. Although the region is arid, there are numerous springs throughout the area. The main portal for the mine is located at 1906 masl, with operations as high as 2400 m and as low as 1800 m.

The project is located in the district of Maconí, within the municipality of Cadereyta de Montes. Maconí has a population of approximately 900 inhabitants, dependent primarily on the mine as well as on small-scale agriculture and small-scale business. In total, there are 21 communities in the vicinity of the mine, The mine site itself is 3.4 km east of the town of Maconí and is accessed by an all-weather gravel road.

The property consists of 13 contiguous Mining Concessions with an aggregate area of approximately 73,300 ha. Of this total, 11 concessions for 2,157.49 ha are paid up and in good standing, one concession for 2281.12 ha is currently cancelled pending an appeal resolution, and one concession for 68,861.50 ha is under application. There are no known factors or risks that may affect access, title, or the right or ability to perform work on the property.

The Mineral Concessions are owned 100% by Minera La Negra ("MLN"). MLN is 100% owned by Nuevo Silver as of February 18, 2026. Silverco entered into a binding letter (the "Binding Letter") dated January 19, 2026, providing for the acquisition by the Company of an arm's length party, Nuevo Silver Inc. ("Nuevo Silver"). Pursuant to the Binding Letter, existing shareholders of Nuevo Silver will be issued common shares of Silverco (each, a "Silverco Share") in consideration for common shares of Nuevo Silver (each, a "Nuevo Silver Share") presently held (the "Acquisition").

Closing of the Acquisition is subject to a number of customary conditions, including all necessary consents, approvals, and other authorizations of any regulatory authorities or third parties being obtained.

Minera La Negra has three distinct royalties. The first consists of the statutory royalty paid to the government (*derecho especial de minería*) and which is paid at the rate of 8.5% of gross income as described in the *Ley Federal de Derechos* article 168, with certain deductions allowable per the *Ley del Impuesto Sobre la Renta* article 25. The second is the *derecho extraordinario de minería* which levies a payment of 1.0% on precious metals, and which is also paid to the government. In addition, there is a royalty payable to Peñoles, which is currently 2.8% but subject to certain deductions. Orion holds a 2.5% royalty.

MLN operates under a land-use agreement (*Contrato de Usufructo*), initially dated 4 December 1984, with the community of Maconí (*Comunidad Agraria de Maconí*) that provides payments to the community in exchange for the right to operate the mine on property belonging to the community. The agreement also requires MLN to contract certain services – namely concentrate haulage, personnel transport, housekeeping, and catering – to community-owned businesses. The agreement also requires MLN to perform certain remediation activities upon closing.

The agreement was amended in February 2016 and again in October of 2021. The October 2021 agreement provided for an uninterrupted 15-year extension of the land-use agreement.

Minera La Negra requires a number of permits and licenses in order to operate, as follows:

- Operating License No. 0168 required for mining and processing;
- *Manifestación de Impacto Ambiental* (MIA), the mine's Environmental Impact Statement, No. F.22.01.01.01/1882/17;
- Land Use License No. SRN/280/98;
- Tailings Dam MIA F.22.01.01.01/1533/16];
- Hazardous Waste Management Plan No. 22-PMG-I-3478-2019;

La Negra has all the permits required for startup and operations, even though there are three permits that are pending/in process. The Environment Impact Statement ("*Manifestación de Impacto Ambiental – MIA*") for the construction of a second water storage facility is pending, but there is already a water storage facility on site at the top of TSF5 with 20,000 m^3 of capacity that is operational. The Special Waste Management Plan will be filed with the state once the warehouse required for the storage of this material has been built. TSF5 is no longer in use and is being reclaimed. The closure plan for TSF5A does not need to be filed until the facility is ready for closure.

1.3 History

The evidence suggests that the area around La Negra may have been mined for minerals used for cosmetic and decorative purposes for at least 2,000 years. The Spanish began mining in the district in the 1500s and in the area around Maconí in the late 1600s and several smelters were active in Maconí recovering lead with silver values. In the late 1800s the mine and smelter were operated by Victor Beaurang, consul general of Belgium in Mexico, and subsequently by his son, until he sold the asset to Oscar and Thomas Braniff in the early 1900s. The combined effect of the Mexican Revolution and the more complex metallurgy at depth led to a suspension of the operations. In 1950 the property was acquired from the Braniff's by Compañía Minera Acoma, S.A., which carried out an unsuccessful exploration program and later abandoned the project.

Peñoles, which had operated a small smelter 10 km away in the area of El Doctor, acquired the property in the early 1960s and carried out a mapping, sampling, and magnetic survey program which resulted in the discovery of the El Alacrán deposit and confirmed the previously known mineralization at La Negra. Mine development began in 1967 and production commenced in 1971.

In 2001 the property was put on care and maintenance due to low metals prices, and the property was acquired by Aurcana in 2006 and recommenced mining in the second quarter of 2007 at a mill production rate of 1,000 tpd, increasing to 1,500 tpd in 2007, to 2,000 tpd in April 2012, and to 2,750 tpd capacity in April 2013.

In 2016 ownership of the property passed to Orion as part of a court-sanctioned Plan of Arrangement, following Aurcana's inability to repay certain amounts owed to Orion. The mine operated continuously during 2016 and 2017 but was closed from November of 2018 to August of 2019 while some remediation was carried out on the TSF5A facility and permission was obtained from CONAGUA to restart. In early 2019 the operation was closed due to the government-mandated Covid-19 shutdown. A decision was made not to restart when the mining sector was reopened, but rather to focus on resolving several outstanding issues and to carry out an exploration program and new technical study before restarting the mine.

Between 1971 and the end of 2020, the mine produced approximately 14.6 Mt with an average grade of 107 g/t silver, 0.59% lead, 1.95% zinc and 0.66% copper.

Several technical studies and resource updates have been published in recent years (Aurcana in 2008, 2010, 2013, 2015 and 2017), most recently for Minera La Negra S.A. de C.V.

The MRE prepared for MLN is considered historical in nature with respect to Silverco. A qualified person has not done sufficient work to classify the historical resource estimate as current mineral resources or reserves and Silverco is not treating the historical resource estimate presented here as current mineral resources or reserves. There are no current mineral resources or reserves for the Property.

1.3.1 La Negra Historical Mineral Resource Estimate

Resources for the La Negra mine have been estimated using Ordinary Kriging (OK), are wireframe constrained, and stated at a base case cut-off grade of US$28/t NSR accounting for value from Ag, Pb, Zn, and Cu and penalties from As and Fe (see Section 13 for a detailed description of the NSR model) (Britton et al., 2022). Resources have been estimated from analyses of Ag, Pb, Zn, Cu, As, and Fe collected from diamond drilling, channel sampling, and long-hole production sampling. Samples have been selected and the block model has been defined by 35 mineral zone solids constructed via implicit modeling using a cut-off of US$20/t as a general guide (Figure 6-4). Grades have been estimated into the block model by grouping the 35 mineral solids into eleven estimation domains. Drill hole samples are composited to 2m, channel and production samples are independently declustered to a 4 m cell size. Drill hole, channels and production samples have been globally capped, capped by datatype, and capped by estimation domain.

Estimation employs: sample length weighting, three nested passes of 25, 50 and 80 meters, and sector declustering. Resource classification criteria account for: estimation pass range, distance to nearest sample, quantity of samples, sectors used, age and quality of data, type, and general reliability estimation. The block model has been depleted by existing mine cavities with an additional spatial buffer as well as manual removal of blocks near historic mining, no partially mined blocks are accounted for, and historically mined areas are mostly entirely removed from tabulation even if there are areas suspected to be remaining.

Historical Mineral Resources are stated in Table 1-1.

Table 1-1 La Negra Historical Mineral Resource Statement at US$28/t NSR Cutoff, March 31, 2022

Classification	Cutoff Grade US$NSR/t	Tonnes (M)	Grade US$NSR/t	Grade Ag g/t	Grade Pb%	Grade Zn%	Grade Cu%
Indicated	28	2.46	73	64	0.27	1.95	0.5
Inferred	28	6.42	80	80	0.65	1.8	0.4

1.4 Geology and Mineralization

The La Negra property is located in the Sierra Gorda range, belonging to the Sierra Madre Oriental physiographic province. The main sedimentary host rocks were laid down during the late Jurassic through early Cretaceous and consist of two carbonate platforms – El Doctor to the west and Valles- San Luis Potosí to the east – with the deep water Zimapán basin, consisting of basinal carbonates with minor clastic material in between.

The collision of the Guerrero Terrane with the southwest coast of North America and the beginning of subduction signaled the beginning of the formation of the Mexican Fold and Thrust Belt (MFTB) about 83 million years ago. The Paleozoic basement and resistant carbonate rocks of the El Doctor platform buckled and were thrust to the NE over the sediments of the Zimapán basin, which deformed plastically resulting in high-amplitude folds.

Subsequent to the end of the Laramide orogeny and the termination of the compressional regime that formed the MFTB, the region experienced a period of extension (43-25 Ma) that led to minor normal faulting. Intrusive bodies exploited the NW-trending fold axes created during the formation of the MFTB as well as subsidiary NE-trending structures.

The principal geologic unit in the vicinity of La Negra is the La Negra facies of the El Doctor Formation, which strikes N in the area of the mine but is interpreted to broadly follow the NW trend of the Piñón Anticline, the fold axis of which is a major throughgoing structure. To the west, and potentially hosting NW extensions of the mineralization, is the San Joaquín facies of the El Doctor Formation, which forms a N trending band approximately 150 m wide. To the west of this, and outside any zones of known mineralization, is the foreslope Socavón facies of the El Doctor Formation.

Four different phases of skarn mineralization have been identified with the economic mineralization formed in the final stage, which in addition to sulfides generated orthoclase, quartz, calcite and datolite. The principal minerals at La Negra consist of sphalerite (marmatite), galena, and chalcopyrite, with silver present as hessite [Ag2Te] in association with galena and as argentite and pyrargyrite. Other common, non-mineral sulfides include pyrite, minor pyrrhotite, lloelingite [$FeAs_2$] and arsenopyrite. La Negra is classified as a Pb-Zn-Ag + Cu skarn.

1.5 Metallurgical Testing and Mineral Processing

Minera La Negra initiated operations in 1971 and has been in continuous production for most of that time.

Other than various throughput expansions over the years, the processing plant flowsheet has been well established and is little changed, and operating parameters and recoveries are well understood. Estimated recoveries are as follows: Ag – 79.7%, Pb – 72.3%, Zn – 84.0%, Cu – 68.0%.

The most important aspect of the mine planning and mineral processing at La Negra is the correct calculation of the NSR for each tonne of rock in the model, as this directly drives the planning process for both the mine and the processing plant, as described in Sections13.2 through 13.12.

NSR is the dollar value of material after the metallurgical recovery, concentrate trucking charges, smelter payables, smelter deductibles, smelter penalties, and treatment charges have been accounted for. NSR does not account for mining cost, process cost, G&A, sustaining capital, dilution, royalties, VAT, or taxes. The purpose of the NSR is to compare material value to the breakeven costs of the mine.

1.6 Exploration

There have been several phases of modern exploration at La Negra during its more than 50-year history, starting with the work carried out by in the 1950s by Compañía Minera La Campaña and then by Peñoles prior to initial production until they closed the operation in 2001. Subsequently, Aurcana conducted some work in the period when they held ownership from 2006 to 2016, although minimal work was completed from 2006 through 2020. The 2021 program signals the first meaningful and methodical exploration on this project since it was held by Peñoles. This program consisted of field mapping encompassing an area of 4,480 ha primarily to the northwest and east of the current mine site, soil sampling of the mapped area on a 200 m sampling grid, and surface channel sampling along the intrusive-skarn contact.

1.7 Drilling

The project database contains 2,851 diamond drill holes drilled from 1950's to 2025 with a total length of 230,585.8 m. MLN has conducted underground drilling since the acquisition of the Property in 2006 from Peñoles, both to find extensions of known mineralization, and to discover new zones but primarily drilling after 2006 has been near existing development.

During the 2024-2025 drilling campaign, a series of grade control and near development definition holes were completed with an average hole length of 73 m. A total of 48 diamond drill holes were drilled for 3521.8 m of core. A total of 1,500 assays were obtained fro2,314.35 m of sampled core.

1.8 Mineral Resources and Mineral Reserves

There are no current mineral resources or reserves for the property.

1.9 Mining Methods

La Negra has more than 50 years of operating history and mines using longhole open stoping (LHOS) with 64-mm production longholes. All phases of mining, except haulage to surface, are carried out by La Negra personnel, with surface haulage managed by a contractor. Planned stopes are longitudinal, approximately 20 m high by 20 m long by 6 m wide. The mine does not employ systematic backfilling, waste rock is either utilized at surface or placed in inactive stopes. Ground support requirements are minimal due to generally competent rock conditions. The mine operates at a production rate of 2,500 tpd. The cost of contractor haulage is included in mining costs.

1.10 Recovery Methods

The processing facility at Minera La Negra consists of a standard crushing, grinding, flotation, and filtration circuit producing lead-silver, copper-silver, and zinc concentrates (in that order). The concentrator has an operating capacity of 3,000 tonnes per day but currently operates at a rate of 2,500 tpd.

The crushing circuit consists of a 25” x 42” jaw crusher, followed by secondary and tertiary crushing with Symons 5 ½ ft standard and shorthead cone crushers, respectively, to produce a product with a P_{80} of 5/16”. The material is conveyed to three fine rock storage bins with a capacity of 450 tonnes each. The grinding circuit consists of two parallel ball milling lines. The first consists of a 10’ x 10’ ball mill in a single grinding stage arrangement, while the second line consists of two ball mills, 9’ x 11’ and 7.5’ x 11’, in a two-stage milling arrangement, producing a P_{80} of 75µ.

The flotation circuit consists of three stages of flotation to recover lead, copper, and zinc concentrates, in that order. A variety of reagents are added throughout the process to maximize the recovery of the targeted metal, while suppressing unwanted materials such as iron and arsenic. The lead recovery circuit consists of four 350 ft^3 Outotec rougher flotation cells and four 50 ft^3 Denver scavenger/cleaner flotation cells.

Sodium cyanide and zinc sulfate are added during the grinding stage to depress pyrite, arsenic and copper and zinc minerals, and AERO 7583 is added as a lead collector while CC1064 is added as a frother.

The copper recovery circuit consists of 10 160 ft^3 Denver flotation cells. Ammonium bisulfite is added as a pH modifier and Zn and Fe depressor, while S-7583 is added as a copper collector and CC1064 is added as a frother. Depending on the copper minerals sodium isopropyl xanthate is also added as a collector.

The zinc recovery circuit consists of four Denver 160 ft^3 rougher flotation cells and four Denver 160 ft^3 cleaner flotation cells. Lime is added as a pH modifier and copper sulfate is added to activate the zinc minerals. Aero 5160 is added as a collector, while CC1064 is added as a frother.

The concentrates are thickened and filtered to a moisture content of 10-12% with concentrate grades of 60.2% Pb and 8,362 g/t Ag for the Pb-Ag concentrate, 44.1% Zn and 70 g/t Ag for the Zn concentrate, and 23.9% Cu and 1,740g/t Ag for the copper concentrate.

La Negra has a fully equipped laboratory to perform sample preparation and assays by ICP, atomic absorption and fire assay. The laboratory carries out assays for both exploration and concentrate samples.

1.11 Infrastructure

The infrastructure in and around Minera La Negra is fairly standard. The mine has access from the state capital city of Querétaro through a paved road to the town of Maconí. The last stretch to the plant site is via a well-maintained, year-round, 3.4 km long gravel road. Although it narrows to one lane locally it can handle all heavy equipment.

San Joaquín is the largest town close to Maconí, located 21 km to the north, with better services than Maconí. Local schooling is provided at Maconí through primary level, while San Joaquin provides secondary and high school equivalent levels. For technical and higher-level education, local people attend schools at Cadereyta, Ezequiel Montes or Querétaro.

Available transportation is limited to a private bus service from San Joaquín to Querétaro and other localities.

Electrical power is obtained from the national grid through a 34 kilovolt (kV) line to the process plant and mine facilities. Occasionally, power is delivered directly from the Ezequiel Montes sub-station. Electrical power is transformed at MLN’s substation to 6.9 kV to be distributed to the process plant and mine facilities at 440 volts.

The site has both fixed land lines and satellite internet. Cellular phone service at the mine site and in the area around Maconí is limited.

Water for domestic sources comes from the Maconí River. Water for industrial purposes is obtained from several sources: water used within the mine is obtained from the small amount of surface rain and run-off water that infiltrates the mine; this water is recirculated from the lower levels using pumps to lift it to where it is needed. Historically, approximately 70% of the water used in the mill operation is recirculated from the tailings storage facility and the remaining 30% makeup water is obtained from the San Nicolás water well. With the planned introduction of filtered tailings, it is estimated that 90% of the water used in the plant will be recycled.

1.12 Environment and Social Impact

Minera La Negra has all the permits required for operations.

Minera La Negra operates under three separate environmental impact statements (*Manifestación de Impacto Ambiental – MIA*), two of which are currently valid and in effect. The third is for the TSF5 facility which is no longer in use. The initial MIA was issued for the mine, mill, and the original tailings facility. A second MIA was issued for the development of TSF5 (Tailings Storage Facility 5), and the third was an amendment that allowed the expansion of TSF 5, known as TSF5A.

These studies considered the impact of the operation on the environment and the social impact of the project. The area affected by the project is located in a region that had experienced significant historical impact, including past mining operations dating back to the pre-Columbian era as well as other human activities stretching back for hundreds of years.

There are 21 communities in the vicinity Minera La Negra and which together belong to the *Comunidad Agraria Maconí*. The largest of these is Maconí, with a population of over 900, but the majority consist of small communities with a population of less than 100 inhabitants, and the total population near the mine totals approximately 3,000 individuals.

The project footprint consists of approximately 51 ha and constitutes the areas that are directly disturbed by existing infrastructure and earthworks, in addition to those that are projected as part of the longer-term operation of the mine.

Minera La Negra has developed a series of plans which outline its commitment to environmental and social management, monitoring and mitigation, and includes health and safety, security, environmental plans, and stakeholder engagement. These plans are reviewed and updated periodically, and will consider internal and external comments, stakeholder feedback, and third-party reviews, and of course any potential regulatory changes.

The following management plans have been developed and implemented:

- Stakeholder Engagement Plan (Plan de Recuperación del Tejido Social)
- Occupational Health and Safety Plan (Programa de Seguridad e Higiene Industrial)
- Emergency Preparedness and Spill Response Plan (*Plan de Contingencias por Residuos Peligrosos*)
- Emergency Preparedness Plan (Programa Interno de Protección Civil)
- Transport Management Plan (Plan Interno de Seguridad Vial)
- Cyanide Management Plan (Procedimiento para el Manejo de Cianuro)
- Reagent Management Plan (Plan Específico de Seguridad e Higiene para el Manejo, Transporte y Almacenamiento de Sustancias Químicas Peligrosas)
- Solid Waste Management Plan (Plan de Manejo de Residuos Peligrosos)
- Air Quality and Noise Management Plan (Plan Anual de Protección y Conservación Atmosférica)

- Dust Management Program (included in Plan Anual de Protección y Conservación Atmosférica)
- Surface Water Management Plan (Plan Anual de Protección de Agua Superficial)
- Soil and Tailings Management Plan (Plan Anual para la Protección y Conservación de Suelos)
- Biodiversity Management Plan (Programa para el Rescate y Reubicación de Vegetación Forestal and Programa de Acciones para la Protección de la Fauna)
- Physical and Property Security Plan (*Plan de Seguridad Patrimonial*)
- Cultural and Archeological Protection Plan (Plan de Protección al Patrimonio Cultural, Paleontológico y Prehispánico)
- Mine Closure Plan (Guía para la Elaboración del Plan de Cierre de Mina y Planta de Beneficio)
- TSF5 Closure Plan (Plan de Obra Cierre del Depósito de Jales No. 5)
- TSF5A Closure Plan (Plan de Cierre de Depósito de Jales Proyecto Ampliación del Depósito de Jales no. 5)
- TSF Emergency Management Plan (Plan de Atención a Emergencias Depósito de Jales)

Minera La Negra is located on land belonging to an agrarian community named *Comunidad Agraria Maconí*. This is not to be confused with a common form of communal land ownership unique to Mexico known as the *ejido* although in practice there are minimal differences between an *ejido* and an agrarian community. Based on the latest agrarian census by Mexico's statistics agency, *INEGI*, completed in 2020, there are 29,793 *ejidos* in Mexico covering an area of just over 82.2 million ha, compared with 2,354 agrarian communities covering just over 17.5 million ha. For the state of Querétaro the comparative figure is 364 *ejidos* covering 0.48 million ha and 16 agrarian communities covering 58,288 ha.

The benefits and/or payments that the third party provides to the community are known as the *usufructo*, and the agreement between the *Comunidad Agraria* and the third party is known as the *Contrato de Usufructo por la Ocupación Temporal de Tierras Comunales*. Following Peñoles' sale of the property, a new 15-year *usufructo* was entered into between the community and Minera La Negra on July 18th 2006, covering an area of 42.5 ha. This agreement was later amended the 16th of February of 2016 following a series of negotiations that commenced in late 2014 designed to address certain grievances by the community with respect to the original agreement. The area covered by the *usufructo* was increased to 51.0 ha to allow for the construction of TSF 5A.

The latest amendment to the *usufructo* was completed in October 2021 and amends the terms of the agreement that expired on 18 July 2021. The agreement is valid for 15 years and covers the same 51.0 ha. In addition to the annual land payment, Minera La Negra has agreed to carry out certain infrastructure projects of importance to the community once the project is fully in production.

The company is subject to inspections and audits by several government agencies. At the Federal level the water agency CONAGUA inspects the site one to two times per year, while Profepa (*Procuraduría Federal de Protección al Ambiente*) which is the enforcement agency of SEMARNAT, inspects the mine three to four times per year.

At the State level Minera La Negra is subject to inspections by the sustainable development agency SEDESU (*Secretaría de Desarrollo Sustentable*) and by the State water commission CEA (*Comisíon Estatal del Agua*). Each of these agencies inspects the company on average once per year.

The municipality of Cadereyta de Montes also inspects the mine once to twice per year.

Proper closure preparation is important to ensure that a mining project will have a positive impact on a community or region. Minera La Negra's closure and reclamation goals are as follows:

- Future public health and safety are not compromised

- Environmental impacts are minimized and environmental resources in the region are not subject to additional deterioration over time
- Post-closure use of the site is beneficial and sustainable and acceptable to the community and regulators
- Adverse impacts on the local community is minimized
- Socioeconomic benefits are maximized
- Closure and rehabilitation are funded by MLN

In accordance with Mexico's regulatory requirements, a series of closure plans for La Negra were developed for each of the company's MIAs. The closure plan for TSF5 was developed in July 2019 by MLN in accordance with Mexico's mining law (*Ley Minera*) and in accordance with SEMARNAT regulations NOM-141-SEMARNAT-2003 and NOM-147-SEMARNAT/SSA1-2004. That same year the company developed the closure plan for TSF5A. Preliminary closure and rehabilitation costs including engineering planning and environmental monitoring were developed by Minera La Negra.

1.13 Recommendations

The La Negra property contains significant historical underground mineral resources that are associated with well-defined mineralized trends and geological models. The mine is currently in production and has been operated privately under fully consolidated ownership since 2024.

Additional work is recommended to upgrade historical mineral resources to current NI 43-101 compliant mineral resources, and to optimize the operation and improve margins:

Mining

- Review the current drill hole and underground channel sampling data and QA/QC data completed to date, revise geologic models, mineral resource models and structural models, and estimate mineral resources using the updated data, models and updated metal prices, recoveries and economic parameters, such as current mining and processing costs and G&A costs.
- Complete infill drilling plans to convert Inferred resources to Indicated or Measured and possibly add new areas to the mining inventory.
- Complete a life of mine (LOM) plan that includes updated cut-off values, rock sorting benefits, paste backfill, and incorporates geotechnical parameters developed in the ground control management.

Metallurgy and Processing

- Complete an economic analysis of the rock sorting concept to upgrade mill head grade.
- Perform multi-element analyses on each vein system to fully understand the mineralization.
- Update the existing tailing facility design and operating parameters to align with international standards, ensure stability and maximize tailing storage volume using the current facility. Bring on an indendepent EOR for the tailings

The total cost of the planned exploration and development work program by Silverco is estimated at US$5.345 to 6.83 million (Table 1-2).

Table 1-2 Cost Summary for Recommended Future Work

2025-2026		
Item	**Unit**	**Cost**
Data compilation and review, geology and resource modeling, resource estimation, NI 43-101 Technical Report	1	$80,000 - $100,000
Infill Diamond Drilling	20,000 m	$2,400,000
Infill Drilling Assays	7,000	$315,000
Geological Compilation and Resource Estimation	1	$250,000 - $300,000
LOM Plan	1	$200,000 - $300,000
Ground Control Management Plan	1	$300,000 - $350,000
Rock Sorting Economic Analysis	1	$80,000 - $120,000
Multi-Element Analyses	1	$100,000 - $150,000
Updated Tailing Facility Design	1	$400,000 - $600-000
Total		**$5,345,000 - $6,830,000**

2 INTRODUCTION

SGS Geological Services Inc. (“SGS”) was contracted by Silverco Mining Ltd., (“Silverco” or the "Company") to prepare a National Instrument 43-101 ("NI 43-101") Technical Report for the La Negra Ag-Cu-Pb-Zn Mine (“La Negra” or “Project” “or “Property”) in Querétaro, Mexico. La Negra is a producing mine.

Silverco Mining Ltd., formerly Quetzal Copper Corp., was incorporated on November 30, 2020 pursuant to the Business Corporations Act (British Columbia). The Company is a Canadian-based mining company listed on the TSX Venture Exchange (TSX-V: SICO) and the OTCQB Venture Market (OTCQB: SICOF) with its corporate office at located 750 – 1095 W Pender St, Vancouver, BC, V6E 2M6. The Company’s principal business activity is the acquisition, exploration and development of mineral properties in Mexico.

Silverco entered into a binding letter (the “Binding Letter”) dated January 19, 2026, providing for the acquisition by the Company of an arm’s length party, Nuevo Silver Inc. (“Nuevo Silver”). Pursuant to the Binding Letter, existing shareholders of Nuevo Silver will be issued common shares of Silverco (each, a “Silverco Share”) in consideration for common shares of Nuevo Silver (each, a “Nuevo Silver Share”) presently held (the “Acquisition”). Nuevo Silver recently acquired the La Negra mine.

Closing of the Acquisition is subject to a number of customary conditions, including all necessary consents, approvals, and other authorizations of any regulatory authorities or third parties being obtained.

This Technical Report will be used by Silverco in partial fulfillment of the requirements for the closing of the Acquisition, and has been prepared pursuant to National Instrument 43-101 – Standards of Disclosure for Mineral Projects (“NI 43-101”).

The current report is authored by Allan Armitage, Ph.D., P. Geo., (“Armitage”), Olivier Vadnais-Leblanc, P.Geo. (“Vadnais-Leblanc”) and Henri Gouin, P.Eng. (“Gouin”) of SGS and Shaohai Yu, PE of SGS – Bateman (collectively, the “Authors”). The Authors are independent Qualified Persons as defined by NI 43-101 and are responsible for all sections of this report.

2.1 Sources of Information

In preparing the current technical report, the Authors utilized a digital database, provided by Silverco, and a recent technical report provided to the Authors by Silverco. Armitage conducted a site visit and personal inspection to verify the current conditions on the Property (see below).

- *The Property was the subject of a NI 43-101 technical report by Scott G. Britton, P.E., Mining Plus US, Kim Kirkland, FAusIMM, Mining Plus Peru S.A.C., Glenn Zamudio, FAusIMM, Mining Plus Australia, and Steven Truby, P.E., Wood EIS in 2022 titled “Technical Report – Preliminary Economic Analysis Study, La Negra Mine”, with an Effective Date: March 31, 2022, Report Date: June 29, 2022, prepared for Minera La Negra S.A. de C.V.*

The Authors have carefully reviewed all digital data and Property information and assumes that all information and technical documents reviewed and listed in the “References” are accurate and complete in all material aspects. Information presented Sections 4-13, 16-18 and 20 have been sourced from a recent internal technical report, reviewed, and updated where required.

Historical Mineral Resource figures contained in this report (Section 6), including any underlying assumptions, parameters and classifications, are quoted “as is” from the source.

The Authors believe the information used to prepare the current Technical Report is valid and appropriate considering the status of the Property and the purpose of the Technical Report. By virtue of the Author’s technical review of the Project, the Authors affirm that the work program and recommendations presented herein are in accordance with current NI 43-101 requirements (2014).

2.2 Qualified Persons

The Qualified Person's for the report is listed in Figure 2-1. By virtue of their education, experience and professional association membership, they are considered Qualified Person as defined by NI 43-101.

Figure 2-1 Qualified Person's and Report Responsibility

Qualified Person	Professional Designation	Position	Employer	Independent of Silverco	Site Visit	Report Sections
Olivier Vadnais-Leblanc	P.Geo.	Geologist	SGS	Yes	No	1.4, 1.6, 1.7, 9, 10, 11, 12.1
Allan Armitage	P.Geo.	Senior Resource Geologist	SGS	Yes	Yes	1.1 to 1.3, 1.8, 1.13, 2 to 6, 7, 8, 12.2, 12.3, 18.5, 25, and 27
Johnny Canosa	P.Eng.	Senior Mining Engineer	SGS	Yes	No	1.11, 1.12, 2.2, 18, excluding 18.5, and 20
Henri Gouin	P.Eng.	Mining Engineer	SGS	Yes	No	1.9, 16, and 26.1
Shaohai Yu	PE	Senior Process Engineer	SGS – Bateman	Yes	No	1.5, 1.10, 13, 17, and 26.2

2.3 Site Visit and Scope of Personal Inspection

La Negra was visited by Armitage on March 23-24, 2026. The site visit included:

- A general tour of the property, surface and underground, to assess:
  - inspection of the project site to assess accessibility, topography, available infrastructure and proximity to towns and roads,
  - infrastructure including office facilities, core logging and core storage facilities,
  - surface water and power supply,
  - assay lab and process plant,
  - tailings storage,
  - active mine portals and underground workings,
  - Mineralized material stockpiles and blending procedures.
- Inspection of underground mine workings, including several active faces, geotechnical conditions, underground face sampling procedures.
- Inspection of selected drill sites, outcrops and drill core to review local geology and the different styles of mineralization.
- Review current core sampling, QA/QC and core security procedures.
- Inspection of drill core and assay sheets to validate sampling, confirm the presence of mineralization in drill core and underground workings.
- General discussions with project geologists and engineers regarding future plans.

The site visit conducted by Armitage is considered as the current site visit, per Section 6.2 of NI 43-101CP.

2.4 Effective Date

The Effective Date of the Technical Report is March 25, 2026.

2.5 Units and Abbreviations

Units used in the report are metric units unless otherwise noted. Monetary units are in United States dollars (US$) unless otherwise stated.

Figure 2-2 List of Abbreviations

$	Dollar sign	Leapfrog	Leapfrog Geo version 2025.2
%	Percent sign	m	Metres
°	Degree	m^2	Square metres
°C	Degree Celsius	m^3	Cubic meters
°F	Degree Fahrenheit	masl	Metres above sea level
µm	Micron	Mlb	Million pounds
AA	Atomic absorption	mm	millimetre
Ag	Silver	mm^2	square millimetre
AgEq	Silver equivalent	mm^3	cubic millimetre
Au	Gold	Moz	Million troy ounces
Azi	Azimuth	MRE	Mineral Resource Estimate
CAD$	Canadian dollar	Mt	Million tonnes
CAF	Cut and fill mining	mTW	metres true width
cm	Centimetre	NI	National Instrument
cm^2	square centimetre	NN	Nearest neighbor
cm^3	cubic centimetre	NQ	Drill core size (4.8 cm in diameter)
Cu	Copper	NSR	Net smelter return
CV	Coefficient of variation	oz	Troy ounce (31.1035 grams)
CV_{AVR} %	Average coefficient of variation	OK	Ordinary kriging
DDH	Diamond drillhole	Pb	Lead
ft	Feet	ppb	Parts per billion
ft^2	Square feet	ppm	Parts per million
ft^3	Cubic feet	QA	Quality assurance
g	Grams	QC	Quality control
g/t	Grams per Tonne	QP	Qualified person
GPS	Global positioning system	r	Pearson correlation coefficient
Ha	Hectares	RC	Reverse circulation drilling
HQ	Drill core size (6.3 cm in diameter)	RQD	Rock quality designation
ICP	Induced coupled plasma	SD	Standard deviation
ID^2	Inverse distance weighting to the power of two	SG	Specific gravity
ID^3	Inverse distance weighting to the power of three	SLS	Sub-level stoping
kg	Kilograms	Ton	Short ton
km	Kilometres	Zn	Zinc
km^2	Square kilometre	Tonnes or t	Metric tonnes
kt	Thousand tonnes	US$	US Dollar

koz	Thousand troy ounces	UTM	Universal Transverse Mercator
lb	Pound	WGS84	World Geodetic System 1984

3 RELIANCE ON OTHER EXPERTS

3.1 Property Agreements, Mineral Tenure, Surface Rights and Royalties

Final verification of information concerning the Property status and ownership, which are presented in Section 4 below, have been provided to Armitage by Nico Harvey, VP Project Development for Silverco, by way of E-mail on April 10, 20. Armitage only reviewed the land tenure in a preliminary fashion and has not independently verified the legal status or ownership of the Property or any underlying agreements or obligations attached to ownership of the Property. However, Armitage has no reason to doubt that the title situation is other than what is presented in this technical report (Section 4). Armitage is not qualified to express any legal opinion with respect to Property titles or current ownership.

The Authors have relied upon previous internal technical reports, written for La Negra, regarding the Property with respect to Sections 13, 16, 17, 18 and 20. La Negra is currently an operating mine. However, there are no current resources or reserves for the Property with respect to Silverco.

4 PROPERTY DESCRIPTION AND LOCATION

4.1 Location

The La Negra Mine is located in central Mexico approximately 90 km in a direct line to the northeast of Querétaro, capital of the state of the same name, or approximately 150 km by paved road. The center of the property is located at approximately 20º51.1.' North Latitude and 99°30.9' West Longitude (UTM 14Q 2303950N / 426443E (WGS84 datum)).

Figure 4-1 Project Location Map (Britton et al., 2022)

Querétaro has a population of 2.4 M inhabitants, based on the 2020 census, and the capital city has a population of 1.1 M (Figure 4-1). The main industrial activities in the state include automotive and aerospace manufacturing, as well as logistics and distribution, given its location close to Mexico City. The state also has a burgeoning agricultural sector, and produces primarily specialty products such as triticale, roses, asparagus, chickpeas, carrots, as well as an emerging viticulture industry.

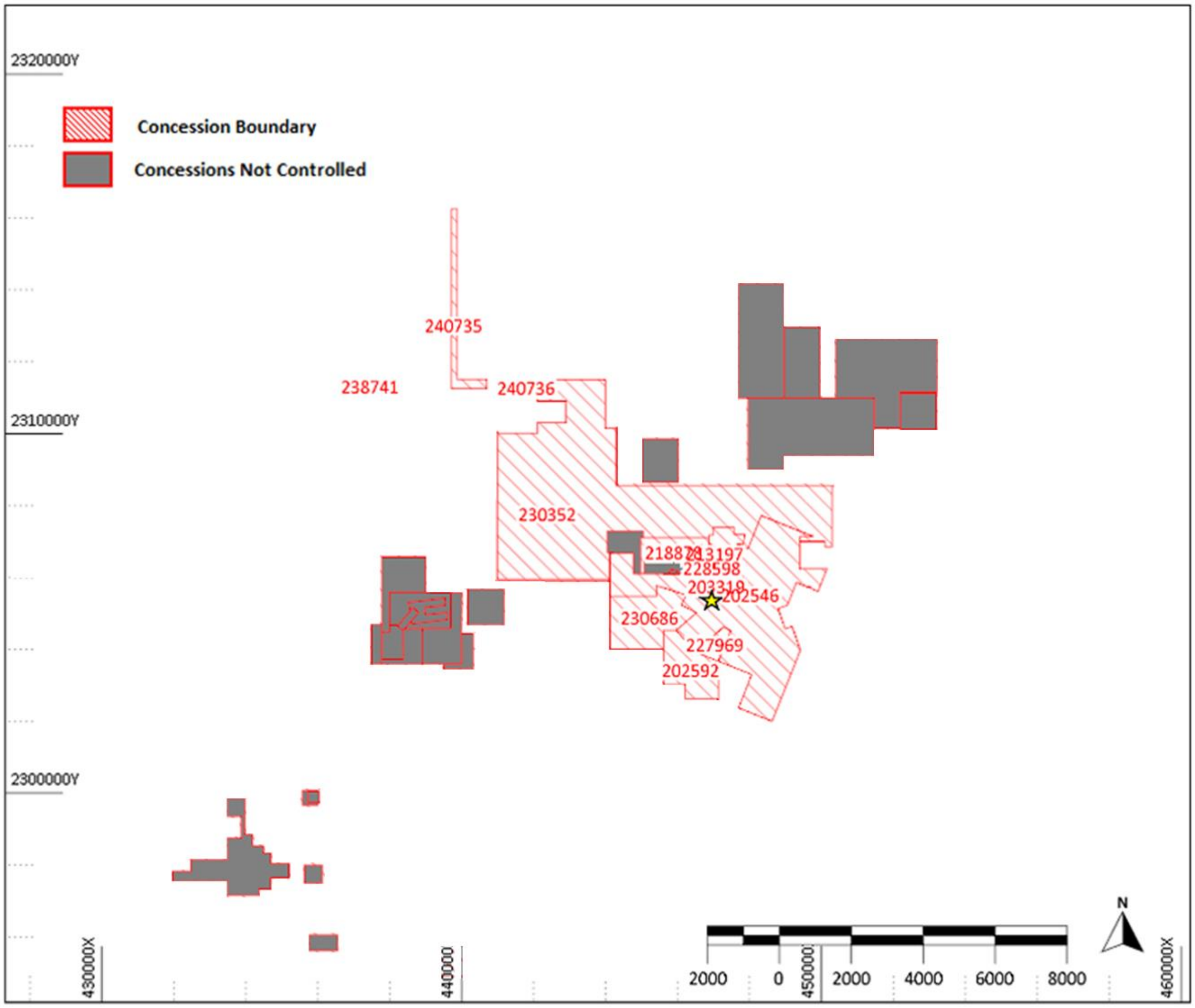
4.2 Property Description and Concessions

The property consists of 13 contiguous Mining Concessions with an aggregate area of approximately 73,300 ha (Table 4-1). Of this total, 11 concessions for 2,157.49 ha are paid up and in good standing, one concession for 2281.12 ha is currently cancelled pending an appeal resolution, and one concession for 68,861.50 ha is under application (Figure 4-2). There are no known factors or risks that may affect access, title, or the right or ability to perform work on the property.

Table 4-1 Minera La Negra Mining Concessions

Concession No.	Concession Name	Granted	Expires	Area (ha)	Status
202546	LA NEGRA	1995-12-01	2032-12-19	1,350.79	In good standing
202592	LA YEGUA	1995-12-08	2045-12-07	203.39	In good standing
203319	MARIANA	1996-06-28	2046-06-27	0.65	In good standing
213197	EL NEGRO	2001-03-30	2051-03-29	1.15	In good standing
218878	EL PATRIARCA	2003-01-23	2053-01-22	110.33	In good standing
227969	DIANA	2006-09-20	2056-09-19	43.02	In good standing
228598	LIGIA	2006-12-12	2056-12-11	1.53	In good standing
230352	MACONI	2007-08-17	2057-08-16	2,281.12	Cancelled, appeal resolution pending
230686	TICHI	2007-10-03	2057-10-02	293.53	In good standing
238741	EL SOL	2011-10-18	2061-10-17	20.65	In good standing
240735	AURCANA 1 Fracción 2	2012-06-26	2062-06-27	100.20	In good standing
240736	AURCANA 1 Fracción 3	2012-06-26	2062-06-27	32.25	In good standing
Under application	AURCANA III			68,861.50	Pending approval
			TOTAL	73,300.11	

Figure 4-2 MLN Concession Areas



Source: MLN

4.3 Ownership

The Mineral Concessions are owned 100% by Minera La Negra ("MLN"). MLN is 100% owned by Nuevo Silver as of February 18, 2026.

The following sequence of agreements took place following Peñoles' decision to put the mine on care and maintenance in the year 2000, and eventually led to the current ownership structure:

- On December 22, 2005, Reyna Mining and Engineering, S.A. de C.V. (Reyna) signed a letter of intent with Peñoles to acquire MLN.
- On February 22, 2006, Aurcana entered into a letter of intent with Reyna to acquire MLN.
- On March 24, 2006, Aurcana entered into a joint investment contract with Reyna to acquire 80% of the capital of Real de Maconí.
- On May 18, 2006, Peñoles entered into a Sales and Purchase Agreement to sell its shares in MLN to Aurcana and Reyna.

- In July 2009, Aurcana increased its ownership in MLN to 92% and in February 2012 to 99.86%, in both instances due to Reyna failing to contribute its share of joint venture payments.
- On January 7, 2016, Orion acquired 100% of the shares owned by Aurcana (over 99.999% of the shares of MLN) as part of a court-sanctioned restructuring of Aurcana following its inability to pay certain amounts due to Orion. Orion entered into an agreement with Aurcana for the latter to operate the mine on behalf of Orion.
- In March 2019, Orion terminated the operating agreement with Aurcana and appointed its own General Manager.
- On August 6, 2020, Orion entered into a joint venture agreement with M Grupo, a Querétaro- based infrastructure and real estate company, whereby M Grupo could earn a 50% interest in MLN.
- In December 2021, M Grupo notified Orion that it would not be exercising its option to earn a 50% interest in MLN. In January 2022 the parties negotiated a revised agreement with Orion retaining 100% of the asset and M Grupo retaining a contingent interest depending on whether the asset is restarted or sold, according to a pre-set formula.
- On December 8, 2023, pursuant to a share purchase agreement entered into between Orion and Jopa Holding, LLC ("Jopa Holding"), acquired control of MLN through Jopa Holding's acquisition of all of the issued and outstanding shares of Mahalo S.à r.l., a Luxembourg corporation that owns 100% of Dalú S.à r.l.
- On February 18, 2026, Nuevo Silver Inc. acquired the producing La Negra Mine in Querétaro State, Mexico. Nuevo Silver acquired all of the issued and outstanding shares of Minera La Negra S.A. de C.V., the holding company of the mine, from Dalu S.à r.l., a Luxembourg entity, for aggregate consideration of approximately US$50 million.

4.4 Silverco Acquisition of Nuevo Silver Inc. and the La Negra Mine

Silverco entered into a binding letter (the "Binding Letter") dated January 19, 2026, providing for the acquisition by the Company of an arm's length party, Nuevo Silver Inc. ("Nuevo Silver"). Pursuant to the Binding Letter, existing shareholders of Nuevo Silver will be issued common shares of Silverco (each, a "Silverco Share") in consideration for common shares of Nuevo Silver (each, a "Nuevo Silver Share") presently held (the "Acquisition").

Closing of the Acquisition is subject to a number of customary conditions, including all necessary consents, approvals, and other authorizations of any regulatory authorities or third parties being obtained.

4.4.1 Acquisition Deal Terms

Holders of Nuevo Silver Shares will be issued an aggregate of 16,802,316 Silverco Shares pursuant to the Acquisition. Upon completion of the Acquisition, based on the total number of currently issued and outstanding Silverco Shares, former holders of Nuevo Silver Shares will hold approximately 34% of the outstanding Silverco Shares, and the existing holders of Silverco Shares will hold approximately 66% of the outstanding Silverco Shares. Silverco will also assume approximately US$11M in debt associated with the La Negra Mine, US$12.5M in milestone payments due in Q1 2027 and US$5M in contingent payments potentially due between Q1 2027 and Q1 2028.

Silverco and Nuevo Silver have agreed to diligently and in good faith negotiate a definitive agreement (the "**Definitive Agreement**") regarding the Acquisition; however, the terms of the Binding Letter will govern the transaction in the event that a Definitive Agreement is not executed.

Closing of the Acquisition is subject to a number of customary conditions, including all necessary consents, approvals, and other authorizations of any regulatory authorities or third parties being obtained, including, without limitation the conditional approval of the TSX Venture Exchange (the "**Exchange**"); completion by

Nuevo Silver of the acquisition of the La Negra Mine; receipt by Silverco of a technical report, if required, in respect of the La Negra Mine; receipt by the Silverco board of a favourable fairness opinion; and Silverco board approval.

The closing of the Acquisition will occur as soon as reasonably possible after the satisfaction or waiver of all condition's precedent.

As insiders of the Company will acquire Nuevo Silver Shares as a result of the acquisition by Nuevo Silver of the La Negra Mine, the Acquisition is considered a "related party transaction" pursuant to Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"). The Company is exempt from the requirements to obtain a formal valuation or minority shareholder approval in connection with such insiders' participation in the Acquisition in reliance on Sections 5.5(b) and 5.7(1)(a) of MI 61-101.

4.5 Royalties and Taxes

As described in sections 4.5.1 – 4.5.3, inclusive, Minera La Negra has three distinct royalties. The first consists of the statutory royalty paid to the government (*derecho especial de minería*) and which is paid at the rate of 8.5% of gross income as described in the *Ley Federal de Derechos* article 168, with certain deductions allowable per the *Ley del Impuesto Sobre la Renta* article 25. The second is the *derecho extraordinario de minería* which levies a payment of 1.0% on precious metals, and which is also paid to the government. In addition, there is a royalty payable to Peñoles, which is currently 2.8% but subject to certain deductions. Orion holds a 2.5% royalty.

4.5.1 Statutory Royalty

On 1 January 2014, Mexico introduced a mining royalty (derecho especial de minería) payable twice annually at a rate of 8.5% of gross income from mining activities, subject to certain allowable deductions per article 25 of the Ley del Impuesto Sobre la Renta (capital investment, financing costs and inflation adjustment cannot be deducted).

In addition, producers of gold, silver and platinum are also required to pay an additional, extraordinary mining royalty (derecho extraordinario de minería) equivalent to 1.0% of all revenues arising from the sale of gold, silver and platinum, and is payable in March of each year.

Idle concessions are also subject to an additional mining royalty (derecho adicional sobre minería) if the holder of the concession has not carried out any exploration or exploitation for two years within an eleven-year period.

4.5.2 Peñoles Royalty

Peñoles, the original vendor of the asset, is entitled to a royalty payment that is described in the 2006 purchase and sale agreement as a prima por descubrimiento, or discovery bonus, but is in essence a royalty on production from the following concessions: La Negra and Mariana (where the historic and current operations are centered), El Patriarca, La Yegua, and El Negro. The royalty was initially tied to the price of copper as follows:

- 3.5% when the price of copper is equal to or above US$1.60 per pound; or
- 3.0% when the price of copper is equal to or above US$1.30 per pound; or
- 2.5% when the price of copper is equal to or above US$1.00 per pound; or
- 0% when the price of copper is less than US$1.00 per pound.
- The royalty is payable after the deduction of all treatment charges, freight, penalties, and taxes.

MLN questioned the validity of the royalty and filed suit in 2014 requesting its annulment, arguing that the royalty was payable by Real de Maconí, and not by Aurcana, and MLN ceased payment of the royalty. Following appeals by both parties, the courts ultimately determined that MLN was subject to the royalty, but that Peñoles had miscalculated the royalty and had not taken into account the deductions that MLN was entitled to, thereby overcharging MLN. In April 2020 the parties reached a settlement and amended the royalty as follows:

- 2.8% when the price of copper is equal to or above US$1.60 per pound; or
- 2.4% when the price of copper is equal to or above US$1.30 per pound; or
- 2.0% when the price of copper is equal to or above US$1.00 per pound; or
- 0% when the price of copper is less than US$1.00 per pound.
- The royalty is payable after the deduction of US$16 per tonne of processed material and the deduction of freight.

The royalty is payable on the same concessions as the original 2006 royalty.

4.6 Land Use Agreement

MLN operates under a land-use agreement (*Contrato de Usufructo*), initially dated 4 December 1984, with the community of Maconí (*Comunidad Agraria de Maconí*) that provides payments to the community in exchange for the right to operate the mine on property belonging to the community. The agreement also requires MLN to contract certain services – namely concentrate haulage, personnel transport, housekeeping, and catering – to community-owned businesses. The agreement also requires MLN to perform certain remediation activities upon closing.

The agreement was amended in February 2016 and again in October of 2021. The October 2021 agreement provided for an uninterrupted 15-year extension of the land-use agreement.

4.7 Permitting

4.7.1 Mining Rights

Mexico's *Ley Minera* (Mining Law) grants concessions for a period of 50 years from the date of grant, with a requirement for minimum, annual work requirements – including semi-annual work reports – and the payment of semi-annual fees which are generally due in January and July of each year. The fees or mining duties (*Derecho Minero*) are calculated based on the size and age of the concession, but also depend on the annual adjusted quote published in the *Diario Oficial de la Federación* in 33 accordance with Articles 59 through 66 of the Reglamento de la Ley Minera (Mining Law Regulations).

Minera La Negra has received a legal opinion prepared by Durón Mila & Asociados, a Puebla-based law firm specializing in matters related to mining law, verifying the status of its title and concessions, and confirming the information presented in Section 4.2.

Minera La Negra's surface rights are described in Sections 4.2 to 4.6.

4.7.2 Additional Permits

Exploration activities are regulated by the Secretaría del Medio Ambiente y Recursos Naturales (SEMARNAT) under a 1988 law known as the *Ley General del Equilibrio Ecológico y la Protección al Ambiente* (LGEEPA), which sets the framework for environmental legislation in Mexico. Depending on the amount of disturbance, NOM 120 SEMARNAT-2011 establishes the permitting and reporting requirements for exploration, which can range from no permitting for activities such as mapping, geochemical sampling, and geophysics, to the filing of an *Informe Preventivo* for activities such as trenching and access roads, to the need for a MIA in the case of significant surface disturbance.

Minera La Negra requires a number of permits and licenses in order to operate, as follows:

- Operating License No. 0168 required for mining and processing;

- *Manifestación de Impacto Ambiental* (MIA), the mine's Environmental Impact Statement, No. F.22.01.01.01/1882/17;
- Land Use License No. SRN/280/98;
- Tailings Dam MIA F.22.01.01.01/1533/16];
- Hazardous Waste Management Plan No. 22-PMG-I-3478-2019;

Table 4-2 Minera La Negra Permits (Britton et al., 2022)

License/Permit	Agency	Document Number	Status
Operating License	SEMARNAT	No. 0168/ 130.25 I. SE469, 27	Valid
Environmental License	SEMARNAT	LAU-22 / 000004-2016	Valid
Environmental Impact Statement (MIA) Mine, Plant and Tailings	SEMARNAT	F.22.01.01.01/1882/17	Valid
Environmental Impact Statement (MIA) TSF5	SEMARNAT	D.O.O. 4853	Expired*
Environmental Impact Statement (MIA) TSF5A	SEMARNAT	F.22.01.01.01/1533/16	Valid
Environmental Impact Statement (MIA) Settling Pond	SEMARNAT	F.22.01.01.01/0070/2020	Pending
Hazardous Waste Register	SEMARNAT, CONAGUA, STPS, SSC, SDS and municipal authorities	22/EV-0040/10/18	Valid
Land Rezoning	SEMARNAT, CONAGUA,STPS, SSA, SDS	SRN/280/98	Valid
Federal Water Use Permit	CONAGUA	QRO100564	Valid
Wastewater Discharge Permit	CONAGUA	09QRO106300/26EDDL12	Valid
Waste Use Permit	SEMARNAT, CONAGUA	2S.3.21/00051-2020	Valid
Organic Residue Permit	SEDESU	-	Valid
Hazardous Waste Management Plan	SEMARNAT	22-PMG-I-3478-2019	Valid
Special Waste Management Plan	SEDESU	-	Pending
TSF5A Closure Plan	SEMARNAT	-	Pending
Explosives Permit	SEDENA	3121-Qro.	Valid

Source: MLN. * Not required for operations

La Negra has all the permits required for startup and operations, even though there are three permits that are pending/in process. The MIA for the construction of a second water storage facility is pending, but there is already a water storage facility on site at the top of TSF5 with 20,000 m^3 of capacity that is operational. The Special Waste Management Plan will be filed with the state once the warehouse required for the storage of this material has been built. TSF5 is no longer in use and is being reclaimed. The closure plan for TSF5A does not need to be filed until the facility is ready for closure.

4.8 Property Risks

Other than the information provided in Sections 4.1 to 4.8, to the Authors knowledge, there are no other significant factors or risks that might impact access, title, or the right or ability to perform work on the property or to operate the mine.

5 ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE, AND PHYSIOGRAPHY

5.1 Accessibility

The La Negra Mine is located in central Mexico approximately 90 km in a direct line to the northeast of Querétaro, capital of the state of the same name, or approximately 150 km by paved road (Figure 5-1). The center of the property is located at approximately 20˚51.1.' North Latitude and 99˚30.9' West Longitude (UTM 14Q 2,303,950 N / 426,443 E (WGS84 datum)).

Figure 5-1 Location Map for La Negra (Britton et al., 2022)

The state of Querétaro has a population of 2.4 m inhabitants, based on the 2020 census, and the capital city has a population of 1.1 m (see Figure 5-1). The main industrial activities in the state include automotive and aerospace manufacturing, as well as logistics and distribution, given its location close to Mexico City. The state also has a burgeoning agricultural sector, and produces primarily specialty products such as triticale, roses, asparagus, chickpeas, carrots, as well as an emerging viticulture industry.

5.1.1 Airport

The closest international airport to the site is the Aeropuerto Intercontinental de Querétaro (Querétaro Intercontinental Airport), located approximately 30 km to the east of the city of Querétaro, and 125 km to the SE of La Negra. In addition to serving major domestic destinations, the airport has daily flights to Houston, Dallas and Atlanta.

The Querétaro airport also serves as a major transportation hub and transshipment point for freight destined for Mexico City and is the operations base for several international aerospace firms with operations in Mexico.

5.1.2 Port

The port of Manzanillo, in the state of Colima, is the main shipping port for concentrates destined for Asian smelters and is approximately 800 km WSW of the La Negra mine site. Manzanillo can be reached by paved road via Querétaro, west to Celaya, Irapuato, and Guadalajara, and then south through Colima and on to Manzanillo. The port of Guaymas, in the state of Sonora, is also a concentrate shipping port.

5.2 Physiography

La Negra is located in a mountainous range known as the Sierra Gorda, which is part of the Sierra Madre Oriental, consisting of rugged, steep topography with peaks up to 3100 m in altitude and deep river valleys at an elevation of 1700 m. The climate is temperate but the region is semi-arid, and consists of scrubby vegetation and cacti, with deciduous forest and pine trees in those areas that receive greater rainfall, primarily MW of the property area and locally in drainages and the margins of rivers. Although the region is arid, there are numerous springs throughout the area. The main portal for the mine is located at 1906 masl, with operations as high as 2400 m and as low as 1800 m. Figure 5-2 shows the layout of the mine.

Figure 5-2 Minera La Negra and Infrastructure (Britton et al., 2022)

5.3 Climate

The Sierra Gorda blocks most moisture from the Gulf of Mexico, resulting in an arid climate with annual rainfall averaging only 80 cm per annum, most of which falls during the June-October rainy season. Due to the altitude the climate is temperate, with an average annual temperature of 16.7˚ C, with minimum and maximum temperatures generally in the range of 4˚ C and 27˚ C, respectively.

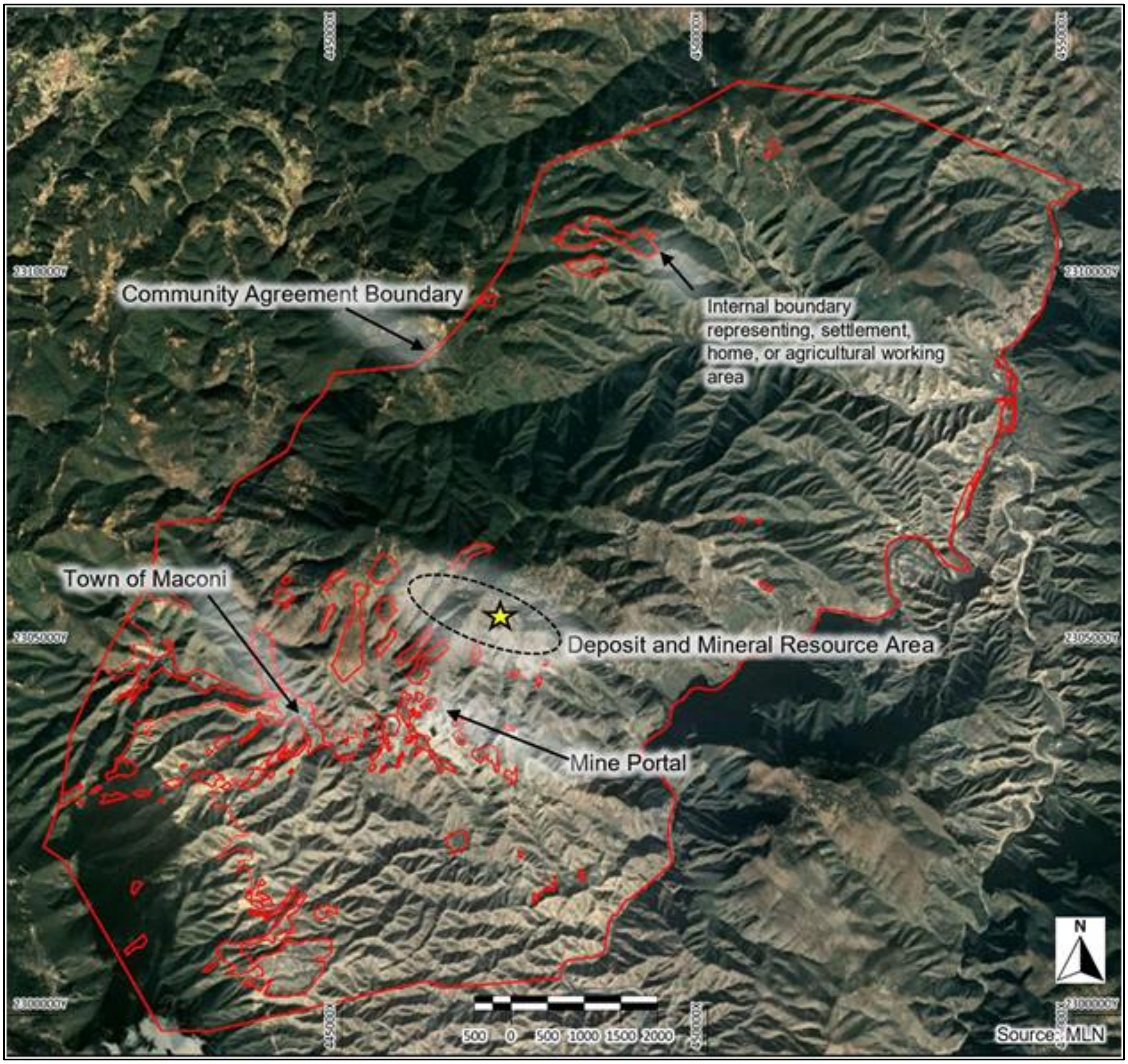
The mild climate allows for year-round operations. Water obtained during the rainy season and recycled water from the tailing facility provide sufficient water for year-around operations.

5.4 Local Resources and Infrastructure

The project is located in the district of Maconí, within the municipality of Cadereyta de Montes. Maconí has a population of approximately 900 inhabitants, dependent primarily on the mine as well as on small-scale agriculture and small-scale business. In total, there are 21 communities in the vicinity of the mine, Figure 5-3, although most of these consist of only a handful of houses each. The mine site itself is 3.4 km east of the town of Maconí and is accessed by an all-weather gravel road.

The general municipality of Cadereyta also hosts several cement producers and marble quarries.

Figure 5-3 Map of Surrounding Communities and Settlement Areas (Britton et al., 2022)



5.4.1 Power

Power at site is provided by the Mexican Federal Electric Utility (*Comisión Federal de Electricidad – CFE*). A large hydroelectric facility, the Presa Fernando Hiriart Valderrama, generally known as the Presa Zimapán, with an installed capacity of 292 MW, is located only 19 km to the south of the mine and impounds the Moctezuma River which divides the states of Querétaro and Hidalgo (and which also flows just south of La Negra).

5.4.2 Human Resources

Given the 50-year history of the mine, an experienced workforce with good mining knowledge is available locally. In April of 2021 MLN entered into a new collective bargaining agreement (Contrato Colectivo de Trabajo – CCT) with the country's principal miner's union (*Sindicato Nacional de Trabajadores Mineros,* *Metalúrgicos, Siderúrgicos y Similares de la República Mexicana – SNTMMSSRM*) and with representatives of the local union, the Sección 302 of the SNTMMSSRM, and which superseded a previous agreement dated June 7, 2018. The new CCT allowed for the right-sizing of the workforce, leading to a reduction in the union payroll from 311 to 198 employees, and eliminating those clauses that were impacting labor productivity at the mine.

6 HISTORY

The evidence suggests that the area around La Negra may have been mined for minerals used for cosmetic and decorative purposes for at least 2,000 years. The Spanish began mining in the district in the 1500s and in the area around Maconí in the late 1600s and several smelters were active in Maconí recovering lead with silver values. In the late 1800s the mine and smelter were operated by Victor Beaurang, consul general of Belgium in Mexico, and subsequently by his son, until he sold the asset to Oscar and Thomas Braniff in the early 1900s. The combined effect of the Mexican Revolution and the more complex metallurgy at depth led to a suspension of the operations. In 1950 the property was acquired from the Braniff's by Compañía Minera Acoma, S.A., which carried out an unsuccessful exploration program and later abandoned the project.

Peñoles, which had operated a small smelter 10 km away in the area of El Doctor, acquired the property in the early 1960s and carried out a mapping, sampling, and magnetic survey program which resulted in the discovery of the El Alacrán deposit and confirmed the previously known mineralization at La Negra. Mine development began in 1967 and production commenced in 1971.

In 2001 the property was put on care and maintenance due to low metals prices, and the property was acquired by Aurcana in 2006 and recommenced mining in the second quarter of 2007 at a mill production rate of 1,000 tpd, increasing to 1,500 tpd in 2007, to 2,000 tpd in April 2012, and to 2,750 tpd capacity in April 2013.

In 2016 ownership of the property passed to Orion as part of a court-sanctioned Plan of Arrangement, following Aurcana's inability to repay certain amounts owed to Orion. The mine operated continuously during 2016 and 2017 but was closed from November of 2018 to August of 2019 while some remediation was carried out on the TSF5A facility and permission was obtained from CONAGUA to restart. In early 2019 the operation was closed due to the government-mandated Covid-19 shutdown. A decision was made not to restart when the mining sector was reopened, but rather to focus on resolving several outstanding issues and to carry out an exploration program and new technical study before restarting the mine.

Between 1971 and the end of 2020, the mine produced approximately 14.6 Mt with an average grade of 107 g/t silver, 0.59% lead, 1.95% zinc and 0.66% copper (Figure 6-1).

6.1 Historical Study and Evaluation Work

Peñoles operated La Negra between 1971 and 2000, and a summary of the available production records are shown in Table 6-1. Peñoles, however, was not subject to the reporting requirements under NI 43-101, and no systematic record of Peñoles' resource estimates or technical work were preserved (although there is a significant amount of exploration-related information).

During the Aurcana period, five separate technical studies were published, beginning with an estimate of the El Alacrán deposit in 2008 (Aurcana reinitiated operations at La Negra in 2007). Prior to the study presented in this document, the last property-wide resource study was completed in July of 2017. A summary of the available technical data reports is shown in Table 6-1, and Figure 6-1 to Figure 6-3. Recent data are shown by month (Figure 6-3).

Figure 6-1 Penoles Production 1971-1986

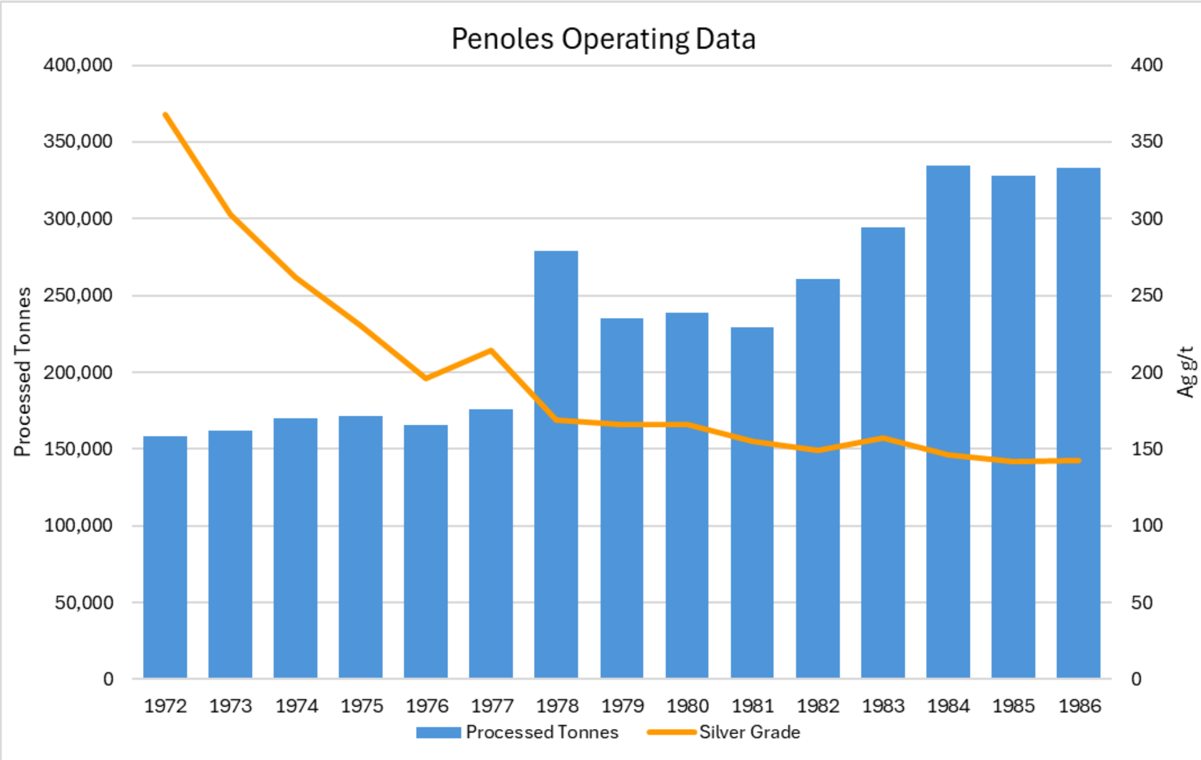


Figure 6-2 Historical Production 1971-2020 (Britton et al., 2022)

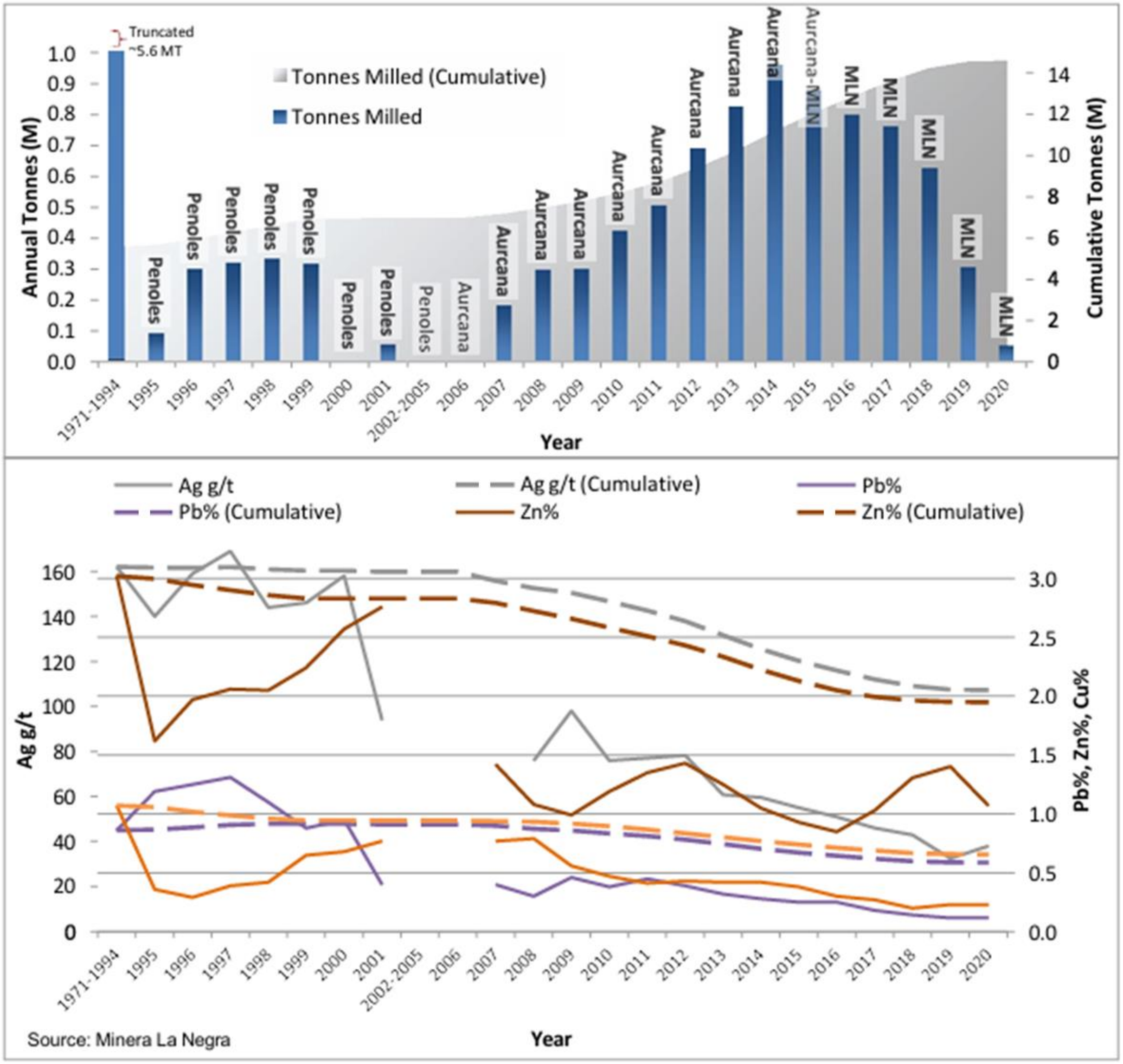


Figure 6-3 2024-2026 Operating Data by Month

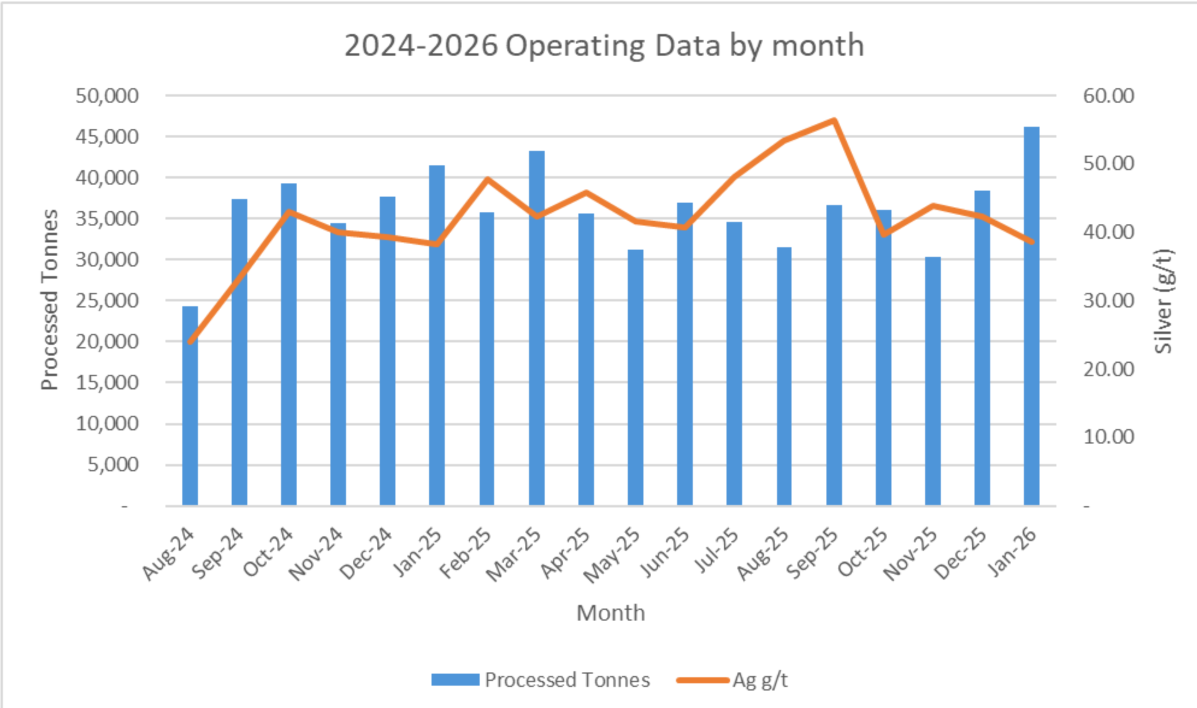


Table 6-1 Historical Technical Studies for the La Negra Property (Britton et al., 2022)

Date		Study	Author
February	2008	Technical Report on the Mineral Resources and Mineral Reserves of the El Alacrán Deposit	Wardrop
March	2008	Mineral Resource Estimate Monica Deposit La Negra Mine	GeoSim Services, Inc.
February	2010	Mineral Resource Estimate Maravillas Deposit La Negra Mine	GeoSim Services, Inc.
May	2013	Technical Report on the La Negra Mine Project	Behre Dolbear & Company (USA), Inc.
January	2015	Technical Report Minera La Negra Property	AMC Consultants
July	2017	Resource Estimate Technical Report	GMRS

6.2 Historical Mineral Resources

Several technical studies and resource updates have been published in recent years (Aurcana in 2008, 2010, 2013, 2015 and 2017), most recently for Minera La Negra S.A. de C.V. (Britton et al., 2022).

The MRE prepared for MLN is considered historical in nature with respect to Silverco. A qualified person has not done sufficient work to classify the historical resource estimate as current mineral resources or reserves and Silverco is not treating the historical resource estimate presented here as current mineral resources or reserves. There are no current mineral resources or reserves for the Property.

6.2.1 La Negra Historical Mineral Resource Estimate

Resources for the La Negra mine have been estimated using Ordinary Kriging (OK), are wireframe constrained, and stated at a base case cut-off grade of US$28/t NSR accounting for value from Ag, Pb, Zn, and Cu and penalties from As and Fe (see Section 13 for a detailed description of the NSR model) (Britton et al., 2022). Resources have been estimated from analyses of Ag, Pb, Zn, Cu, As, and Fe collected from diamond drilling, channel sampling, and long-hole production sampling. Samples have been selected and the block model has been defined by 35 mineral zone solids constructed via implicit modeling using a cut-off of US$20/t as a general guide (Figure 6-4). Grades have been estimated into the block model by grouping the 35 mineral solids into eleven estimation domains. Drill hole samples are composited to 2 m, channel and production samples are independently declustered to a 4m cell size. Drill hole, channels and production samples have been globally capped, capped by datatype, and capped by estimation domain.

Estimation employs: sample length weighting, three nested passes of 25, 50 and 80 meters, and sector declustering. Resource classification criteria account for: estimation pass range, distance to nearest sample, quantity of samples, sectors used, age and quality of data, type, and general reliability estimation. The block model has been depleted by existing mine cavities with an additional spatial buffer as well as manual removal of blocks near historic mining, no partially mined blocks are accounted for, and historically mined areas are mostly entirely removed from tabulation even if there are areas suspected to be remaining.

Mineral Resources are stated in Table 6-2. Figure 6-5 is a grade tonnage curve of Indicated and Inferred Resources.

Table 6-2 La Negra Historical Mineral Resource Statement at US$28/t NSR Cutoff, March 31, 2022 (Britton et al., 2022)

Classification	Cutoff Grade US$NSR/t	Tonnes (M)	Grade US$NSR/t	Grade Ag g/t	Grade Pb%	Grade Zn%	Grade Cu%
Indicated	28	2.46	73	64	0.27	1.95	0.5
Inferred	28	6.42	80	80	0.65	1.8	0.4

Figure 6-4 La Negra Historical Mineral Resource Mineral Solid Wireframes 3D Overview (Britton et al., 2022)

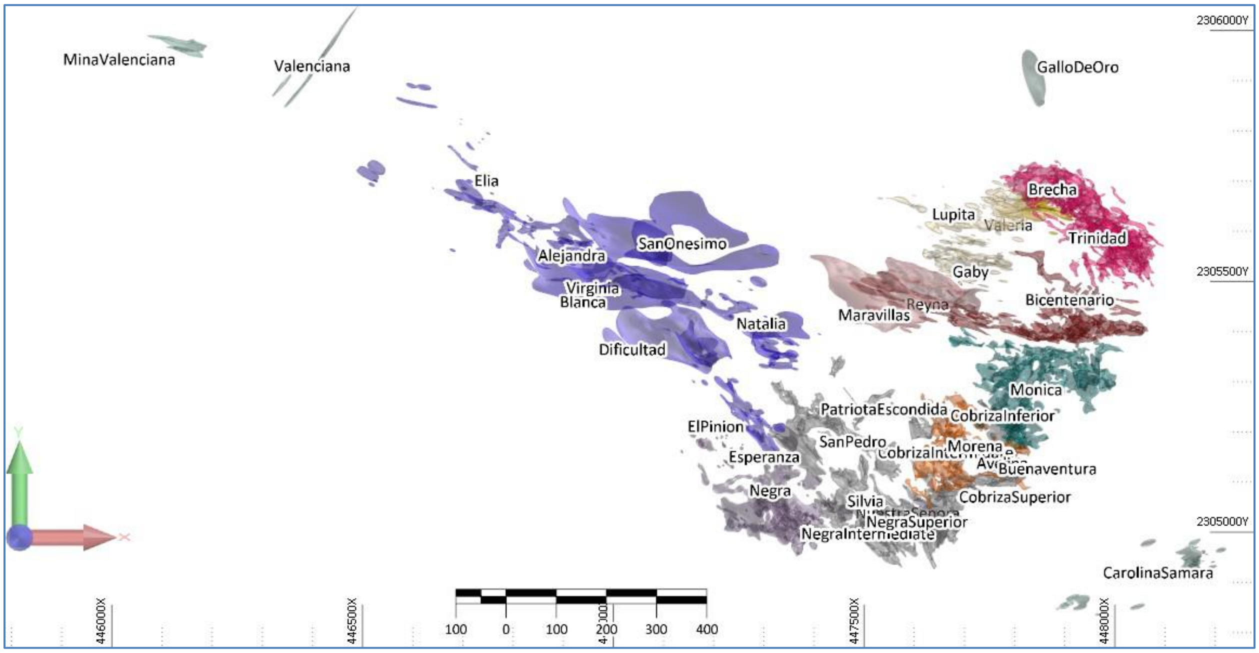
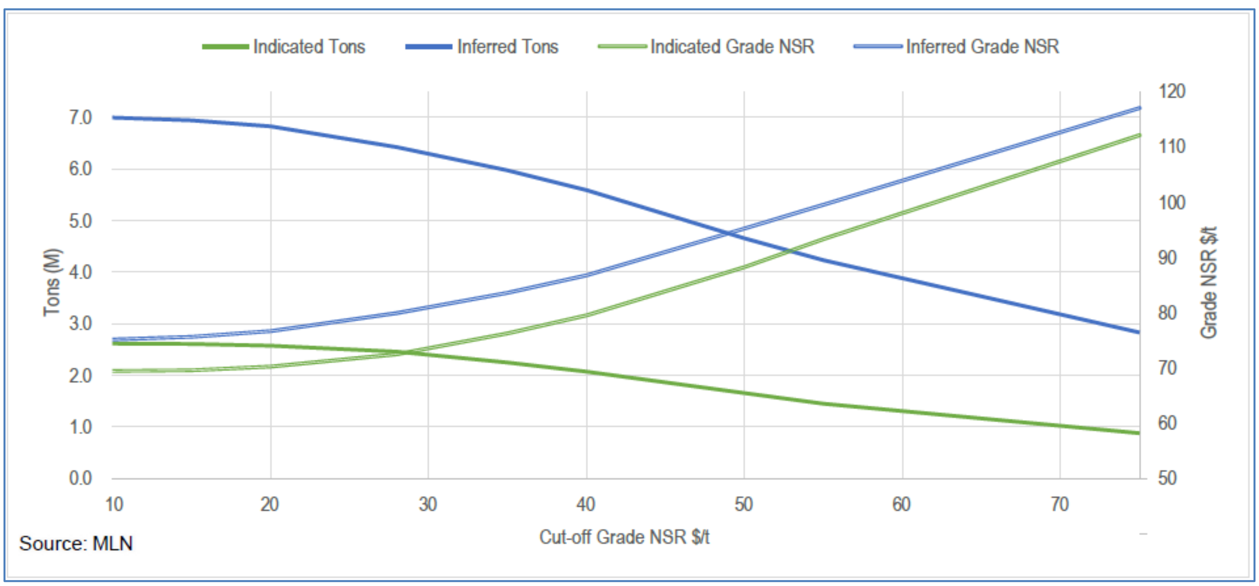


Figure 6-5 La Negra Historical Mineral Resource Grade-Tonnage Curve (Britton et al., 2022)

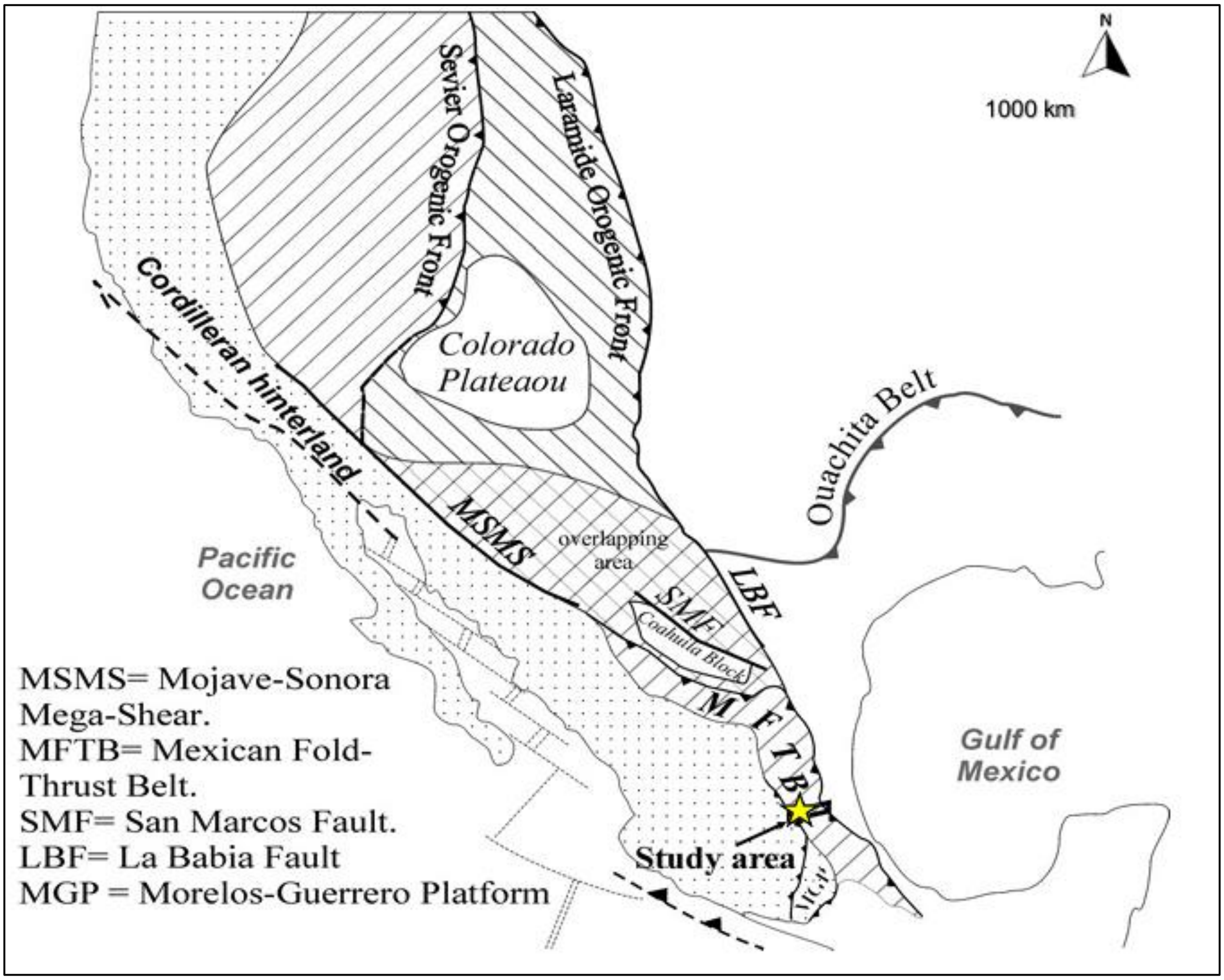


7 GEOLOGICAL SETTING AND MINERALIZATION

7.1 Regional Geology

The La Negra property is located in the Sierra Gorda range, belonging to the Sierra Madre Oriental physiographic province, which is the outermost segment of the Cordilleran fold belt in central Mexico (Figure 7-1). The main host rocks were deposited during the late Jurassic through early Cretaceous and consist of two carbonate platforms – El Doctor to the west and Valles-San Luis Potosí to the east – with the deep water Zimapán basin, consisting of basinal carbonates with minor clastic material in between.

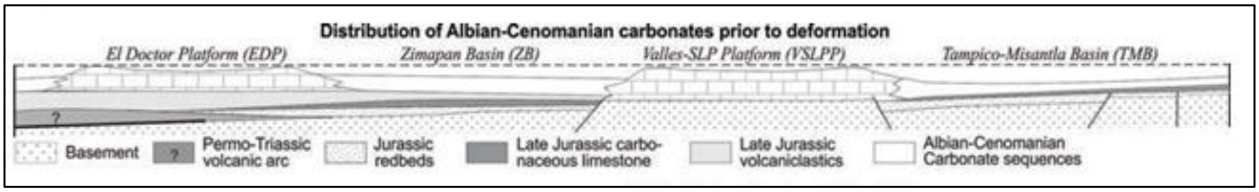
Figure 7-1 Generalized Tectonic Map of the North American Cordillera (Britton et al., 2022)



Source: Fitz-Díaz (2010)

The collision of the Guerrero Terrane with the southwest coast of North America and the beginning of subduction resulted in regional uplift to the west which ultimately led to the shedding of turbidic sediments that eventually covered the carbonate sediments to the east (Figure 7-2). Regional surface Geology is illustrated in Figure 7-4.

Figure 7-2 Carbonates of Central Mexico Prior to Deformation (Britton et al., 2022)

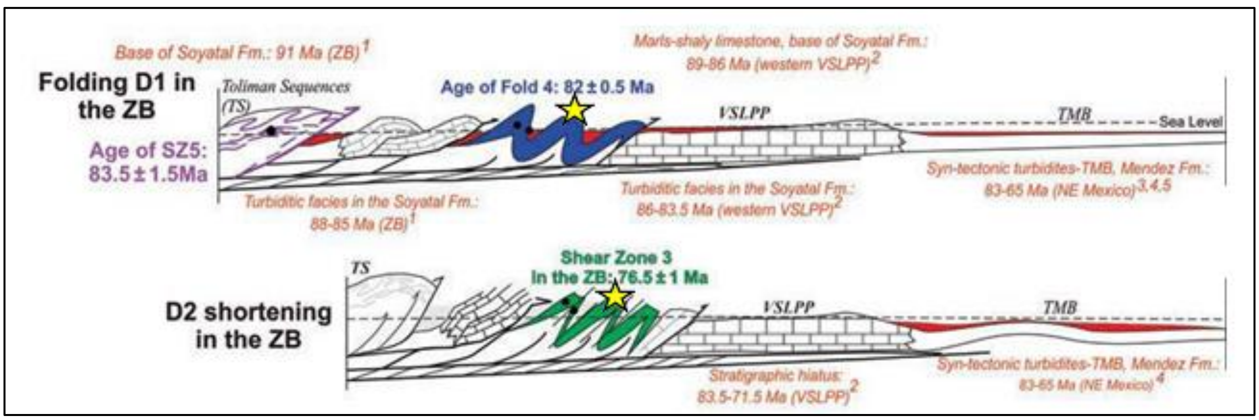


Source: modified from Fitz-Díaz et al (2014)

The subduction also signaled the beginning of the formation of the Mexican Fold and Thrust Belt (MFTB) about 83 million years ago (Fitz-Díaz et al, 2014), a progressive, episodic event that migrated from west to east and consisted of four principal deformation events (the first two of which are shown in Figure 7-3). In the first deformation event (D1 84-80 Ma) the Paleozoic basement and resistant carbonate rocks of the El Doctor platform buckled and were thrust to the NE over the sediments of the Zimapán basin, which deformed plastically resulting in high-amplitude folds. This first deformation event also led to the shortening of the basin by 70% and to a significant thickening of the basinal sediments. The second deformation event (D2 77 Ma) affected the rocks of the El Valle- San Luis Potosí platform, although the effects of this episode are not evident at La Negra.

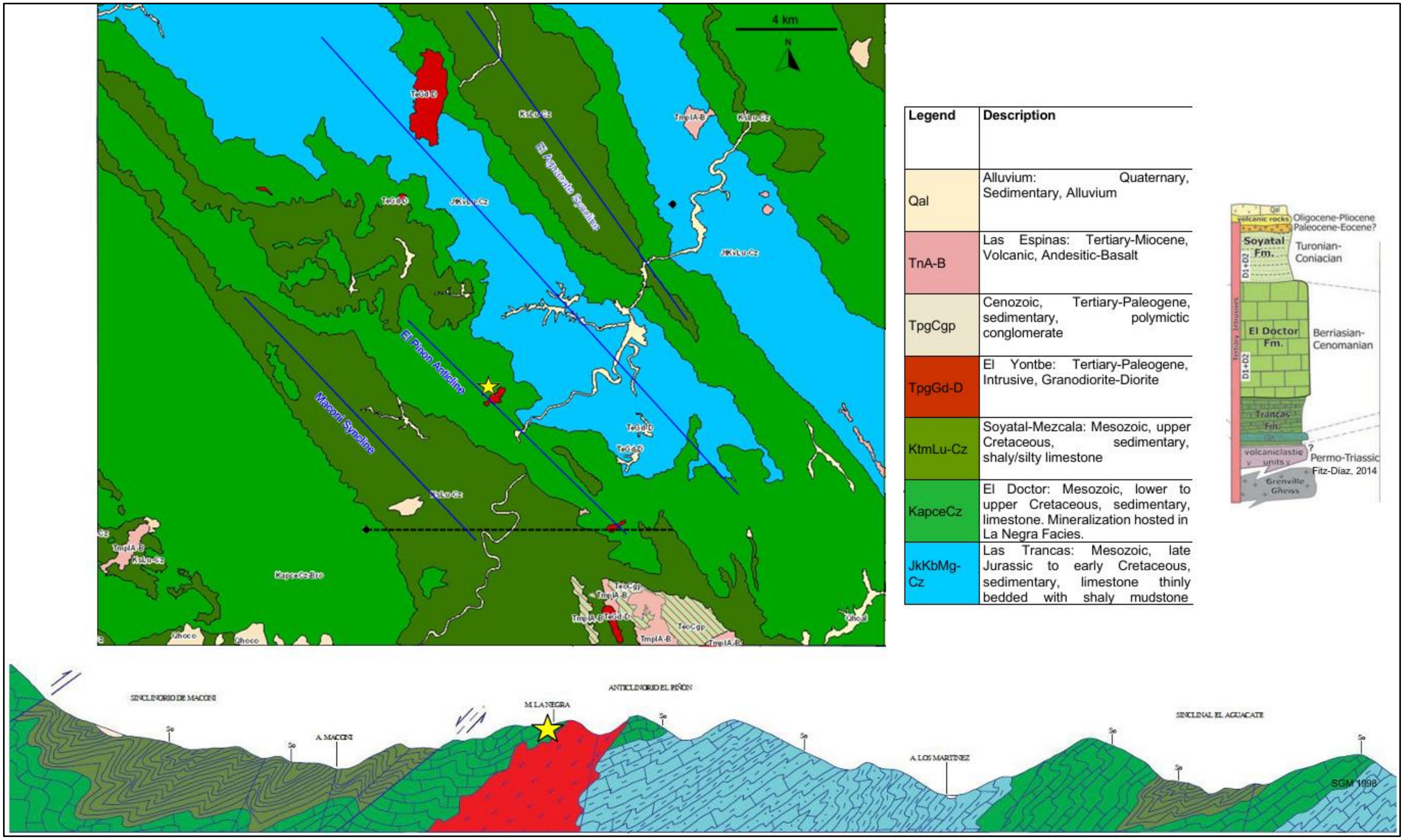
Subsequent to the end of the Laramide orogeny and the termination of the compressional regime that formed the MFTB, the region experienced a period of extension (43-25 Ma) that led to minor normal faulting. Intrusive bodies exploited the NW-trending fold axes created during the formation of the MFTB as well as subsidiary NE-trending structures.

Figure 7-3 Initial Spatial and Temporal Deformation of the Mexican Fold Thrust Belt (Britton et al., 2022)



Source: Modified from Fitz-Díaz et al (2014)

Figure 7-4 Regional Surface Geology San Joaquín F14-C58 (SGM 1998) Regional Surface Geology San Joaquín F14-C58 (SGM 1998) (Britton et al., 2022)



7.2 Property Geology

The area around La Negra is dominated by thick packages of carbonate rocks belonging to the El Doctor Formation, which as noted were heavily folded and deformed during the late Cretaceous and subsequently intruded by granodioritic stocks of Eocene age.

The basement rocks in the area of La Negra consist of limestones containing lenses or dark gray quartzite, although these are not generally observable.

7.2.1 Stratigraphy

7.2.1.1 Las Trancas Formation

The Las Trancas Formation sits unconformably over the basement schists and consists of two distinct shale units with a total thickness of 200 to 400 m, divided almost equally between both units. The lower black shale contains interbeds of graywacke while the uppermost red phyllitic shale contains lenses of bentonite and conglomerate. This unit has been dated to the late Jurassic – early Cretaceous (Kimmeridgian-Barremian) based on fossil dating, although García and Querol (1985) suggest it dates to the Tithonian.

7.2.1.2 El Doctor Formation

The El Doctor Formation consists of four coeval units representing the transition from the El Doctor near shore carbonate platform to the deepwater facies of the Zimapán basin and is dated to the early Cretaceous (middle Albian – lower Cenomanian). Given its large surface extent and the effects of deformation, it has been estimated to range in thickness from 150 m to as much as 1500 m (although in the vicinity of the mine it is closer to the latter), and there is disagreement as to whether it sits conformably or disconformably over the Las Trancas Formation (Morrison 1982, García y Querol 1985). The Cerro Ladrón facies is a massive gray limestone containing lenses of dark chert and can be further divided into facies with abundant rudistids, a micritic subfacies, and a pebble conglomerate subfacies. Cerro Ladrón represents the foreslope of the carbonate platform.

The El Socavón facies consist of an arenite of carbonate composition and represents the foreslope of the carbonate platform and transitions into the San Joaquín facies, which consists of a dark gray lime mud with numerous chert nodules and evidence of syndepositional slumping that is approximately 60 m thick. The contact between the San Joaquín facies and the La Negra facies is gradational, and the latter represents a deepwater facies. La Negra consists of thinly bedded units with interbedded red shale and lenses of black chert, mainly at the bottom of the formation. The total thickness of the La Negra facies is estimated at 300 m and is believed to correlate with the Cuesta del Cura limestone in northern Mexico. The La Negra facies is the main host rock at the La Negra mine.

The Tamaulipas Formation is the equivalent of the El Doctor Formation in the Zimapán district.

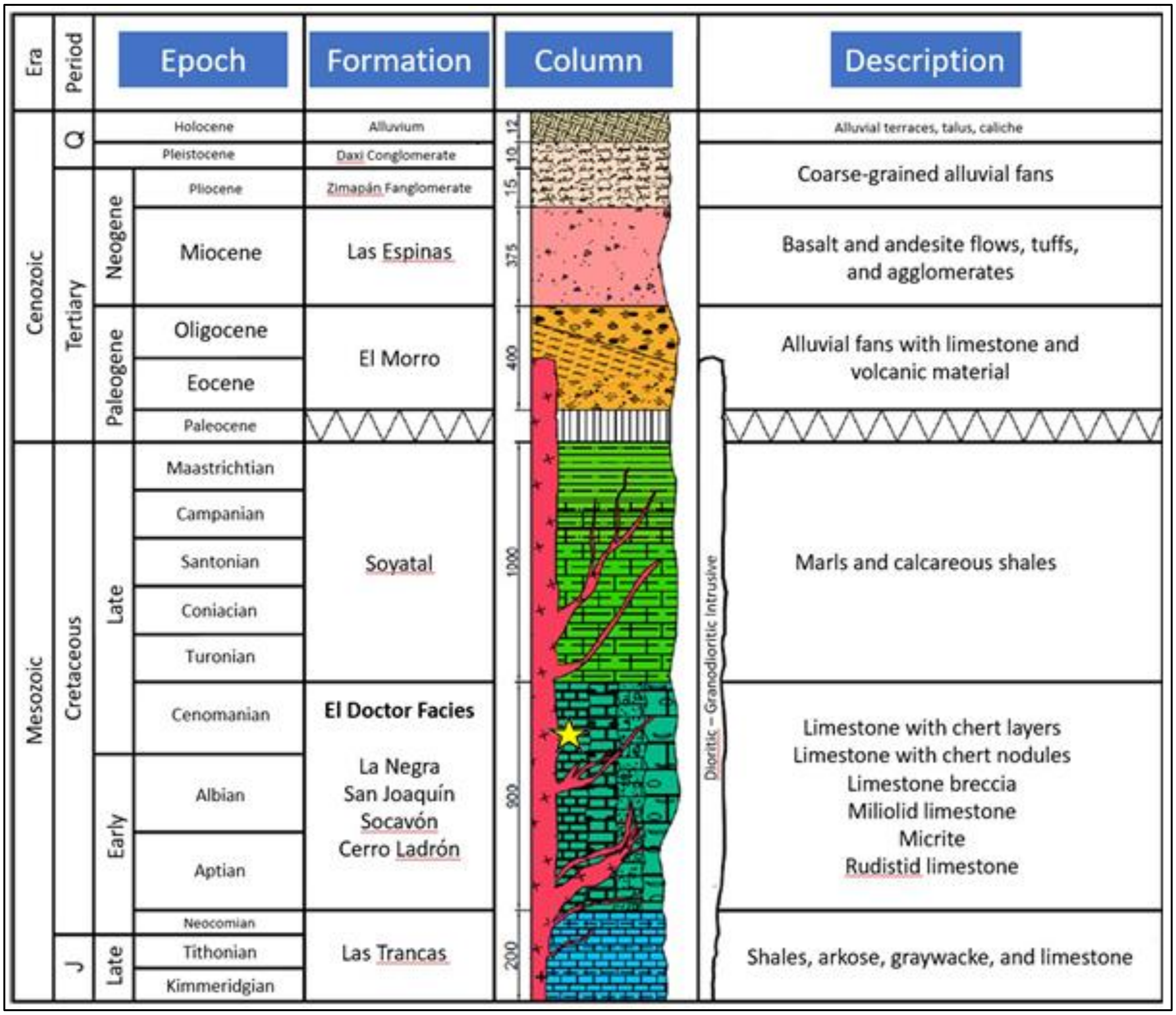
7.2.1.3 El Soyatal and Mezcala Formations

The units of the El Doctor Formation are conformably overlain by the Soyatal Formation, which has been dated to the upper Cretaceous (Turonian-Campanian) and consists of thin beds of lime mud, discontinuous chert and thicker beds of gray shales. The Soyatal Formation transitions gradually to the more clastic Mezcala Formation, which consists of limestones and increasingly shales of terrigenous origin and represents the impact of the uplifted Guerrero terrane shedding clastic material into the basin. The Soyatal and Mezcala Formations signal the beginning of the uplift and compression that led to the creation of the MFTB.

7.2.1.4 El Morro Conglomerate

The El Morro Conglomerate dates to the Tertiary and consists of 50 m (up to 350 m in the Zimapán area) of angular carbonate and volcanic cobbles/boulders sourced from the underlying Mesozoic units and cemented with red calcareous clay matrix. It sits unconformably over the Soyatal and Mezcala Formations (Figure 7-5).

Figure 7-5 La Negra Stratigraphic Column (Britton et al., 2022)



Source: modified from Saldaña 2016, Gaytán Rueda 1975

7.2.2 Intrusives

Evidence from the field and from core indicates that several phases of intrusive have taken place at La Negra, although the relationship between these and their relative ages is not well understood. From field observations it is evident that there were at least three intrusive phases that exploited the same structures. The first appears to be a dioritic phase, followed by a granodioritic phase that was subsequently altered (silicified) by a third, probably more felsic, phase. The nature of this/these felsic phase/phases is marginally understood, although it is assumed that these are later given their impact on other intrusive phases. Still, their composition is not exactly known and it is not known whether there is a genetic association with the mineralization.

Some of these intrusives are district-scale. For example, the aplite dyke in the footwall of the Maravillas zone is known to extend to the Zimapán district and generally trends N45W with a dip between 70º SW and subvertical.

The intrusives in the area of La Negra have been dated (K/Ar) to 38.7 to 39.6 Ma (Vassallo, et al, 2001) and consist of granodiorite stocks and quartz monzonite dikes with aphanitic to porphyritic texture, with rare dikes of andesitic composition which are considered post-mineral. Morrison 1982 describes a groundmass consisting of quartz and plagioclase with subhedral crystals of andesine and augite, with subsequent pulses from the same stock becoming more sodic. Interestingly, the age and composition of the intrusives in the area of La Negra are younger and more mafic than those in the nearby Zimapán district (40.8 to 43.6 Ma, quartz-monzonite and lamprophyre, Vassallo, et al, 2001).

Detailed petrography carried out for Peñoles by Juan Randall in 1980 on samples from the Silvia mineralized deposit described a sample of altered granodiorite skarn containing disseminated sulfides, iron oxides, with gray silica phenocrysts 2 – 4 mm in a fine-grained (0.2 – 0.4 mm) mass of white silicates devoid of carbonates. A detailed analysis of the sample indicates that it is composed primarily of andesine phenocrysts (An35) 10% with clear albite twins, perthite phenocrysts 10% with euhedral replacement crystals, anhedral and interstitial quartz 10%, fibrous wollastonite 3%, grossularite 3%, pyrite 3%, clay 2%, and 1% or less of fine-grained euhedral diopside replacing grossularite garnet and anhedral to subhedral clinozoisite, with the latter indicating retrograde alteration. The paragenesis for this sample is detailed in Section 7.4.1. Randall also described a sample of post-mineral andesite from the Maravillas mineralized deposit, which he describes as having a texture more akin to basalt than to andesite, a feature that was also observed in an outcrop breccia with altered limestone clasts at a prospect some 5 km north of the mine.

Randall speculates that this rock might actually be a Ca + Mg deficient tholeiite. The andesite consists of 50% subhedral to euhedral calcic andesine (An45-50) with some clay alteration, 8% disseminated magnetite with hematite alteration, 5% biotite with 50-75% replacement by hexagonal to rectangular prehnite crystals, 5% quartz as anhedral crystals filling vugs, and 1% subhedral hypersthene interstitial to andesine.

Some of these intrusives are district-scale. For example, the aplite dyke in the footwall of the Maravillas zone is known to extend to the Zimapán district and generally trends N45W with a dip between 70º SW and subvertical.

7.3 Local Geology

The principal geologic unit in the vicinity of La Negra is the La Negra facies of the El Doctor Formation, which strikes N in the area of the mine but is interpreted to broadly follow the NW trend of the Piñón Anticline, the axis of which is a major through going structure. To the west, and potentially hosting NW extensions of the mineralization is the San Joaquín facies of the El Doctor Formation, which forms a N trending band approximately 150 m wide. To the west of this, and outside any zones of known mineralization is the foreslope Socavón facies of the El Doctor Formation.

There are several surface expressions of the intrusive, which are believed to be part of a larger regional batholith (although age dating has shown that the intrusive in the area of Zimapán is both older and deeper than the intrusives in the area of La Negra) and which tend to have a NE orientation. The four phases of skarn formation documented by Morrison have created a complex architecture which juxtaposes different styles of alteration. Thus, in the field, it is possible to see spurrite both within the intrusive and distal to it, and both in association with mineralized zones and away from them. Morrison (1982) observed a zonation pattern with proximal hedenbergite skarn transitioning to wollastonite exoskarn and distal garnet skarn in contact with recrystallized limestone, which contravenes the generally accepted zonation pattern for Pb-Zn skarns. This is possibly due to the aforementioned structural complications. Another important feature is the WNW trending Maravillas dike, which has a more felsic composition and is directly associated with zones of mineralization.

Although several authors (Gaytán Rueda 1975, Fraga 1984) have indicated that the mineralized deposits of La Negra display clear metal zonation, with higher Pb-Zn + Ag at higher elevation giving way to more Cu- rich mineralized material with minor amount of silver at depth, more recent work has led to the conclusion that this zonation is more apparent than real, and is complicated by mineralizing controls, such as bedding, proximity to vertical structures. Some bodies in isolation show clear patterns of zonation, but deposit- wide trends are not clear.

7.3.1 Structure

The units in the area tend to follow the regional architecture, striking NW with fold axes along the same orientation, and dipping variably (40˚-70˚) to the SW. The main feature is the Piñón Anticline which strikes NW-SE and extends from the Zimapán district to the SE through the La Negra district and beyond to the NW. There are also minor NE trending structures that dip 40˚ to the SE but these are not well documented and it is unclear whether these have experienced much movement.

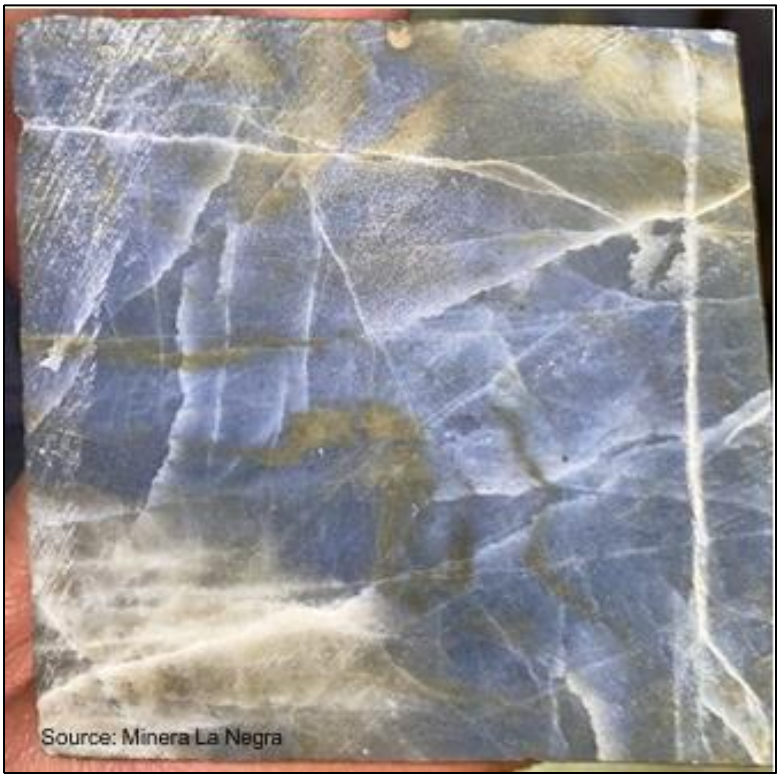
Recent work has also documented the occurrence of a series of faults that are interpreted as radial faults formed by the emplacement of the intrusives into the limestone country rock.

7.4 Alteration and Mineralization

Four stages of skarn formation were documented by Morrison (1982). The earliest phase consisted entirely of fine-grained subidioblastic spurrite, $Ca_5(SiO_4)_2CO_3$, an uncommon mineral of the nesosilicate group which entirely replaced the calcareous protolith. Significantly, spurrite is not present in the Zimapán district but is pervasive around La Negra, and points to shallower environment of formation. The second stage consists of a dense, albeit thin, zone of hedenbergite developed due to the diffusion of Ca into the intrusive, while the introduction of silica created a diffuse zone of diopside. The third stage of skarn formation took place under higher O_2 conditions leading to the formation of andradite, hematite, and wollastonite. The economic mineralization was formed in the final stage of skarn formation, which in addition to sulfides generated orthoclase, quartz, calcite and datolite, $CaBSiO_4(OH)$, another uncommon nesosilicate.

A polished thin section of unmineralized spurrite-wollastonite skarn was analyzed by Randall (1980). The skarn mineralization has completely replaced the original carbonates with subhedral wollastonite 40%, colorless low-Fe diopside 20%, anhedral to subhedral spurrite replacing wollastonite 8%, and euhedral porphyroblastic grossularite 5%. Figure 7-6 is a sample of spurrite alteration replacement of limestone.

Figure 7-6 Sample of Spurrite Alteration Replacement of Limestone (Britton et al., 2022)



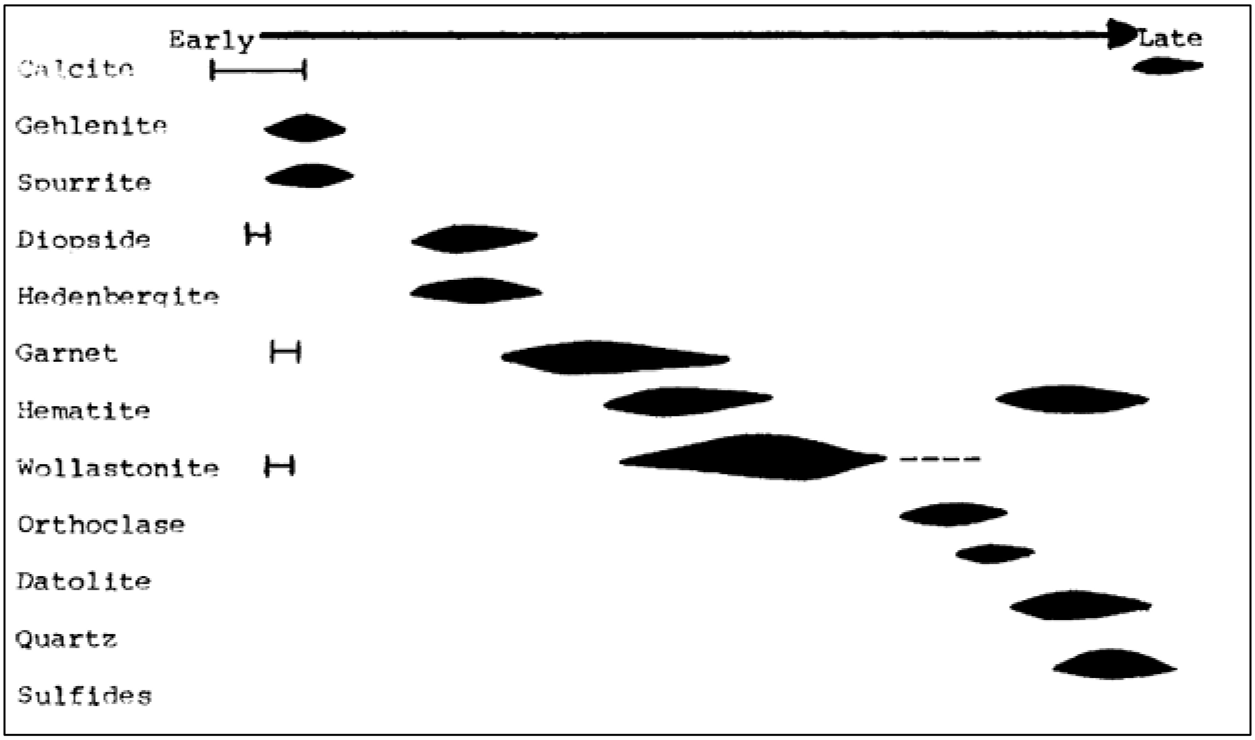
A more detailed petrographic analysis of a polished thin section of an (unmineralized) wollastonite skarn by Randall (1980) from the Maravillas mineralized deposit indicates a prevalence of subhedral to euhedral wollastonite 30%, 30% anhedral quartz filling voids, highly birefringent anhedral to subhedral diopside 20%, grossularite partially replaced by wollastonite and diopside 15%, and 5% amorphous clay.

The principal minerals at La Negra consist of sphalerite (marmatite), galena, and chalcopyrite, with silver present as hessite [Ag_2Te] in association with galena, although Le Couteur (2009) also identified argentite [Ag_2S] and pyrargyrite [Ag3SbS3] in samples from the Monica zone. Other common, non-mineral sulfides include pyrite, minor pyrrhotite, lloelingite [$FeAs_2$] and arsenopyrite, with Vassallo and Solorio-Munguía also reporting pentlandite, cubanite [$CuFe_2S_3$], freibergite [$(Ag,Cu,Fe)_{12}(Sb,As)_4S_{13}$], polybasite [$[(Ag,Cu)_6(Sb,As)_2S_7][Ag_9CuS_4]$], lillianite [$Pb_3\text{-2xAgxBi}_{2+x}S_6$], and native bismuth (as 2µ grains/blebs entrained in galena). Le Couteur also identified needles of boulangerite [$Pb_5Sb_4S_{11}$] in photomicrographs from the Luisa zone.

7.4.1 Paragenesis

Morrison (1982) outlined the paragenesis of the calcsilicates at La Negra, starting with the recrystallization of calcite and the formation spurrite and of small amounts of diopside, followed by the formation of hedenbergite and the replacement of calcite by garnet. This was followed by the formation of wollastonite, which replaced garnet in areas where it was strongly developed, and the overprinting of garnet and wollastonite onto the hedenbergite endoskarn. The final of skarn alteration resulted in the formation of hematite, wollastonite, orthoclase, datolite, quartz, sulfides, and calcite (Figure 7-7).

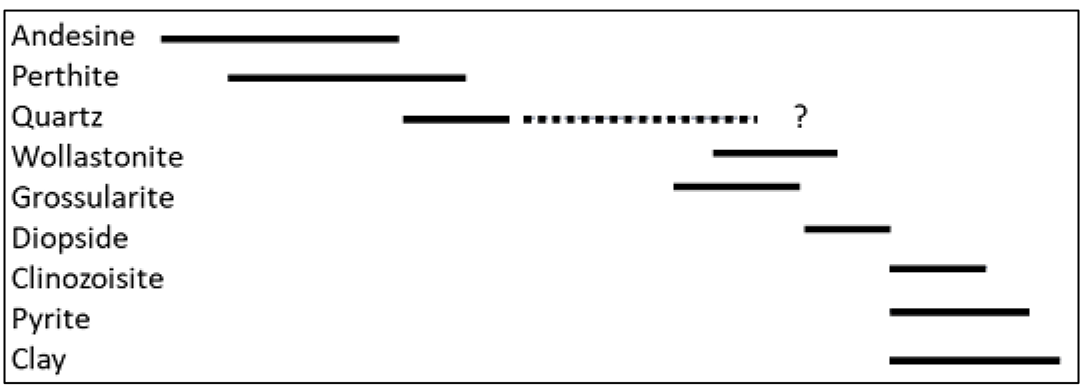
Figure 7-7 Skarn Mineral Paragenesis at La Negra (Britton et al., 2022)



Source: Morrison (1982)

As described in Section 7.2.2 Randall (1980) carried out petrographic studies of intrusive samples from the Silvia mineralized deposit and determined the following paragenetic sequence for a granodiorite from the Silvia mineralized deposit (Figure 7-8). The following figure details the paragenesis for the altered granodiorite described in Section 7.2.2.

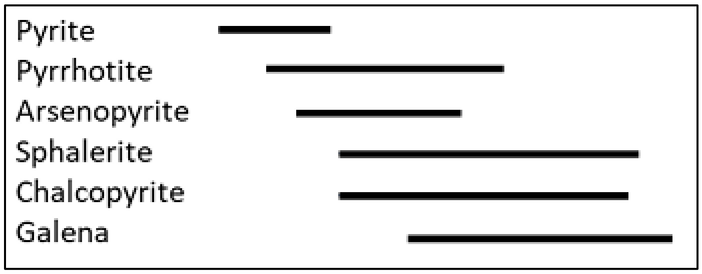
Figure 7-8 Intrusive Paragenesis for Silvia Mineralized Deposit Granodiorite (Britton et al., 2022)



Source: Modified from Randall (1980)

Gaytán Rueda (1975) based on previous studies identified the following paragenetic sequence: following the formation of calcsilicates the first sulfide to form was pyrite, followed partially contemporaneously by pyrrhotite. Arsenopyrite formation began after pyrrhotite formation began but ended while the latter was still being formed. Sphalerite (as marmatite, an Fe-rich variant) began soon thereafter, and occurred contemporaneously with chalcopyrite. The last minerals to form were galena and associated silver- bearing minerals (Figure 7-9).

Figure 7-9 Sulfide Mineral Paragenesis at La Negra



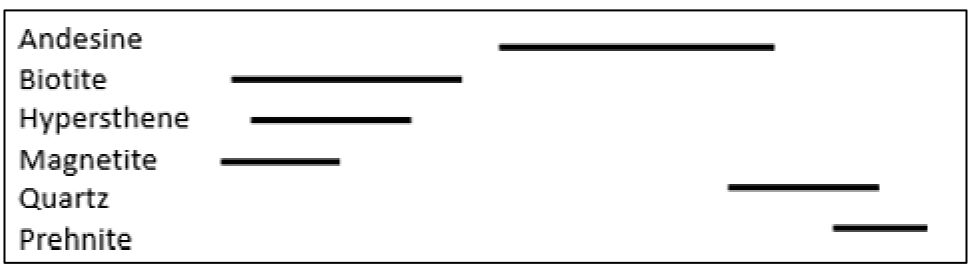
Source: Gaytán Rueda (1975)

Detailed petrography of a polished thin section by Randall (1980) of a sample of sulfide skarn from La Negra indicates the presence of euhedral andradite crystals (0.2 – 1.0 mm, probably after grossularite) 30%, anhedral to subhedral pyrrhotite 20%, porous sphalerite with exsolved chalcopyrite, perhaps replacing pyrrhotite, 15%, 5% each of galena and chalcopyrite, with less than 0.5% hessite (silver telluride) and traces of native silver.

It is currently believed that the andesite dykes occasionally seen at La Negra are post-mineral and subsequently intruded along the same structures that were exploited by the earlier, mineralizing intrusive phases. Still, a sample of this intrusive was subject to detailed petrographic analysis by Randall (1980), as shown in Figure 7-10.

The following figure details the paragenesis for the andesite described in Section 7.2.2.

Figure 7-10 Paragenesis of Post-Mineral Andesite from the Maravillas Mineralized Deposit



Source: Randall (1980)

7.4.2 Geochemistry

According to Lang, Baker, and Lewis (1998) fluid inclusions from La Negra document a trend of decreasing temperature, salinity (50 to eq wt%) and chemical composition (decreasing KCl, increasing $CaCl_2$) over time. Pre-mineral fluids were 400˚C and hypersaline with up to 69 wt% total salinity, with mineralization forming from non-boiling fluids at 250-410˚C and NaCl equivalent salinity of 12-14% by weight at less than 500 bars of pressure. All isotope studies indicate a predominance of magmatic fluids, although fluid inclusion studies demonstrate that there was subsequent mixing with meteoric fluids.

7.4.3 Mineralized Trends

The mineralization at La Negra displays a variety of orientations and dimensions and depends on the interplay between the intrusive and the surrounding limestones, but mantos and sheets appear to be the predominant morphology. The mineralized skarns can be narrow bodies that are less than one-meter wide, broad, lenticular zones of mineralization that are more than 20 m wide or, as in the case of the La Negra mineralized deposit, extensive tabular, subvertical mineralized bodies that follow the contact between the intrusive and the limestone. There are also zones of mineralization that are tabular but subhorizontal, and broadly which follow the orientation of the bedding. These zones tend to have disseminated mineralization and lower grades.

Three, broad NW-trending zones of mineralization define the areas with higher grades. These are, from south to north, the so-called Northwest Trend that connects the La Negra mineralized deposit to the Alejandra/Blanca/San Onésimo areas and on to Valenciana, the Maravillas Trend that connects Bicentenario to Maravillas and the Cristo Rey trend that currently consists of El Alacrán and Trinidad but is unexplored to the NW. These zones are interpreted to follow the axial plane of the Piñón Anticline, with both intrusives and fluids exploiting these structures.

The (generally) lower-grade zones occur in between the three NW trends and are associated with subhorizontal limestone units in or near the fold nose. These zones include Gaby, Monica, Cobriza, Reyna, San Pedro and Buenaventura. These areas can be amenable to bulk mining methods, primarily room and pillar.

The image below (Figure 7-11) shows the contact between largely unaltered granodiorite (left) and garnet skarn to the right, showing replacement of the intrusive with (primarily) grossularite and sulfides.

Figure 7-11 Alteration Styles in the Intrusive (Britton et al., 2022)

Source: MLN

The following image (Figure 7-12) was taken at the contact between altered limestone and altered intrusive (at lower right, showing surface oxidation) near the site of the original La Negra discovery. While individual units are still visible, they have been partially silicified and replaced by disseminated sulfides.

Figure 7-12 Alteration Styles in the Limestones (Britton et al., 2022)

Source: MLN

Figure 7-13 is from drill hole TRD-001-2021 in the Trinidad Zone showing bands of grossularite skarn and marble exoskarn with minor calcite and gypsum veinlets.

Figure 7-13 Grossularite-Marble Skarn from Trinidad Zone (Britton et al., 2022)

Figure 7-14 shows two intercepts of massive sulfide mineralization from drill hole 2021-009-DIF drilled in the Dificultad area, showing massive sulfide replacement of garnet/wollastonite skarn. Grossularite (~20%) > andradite (~5%) > wollastonite within a calcite matrix with some calcite veinlets. Mineralization consists of amorphous to semi-prismatic chalcopyrite (~40%), semi-amorphous to cubic marmatite associated with sphalerite (~15%), amorphous to disseminated patches of arsenopyrite and pyrrhotite (~3% each) and disseminated silver sulfosalts (~2%). Total intercept of 6.1 m grading US$270/t NSR.

Figure 7-14 Massive Sulfide Mineralization From 2021 Drill Program (Britton et al., 2022)

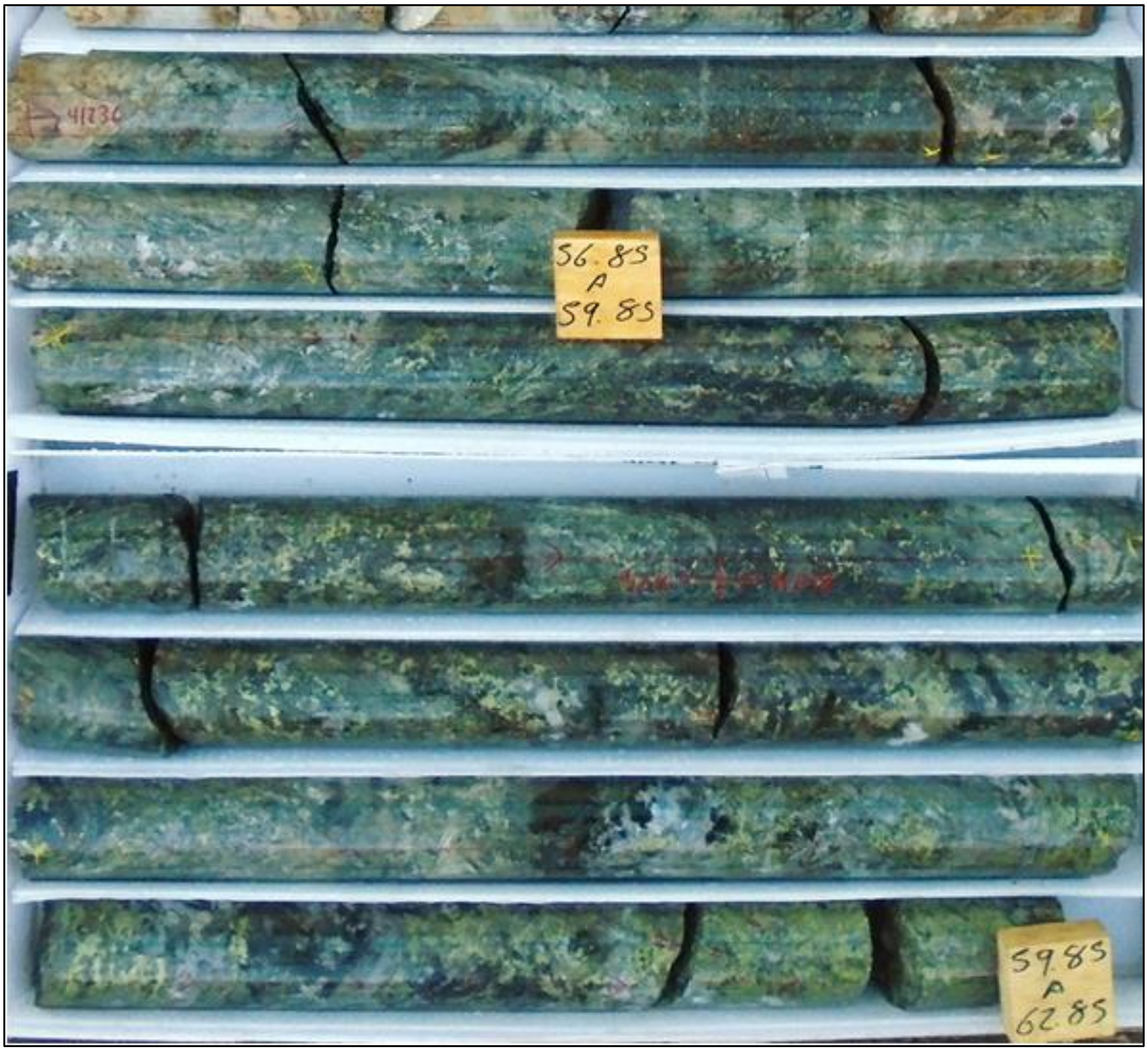
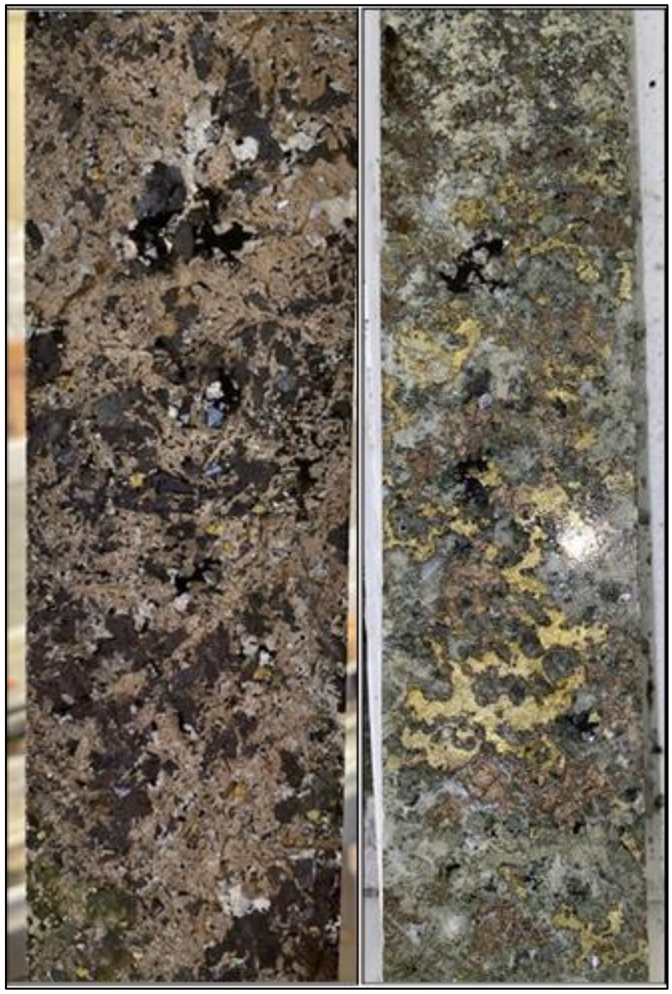


Figure 7-15 Various Half-Core Massive Sulfide Mineralization From 2021 Drill Program (Britton et al., 2022)



7.5 Mineralized Zones

Table 7-1 and Figure 7-16 summarize the known zones of mineralization at La Negra, including both those that have been exploited and those that are identified prospects. The nomenclature is complex; zones often have multiple interchangeable names, historic names or are sometimes grouped as regions. Table 7-1 details the zones and prospects that have been identified in the immediate vicinity of the mine, dozens of prospects and named occurrences exist throughout the totality of the concession package and have not all been identified in the table.

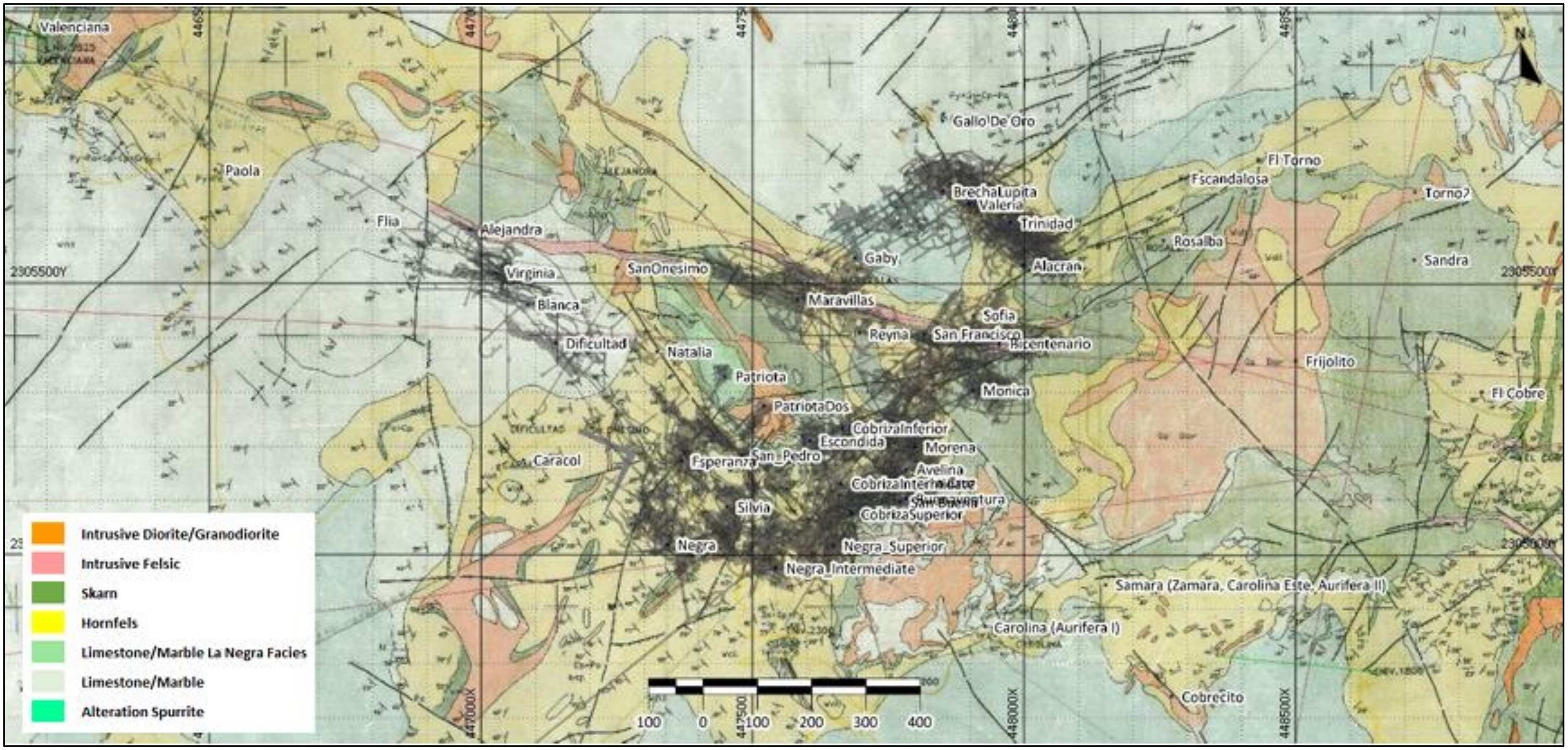
Table 7-1 Mineralized Zones at La Negra (Britton et al., 2022)

Body/ Prospect Name	Deposit Style Comment	Mapping	Soil Sampling	Rock Chip	Channels	Drilling	Drifting/Shaft	Resource	Mining	Mined Out	Associated Names
Buenaventura	Chimney, skarn raft within intrusive	X	X	X	X	X	X	X	X	X	
Morena	Bedding dominated	X	X	X	X	X	X	X	X	X	
Esperanza	Chimney, steep, contact skarn	X	X	X	X	X	X	X	X	X	
Negra Intermediate	Chimney, steep, contact skarn	X		X	X	X	X	X	X	X	
Negra Superior	Chimney, steep, contact skarn	X	X	X	X	X	X	X	X	X	
SanPedro	Complex, structural, skarn raft	X	X	X	X	X	X	X	X	X	
Silvia	Chimney, steep, contact skarn	X			X	X	X	X	X	X	
Cobriza Superior	Chimney, steep, contact skarn	X			X	X	X	X	X	X	
Brecha	Associated with high-angle felsic dike, bedding influence in lower mine	X			X	X	X	X	X		
Lupita	Low angle bedding dominated with high-grade in steep structures	X			X	X	X	X	X		Brecha
Gaby	Low angle bedding dominated with high-grade in steep structures	X			X	X	X	X	X		Brecha
Trinidad	Associated with high-angle felsic dike, bedding influence in lower mine	X	X	X	X	X	X	X	X		Trinidad, Alacrán
Valeria	Associated with high-angle felsic dike, bedding influence in lower mine	X			X	X	X	X	X		Trinidad
Bicentenario	Associated with high-angle felsic dike, bedding influence in lower mine	X	X	X	X	X	X	X	X		
Maravillas	Associated with high-angle felsic dike	X	X	X	X	X	X	X	X		
Reyna	Associated with high-angle felsic dike, bedding influence in lower mine	X			X	X	X	X	X		Bicentenario Extention
Avelina	Complex, structural controlled, and bedding related	X			X	X	X	X	X		

Body/ Prospect Name	Deposit Style Comment	Mapping	Soil Sampling	Rock Chip	Channels	Drilling	Drifting/Shaft	Resource	Mining	Mined Out	Associated Names
Cobriza Intermidate	Complex, structural controlled, and bedding related	X			X	X	X	X	X		
Cobriza Inferior	Complex, structural controlled, and bedding related	X			X	X	X	X	X		
Monica	Complex, moderately steep, structural controlled, and bedding related	X			X	X	X	X	X		Monica
Negra	Chimney, steep, contact skarn	X			X	X	X	X	X		
Patriota/ Escondida	Skarn raft within intrusive	X			X	X	X	X	X		Patriota, Escondida
Alejandra	Associated with high-angle felsic dike, enrichment in bedding structures	X			X	X	X	X	X		Northwest
Blanca	Associated with high-angle felsic dike, enrichment in bedding structures	X			X	X	X	X	X		Northwest
Dificultad	Associated with high-angle felsic dike, enrichment in bedding structures	X			X	X	X	X	X		Northwest, Dios te Guie
Elia	Associated with high-angle felsic dike, enrichment in bedding structures	X			X	X	X	X	X		Northwest
Natalia	Associated with high-angle felsic dike, enrichment in bedding structures	X			X	X	X	X	X		Northwest
San Onésimo	Associated with high-angle felsic dike, enrichment in bedding structures	X	X	X	X	X	X	X			Northwest
Virginia	Associated with high-angle felsic dike, enrichment in bedding structures	X			X	X	X	X	X		
Valenciana	Contact skarn	X	X	X	X	X	X	X			

Body/ Prospect Name	Deposit Style Comment	Mapping	Soil Sampling	Rock Chip	Channels	Drilling	Drifting/Shaft	Resource	Mining	Mined Out	Associated Names
Natalia Alta	Contact skarn	X	X	X		X					
Caracol	Contact skarn	X	X	X	X	X	X				
Gallo De Oro	Fault related, likely related to high-angle felsic intrusive	X	X	X	X	X					
Carolina	Contact skarn	X	X	X	X	X					Aurífera I
Samara	Contact skarn	X	X	X							Samara, Carolina Este, Aurífera II
Cobrecito	Related to high-angle intrusive	X	X	X							
El Cobre	Related to high-angle intrusive	X	X	X		X	X				
Frijolito	Contact skarn	X	X	X	X	X					
Sandra	Skarn	X	X	X	X						
El Torno	Contact skarn	X	X	X		X					Torno 2, Torno
Torno II	Contact skarn	X	X	X							
Escandalosa	Contact skarn	X	X	X		X					
Rosalba	Contact skarn	X	X	X		X					

Figure 7-16 La Negra Mineralized Zones (Plan View) (Britton et al., 2022)



8 DEPOSIT TYPES

La Negra is classified as a Pb-Zn-Ag + Cu skarn. The word “skarn” is an old Swedish term used to describe very hard calcsilicate rocks that accompanied the alteration assemblage associated with iron and copper deposits. Today the term skarn is used to describe the metasomatic replacement of carbonate rocks by calcsilicate mineral assemblages (Ca-rich garnet, pyroxene, amphibole, and epidote) due to contact or regional metamorphism. Deposits formed through this process are known as skarn deposits and are usually the result of contact metamorphism and the associated metasomatism associated with the intrusion of a magma of granitic composition into (Fe or Mg rich) carbonate rocks.

Many different types of deposits can be classified as skarns, including those containing W, Sn, Mo, Cu, Fe, Pb-Zn, and Au mineralization. The different metals encountered in skarn deposits is the result of various factors, primarily among which are the composition of the intrusive, the crystallization dynamics of the intrusive and the composition of the derived magmatic hydrothermal fluids, the oxidation state of both the intrusive and the wallrock, and the depth and temperature of formation. These factors are also important determinants of the zonation of skarn deposits (Robb 2005, Chang and Meinert 2008).

As shown in Figure 8-1, adapted from Robb 2005, there is a general relationship between granitoid composition and skarn deposit type. Cu, Pb-Zn and W skarn are associated with calcalkaline, magnetite-bearing, oxidized (I-type) granites, although in the case of Zn skarns the igneous rocks can span a wide range of compositions from dioritic to high-Si granites. Fe and Au skarns tend to be related to intermediate to mafic intrusives, while Mo and Sn skarns tend to be associated with more differentiated granites that could be reduced (S-type) and ilmenite bearing.

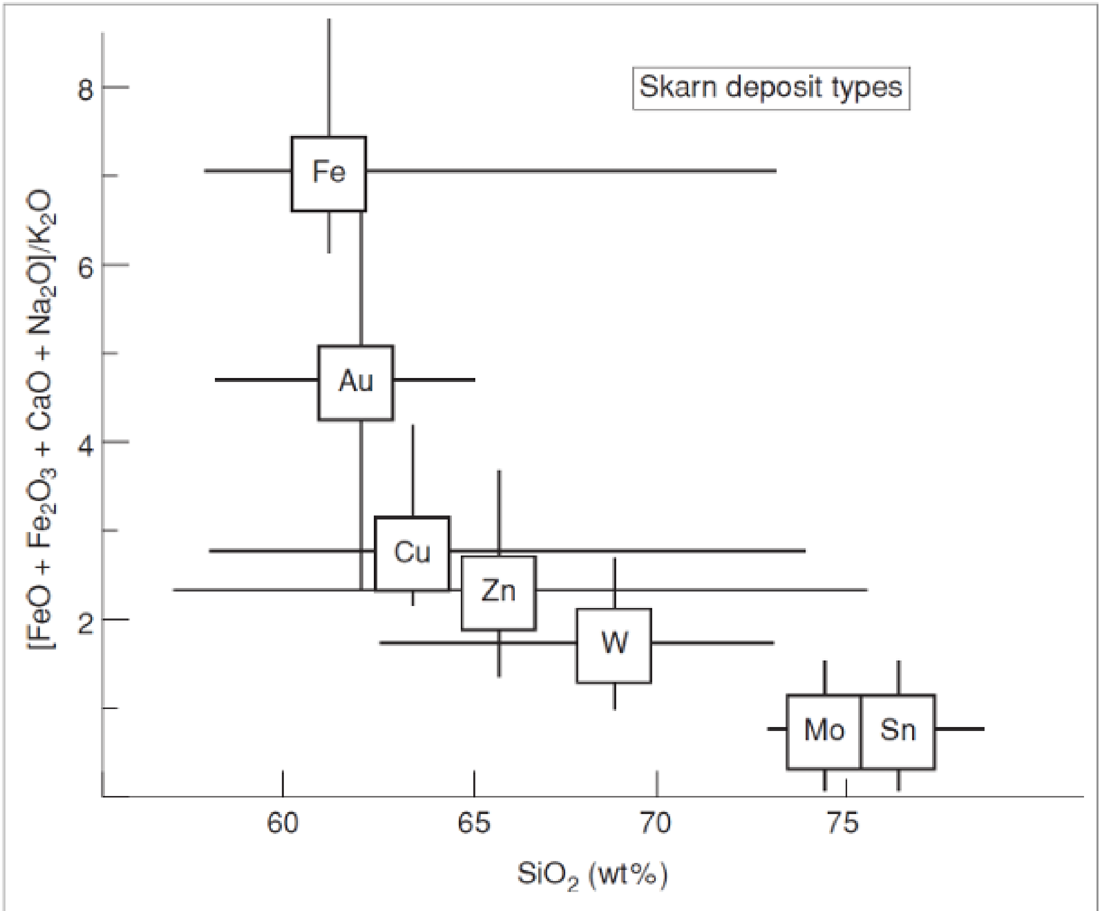
Zinc skarns occur mostly in continental settings, whether in association with subduction or rifting, but can span diverse geologic environments from deep-seated batholiths to shallow dike-sill complexes. They are, however, generally distal to the associated igneous rocks, and can be recognized by their distinctive Mn- and Fe-rich mineralogy. An increasing ratio of pyroxene to garnet and an increasing Mn content in pyroxene tend to follow the fluid flow path (Meinert 1987).

As with most skarns, there is a general zonation pattern with proximal garnet, distal pyroxene and vesuvianite (or a pyroxenoid such as wollastonite, bustamite, or rhodonite) at the contact between skarn and marble (Meinert). Zn skarns, being shallower and cooler, appear to form from fluids that have traveled far from the intrusive contact, leading to a more pronounced zonation and greater mineralogical variation.

The principal minerals are sphalerite ± galena ± pyrite ± magnetite ± arsenopyrite ± chalcopyrite ± bornite. Minor minerals include scheelite, bismuthinite, stannite, cassiterite, tetrahedrite, molybdenite, fluorite, and native gold.

The surface exploration program described in Section 9 was designed with this deposit type in mind, focusing on the geochemistry of elements associated with mineralization, as well as elements that can help define the boundary between intrusives and the surrounding carbonate rocks.

Figure 8-1 Igneous Composition Versus Dominant Skarn Metal (Britton et al., 2022)



Source: Robb, 2005

9 EXPLORATION

9.1 Introduction

There have been several phases of modern exploration at La Negra during its more than 50-year history, starting with the work carried out by in the 1950s by Compañía Minera La Campaña and then by Peñoles prior to initial production until they closed the operation in 2001. Subsequently, Aurcana conducted some work in the period when they held ownership from 2006 to 2016, although minimal work was completed from 2006 through 2020. The 2021 program signals the first meaningful and methodical exploration on this project since it was held by Peñoles.

9.2 Peñoles

Initial exploration centered on the surface expression of the La Negra mineralized deposit, consisting of gossanous zones of altered intrusive in contact with indurated limestone showing selective bedding replacement. It was in this period that the Alacrán mineralized deposit was discovered. The facilities built by Peñoles at the time are still there, as are remnants of the small-scale core used at the time.

Once in production Peñoles continued its exploration efforts in the near-mine area and also began to conduct more regional exploration primarily to the east and south of the current operations, consisting of mapping and surface geochem. Many of the zones discovered at the time were considered uninteresting due to the (at the time) low grades, and no follow-up work was carried out.

Peñoles also identified the NW trend that includes deposits such as Blanca, Virginia, and Elia, as well as zones of mineralization such as San Onésimo and Valenciana which were never developed, and which currently represent valid exploration targets (and which are also included in the resource used in this study).

9.3 Minera La Negra

9.3.1 2021 Mapping

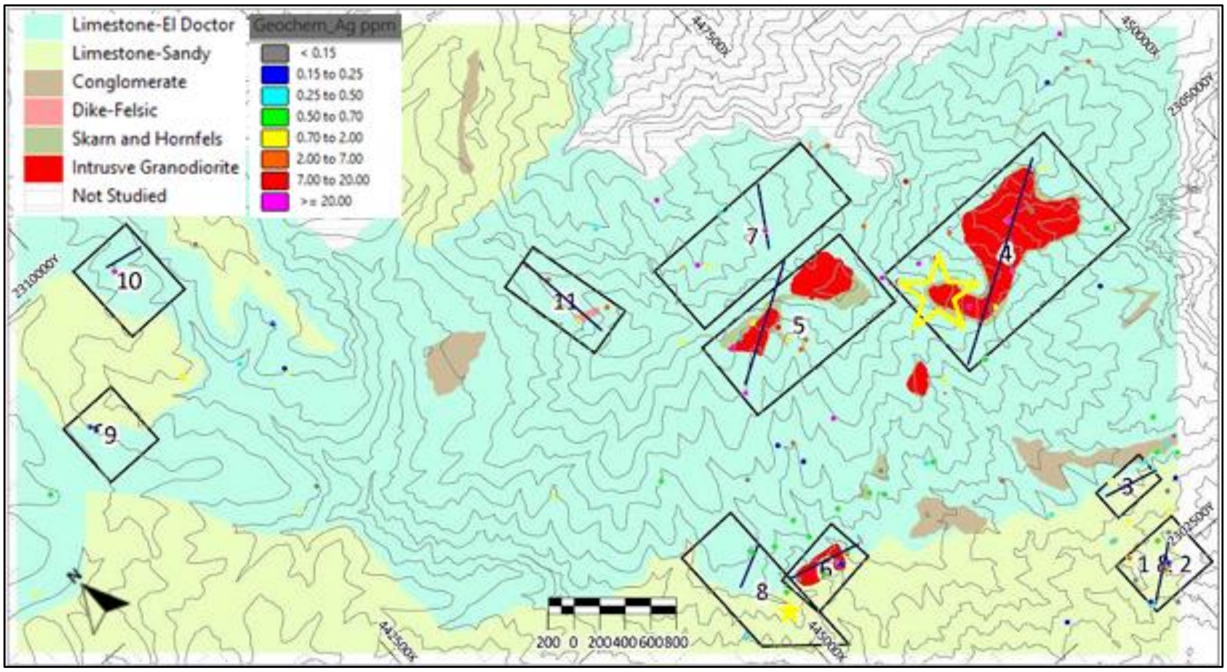
The 2021 field mapping program encompassed an area of 4,480 ha primarily to the northwest and east of the current mine site (yellow star in the figures below) and was completed by an experienced independent geologic contractor, A-Geommining. The program was designed to develop grassroots targets along the NW trending El Piñón Anticline building out from the current project area. Along with surficial mapping, the contractor collected soil samples on a 200 m grid and rock samples when potential metalliferous anomalies were encountered. The map area of the 2021 program represents only 11% of MLN's concessions. The program illustrated the value of systematic exploration for demonstrating the prospectivity of the land package.

Based on the field mapping, 11 different priority zones of interest were identified and will form the basis for further work. Idealized cross-sections were also developed for each of these priority zones. The following Figure 9-1 details the mapping area, the priority zones identified and the orientation of the sections. A brief description of each of the 11 zones follows. Note, the zones names are based on the order that they were encountered and not priority of the target.

The 2021 field mapping program confirms that the influence of the intrusive rocks is pervasive throughout the mapping area, even though major outcropping is evident primarily only in the near-mine area. This suggests that there is near-surface potential along the belt, as evinced by the presence of outcropping skarn occurrences, and old workings throughout the mapping area.

Future work will focus on a more detailed assessment of each of the priority zones identified during the 2021 field program, incorporating the results of the surface sampling program (Figure 9-3).

Figure 9-1 Priority Zone Map and Cross-Section Locations (Britton et al., 2022)



Source: MLN

9.3.1.1 <u>Zones 1 and 2</u>

Zones 1 and 2 are located in the SW corner of the mapping area and encompass an area with heavily folded, thin- to medium-interbedded fine-grained shales (0.20 to 3 m thick) and fine-grained, gray limestones (0.50 to 4.5 m thick) with marked NW-SE faulting. An intrusive of possibly granodioritic composition with quartz and plagioclase phenocrysts and disseminated traces of pyrite and chalcopyrite outcrops in the NE of this area. The central portion of Zones 1 and 2 display thin calcite veining with acicular wollastonite crystals, indicating a possible intrusive which has generated an alteration aureole.

9.3.1.2 <u>Zone 3</u>

Zone 3 consists predominantly of a conglomerate layer with subangular fragmental matrix-supported limestone with lime cement overlaying fine-grained, thin-bedded limestone with calcite veining and finely textured, heavily fractured reddish-brown shale. The shale displays oxides including limonite, hematite, and pyrolusite and consists of beds 1 -3 m thick. This sedimentary package belongs to the Mezcala Formation. Mineralization is evident in a layer within one of the shale units and has a thickness of 10-15 m and consists of areas of strong oxidation (hematite > limonite > pyrolusite) and pervasive silicification with disseminations and veinlets with 2-3% pyrrhotite > pyrite. This unit is oriented NW-SE and dips at 25-50º.

9.3.1.3 <u>Zone 4</u>

Zone 4 is one of the most important, as it encompasses the area around the mine. The central part of Zone 4 displays several granodioritic outcrops in contact with limestones and pervasive mineralized skarn with evidence of pyrite, chalcopyrite, marmatite, arsenopyrite and pyrrhotite. The sulfides are generally associated with grossular garnet exoskarn. At higher elevations Zone 4 consists of thick units of gray, highly stratified limestone generally dipping SW with faulting at a NW-SE strike. The skarn is emplaced in limestone and consists of brown (andradite) and green (grossularite) garnet and variable texture, including massive, bands and patches.

The intrusive displays a phaneritic texture with plagioclase phenocrysts in a light green matrix consisting of plagioclase and ferromagnesian minerals and low quartz content.

9.3.1.4 Zone 5

This zone is located at the top of a large package of dark gray limestones with variable recrystallization and medium to low levels of folding. A (possibly) granodioritic intrusive outcrops over a large portion of this area. The skarn at the contacts is massive to banded and contains both brown and green garnet, with sulfides (including massive sulfides) in contact with the grossular exoskarn.

9.3.1.5 Zone 6

This zone consists of thick packages of fine-grained dark gray limestone with weak calcite veining and finely textured dark gray to reddish-brown shale interbedded with limestones. Two ancient workings were discovered in Zone 6. The first is in the east of the zone and consists of 10 m of development and a 6m shaft with evidence of massive sulfides and hematite, limonite, pyrite and traces of chalcopyrite and arsenopyrite in a garnet skarn with associated wollastonite.

The second working is in the central portion of Zone 6 and is associated with an 0.5 m outcrop following a fault trending N140E with strong oxidation (hematite, malachite, limonite) and abundant pyrite in a wollastonite skarn with traces of garnet.

9.3.1.6 Zone 7

The stratigraphy in this zone consists primarily of light-gray, fine-grained limestones with calcite veining and occasional disseminated pyrite interbedded with fine-grained, dark gray calcareous shale (with evidence of mineralization) both probably belonging to the Mezcala Formation. The mineralization is exclusive to the shales and consists of disseminated to massive aspy-py. The presence of sulfides and sharp changes in the orientation of the strata implies that they are proximal to the intrusive. A small intrusive outcrop contains surficial oxidation consisting of hematite > goethite.

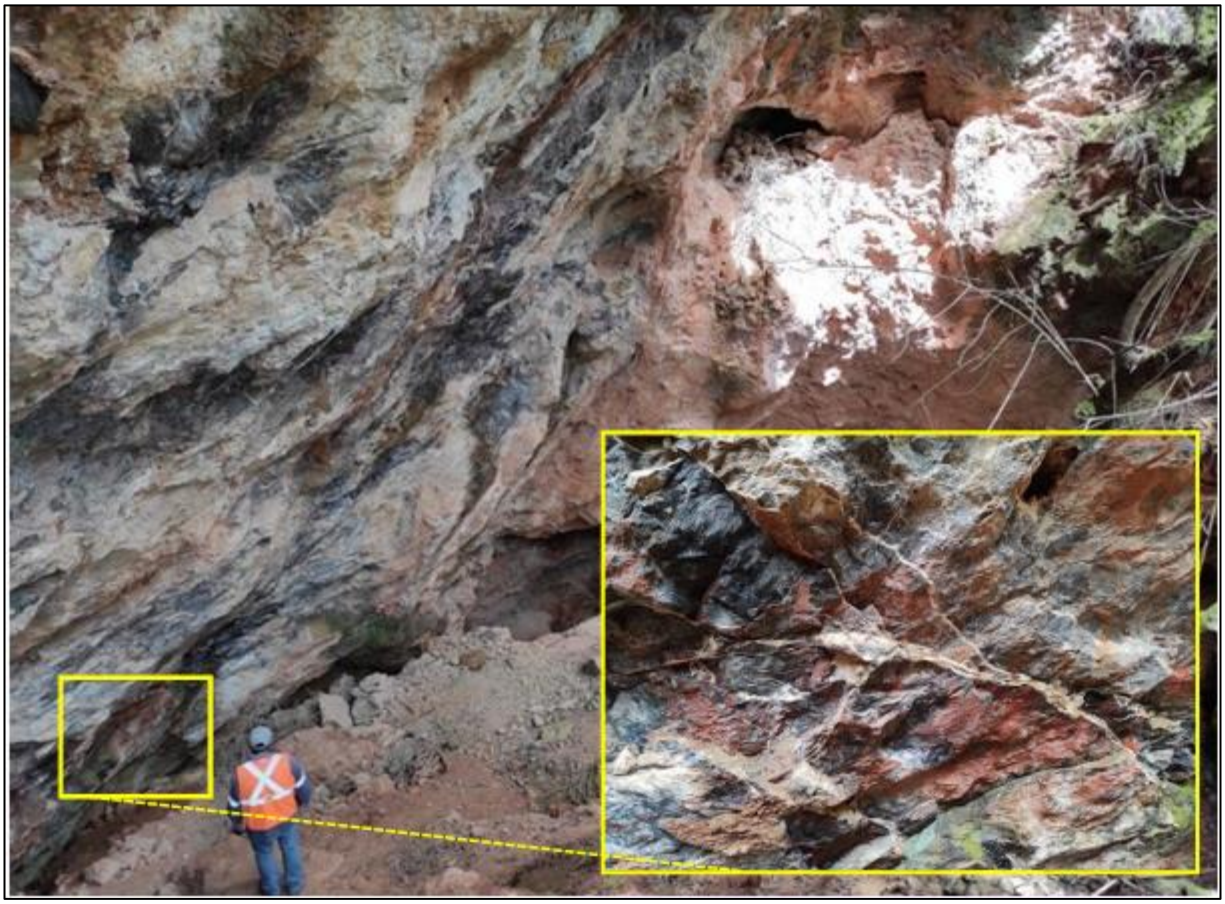
9.3.1.7 Zone 8

The limestones in this zone are fine- to medium-grained with karstic texture and most likely recrystallized limestone of the El Doctor Formation. There is also a calcareous breccia consisting of 5-20 cm subrounded to subangular limestone clasts in an iron oxide (goethite > hematite) and limestone micro fragments, bounded by normal faults, one of which displays an outcrop of sulfide carbonaceous brown garnet exoskarn. The exoskarn displays moderate to strong oxidation and pyrite and chalcopyrite veinlets.

9.3.1.8 Zone 9

Zone 9 is in an area dominated by fine-grained, dark-gray carbonaceous shale with interbeds of fine-grained limestone with calcite veinlets and oxides (Figure 9-2). A latter breccia consists of subrounded to angular limestone and carbonaceous shale clasts with a matrix of calcite and oxides. Several small old workings were observed with the largest consisting of a 15 m heading and a 9 m wide incline shaft of undetermined depth associated with the carbonaceous shale and wollastonite.

Figure 9-2 Zone 9 Workings (Britton et al., 2022)



Source: MLN

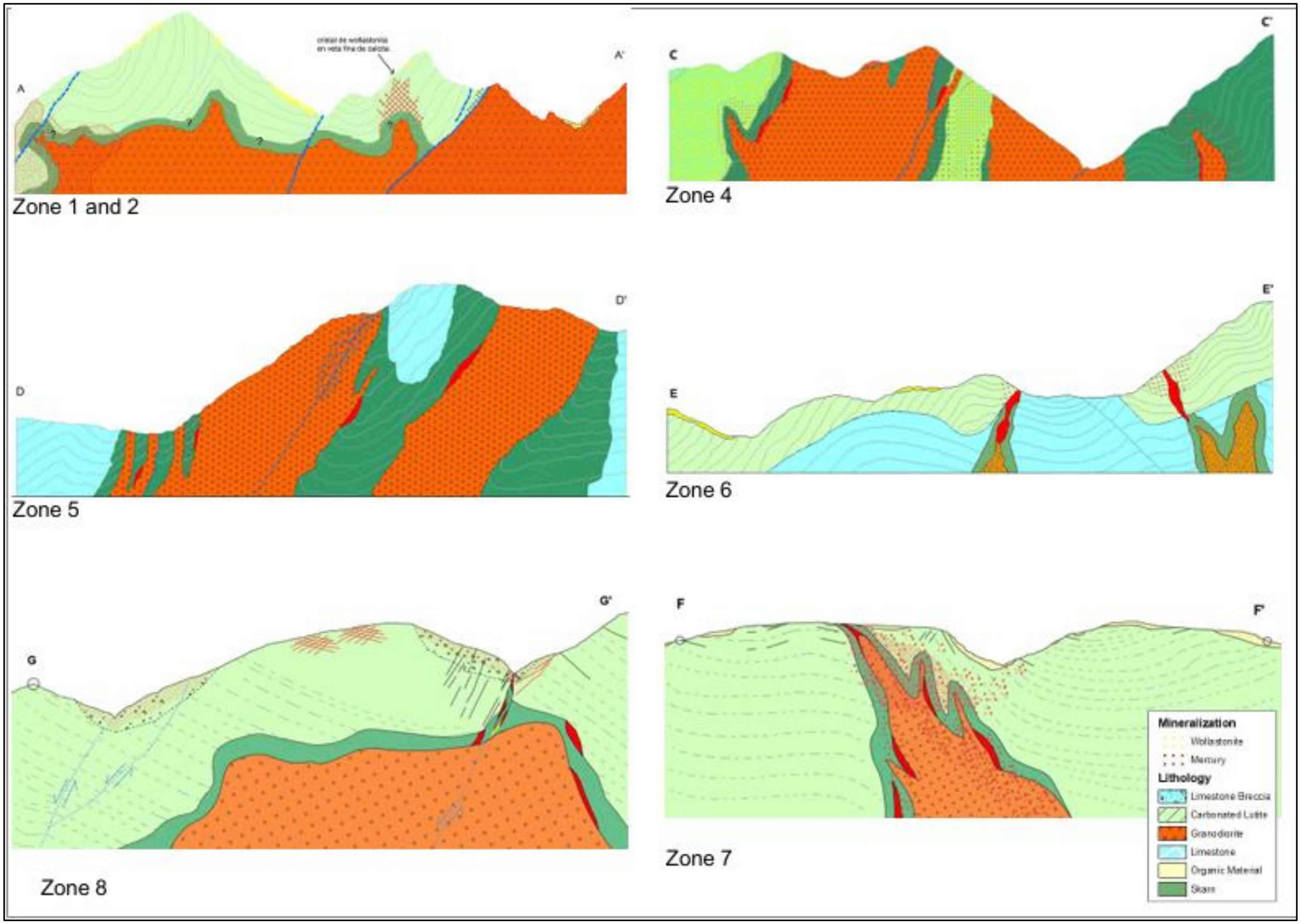
9.3.1.9 Zone 10

The lithology in the Zone 10 area consists of a matrix-supported carbonaceous polymictic breccia containing angular limestone clasts with a calcite cement which includes a reddish mineral, possibly cinnabar, and a fine-grained recrystallized calcite with some share interbeds and weak calcite veining. Zone 10 also contains numerous old workings.

9.3.1.10 Zone 11

The stratigraphy in this area consists of packages of heavily folded, gray recrystallized limestone, oriented NW with associated NW-SE parallel faults. Outcrops of fine-grained dioritic intrusive with plagioclase phenocrysts in a matrix of light green plagioclase and ferromagnesian matrix. minerals.

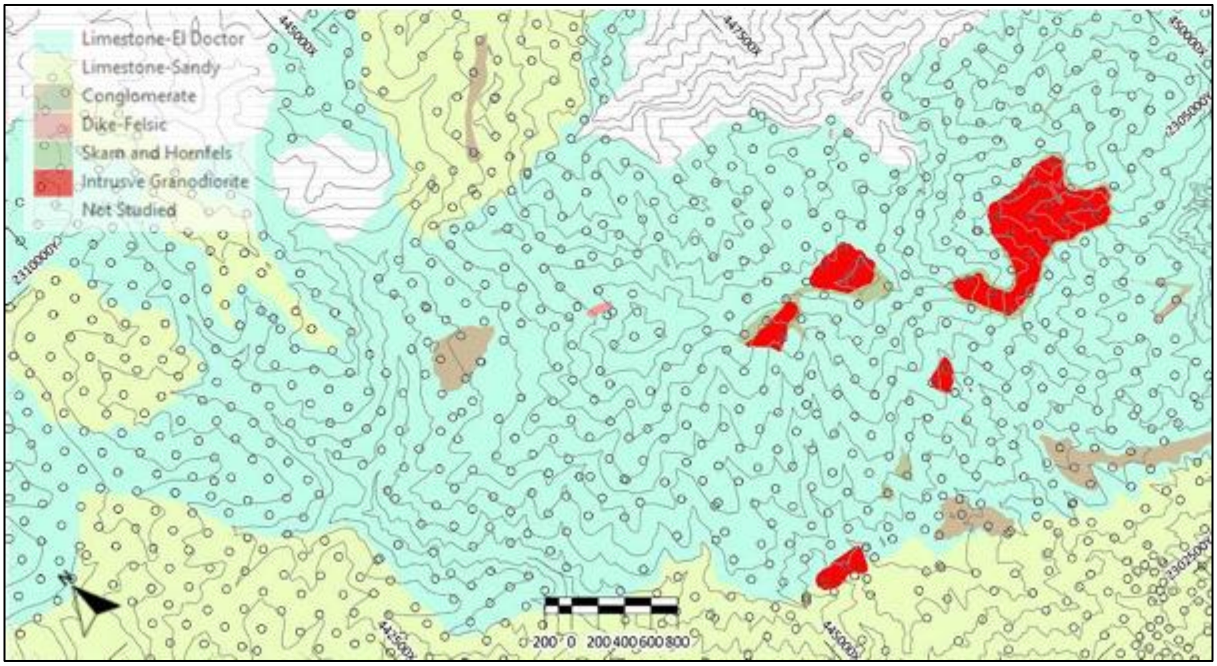
Figure 9-3 Idealized Cross Sections 2021 Zones of Interest (Britton et al., 2022)



9.3.2 2021 Soil Sampling

The 2021 soil sampling program consisted of grid sampling an area of 4,480 ha on 200 m centers, resulting in the collection of 976 soil samples and 124 rock samples, with the latter chosen in those areas that showed evident mineralization at surface (Figure 9-4).

Figure 9-4 Soil Sample Locations 2021 (Britton et al., 2022)



Source: A-Geommining

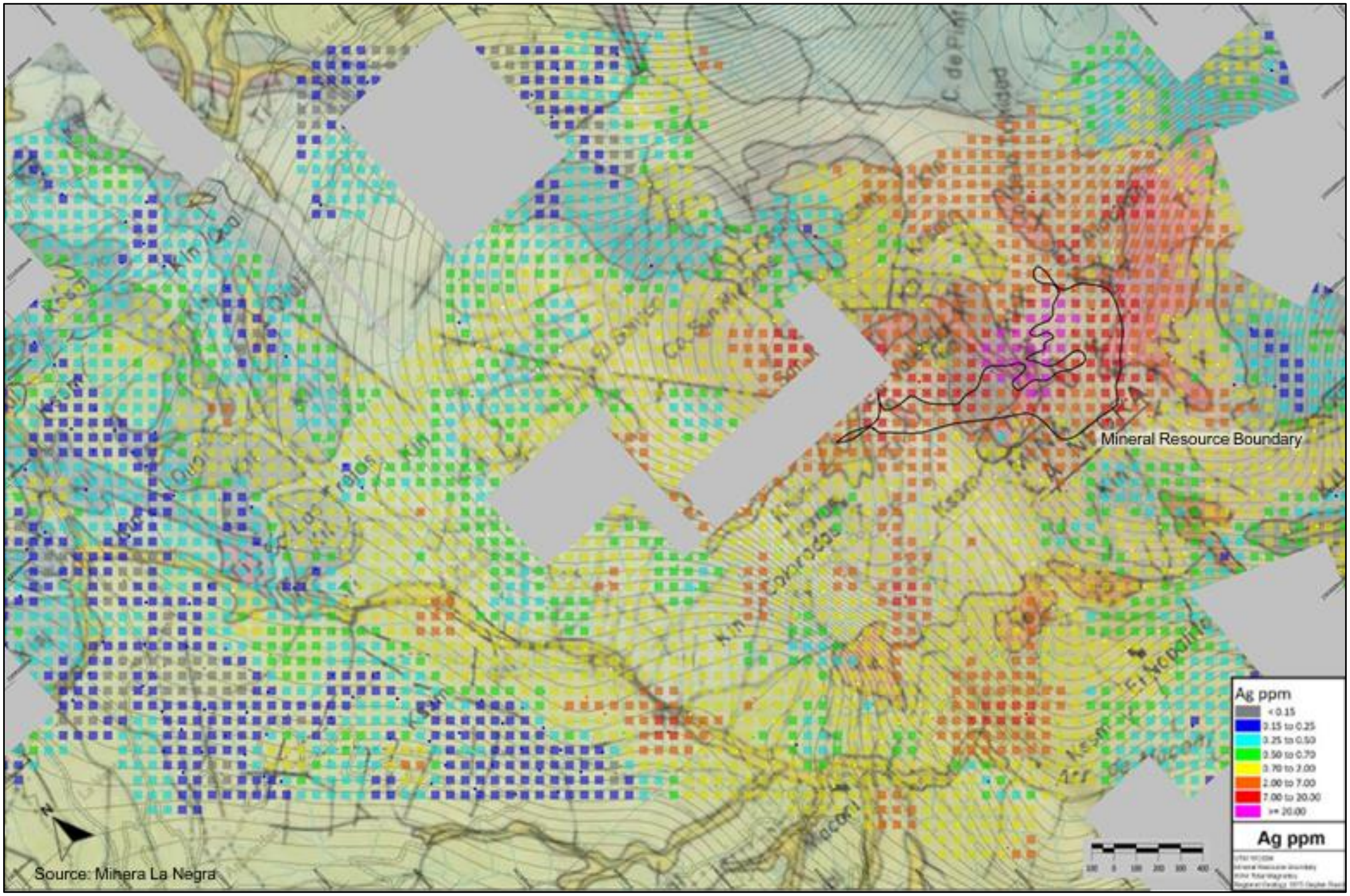
The soil samples were analyzed for 33 different elements and grids developed from the individual samples. The most relevant soil sample grid for Ag is presented in Figure 9-5, and the remainder is incorporated by reference herein.

The results of the soil sampling program outlined extensive Ag, Pb, Zn, and Cu anomalism centered on the existing footprint of the known mineralization (shown as the black outline in the following Figure 9-5), but with the principal potential located north and northeast of the current resource. In addition to enrichment in the elements described above, the area to the N and NE of the current resource are also enriched in Bi, Cd, Co, and Cr. Elevated Bi is common in Zn skarns and values above 50 ppm are considered anomalous and are present to the east and north of the main resource area. In addition, four small Bi anomalies occur to the WSW of the main resource. Cadmium with values above 10 ppm are considered anomalous in Zn skarns. There is a significant Cd anomaly to the east of the resource area and is coincident with the Bi anomaly. There is a second Cd anomaly to the NW along the main structural trend. Co is elevated in calcic Fe-Cu skarns with which La Negra shares many similarities and values above 50 ppm are considered anomalous. Co anomalies are present directly to the east of the resource area (and coincident with Bi and Cd), but also to the west and to the south. There is another zone of high Co some 4 km to the WNW of the resource. Cr is an important indicator mineral because it replaces Al and Fe in spinel and pyroxene. Values above 25 ppm are considered anomalous. There is a significant Cr anomaly (coincident with Bi, Cd, and Co) directly to the east of the resource area.

A second zone of Cr anomalism occurs some 4 km NW of the known resource. This area shows significantly enhanced values of Cr and appears to trace known structures within the overall NW trend. In addition to Cr, this area is also anomalous in Ba and Mn. Barium replaces K in felspar and the presence of a significant Ba anomaly to the NW of the project area may signify the presence of another intrusive phase. This zone is also coincident with elevated levels of Mn, which is a common element in skarn- forming minerals such as vesuvianite and johannsenite.

A third zone of anomalism was discovered to the WNW of the resource area, showing anomalous values of Hg, Sc, and V. This area is slightly distal to the Ba, Mn anomaly noted above. Hg in skarn is considered anomalous above 250 ppm and is generally distal. This area also shows elevated levels of Sc; Sc/Rb ratios display a linear relationship that decreases progressively through Au, Cu, Zn and W Skarns (Meinert). Finally, this area also has elevated V levels, although V anomalism is quite widespread. V tends to demonstrate the same pattern as Sc.

Figure 9-5 Soil Sampling Program 2021 - Soil Grid Ag (Britton et al., 2022)



9.3.3 2021 Channel Sampling Program

Channel samples were cut from outcrop faces that had been cleared of vegetation, talus, and loose rock. A rock saw with diamond saw blades was used to cut a channel in the rock face, and perpendicular cuts were made to facilitate the sampling. This was completed with a hand chisel and a hammer. The average sample length of the channels is approximately 2 m. Samples from the channeling were bagged and labeled on site by the contractor and treated with the same chain of custody protocols as would drill holes (see Section 10 for more detail on QA/QC procedures).

The following table summarizes the results of the channel sampling program. For Ag the channel samples ranged from 4 – 6 ppm, with 5ppm generally considered anomalous for this type of skarn deposit. For Pb the values obtained in channel samples ranged from 33 – 288 ppm, with values greater than 100 ppm considered anomalous. For Zn, values greater than 200 ppm are considered anomalous and the values derived from the channel samples range from 60 p 607 ppm. Finally, the results for Cu ranged from 21 – 119 ppm, with values above 100 ppm considered anomalous. Overall, as shown in Table 9-1 the best overall results were obtained in CNL-001 and CNL-006.

The intent of the 2021 channel sample program was to refine targets along the SE skarn contact and assess the potential for a continuation of the La Negra chimney in the opposite direction than the mine has been developed. The program demonstrated that the trend was mineralized, however economic grade mineralization was not encountered.

Figure 9-6 2021 Channel Sample Locations (Britton et al., 2022)

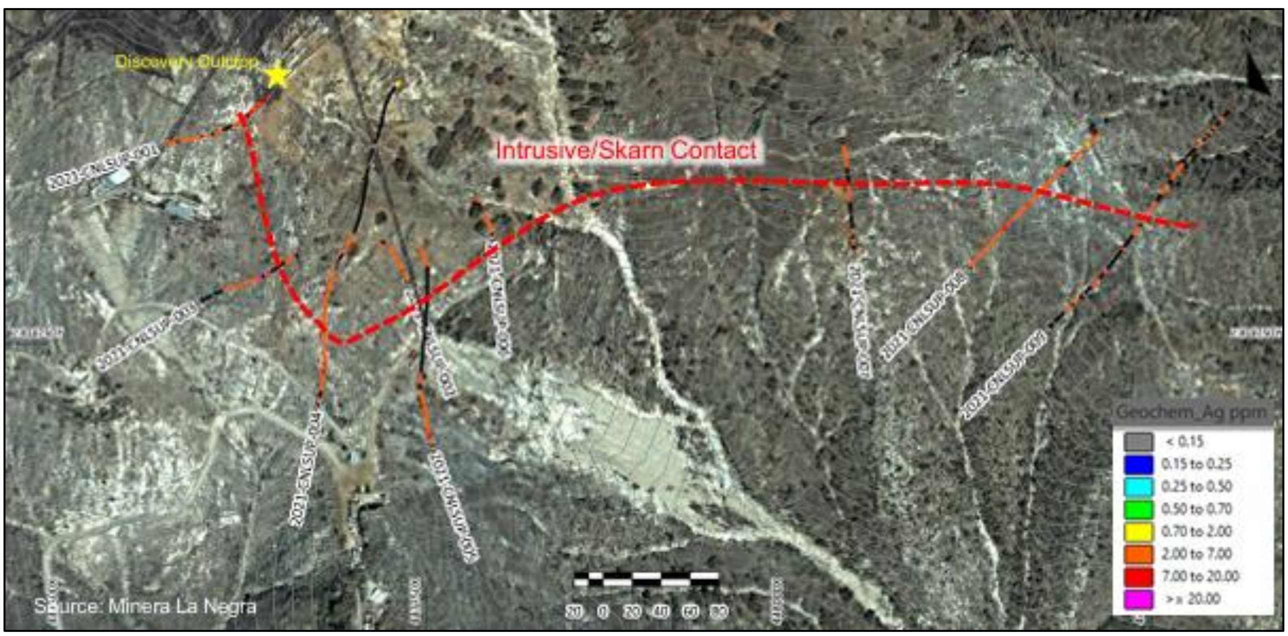


Table 9-1 Channel Sample Results

Channel	Meters	Samples	Azimuth	Ag (g/t)	Pb (g/t)	Zn (g/t)	Cu (g/t)
CNL 001	82.9	31	50	6	288	607	113
CNL 002	41.4	18	320	4	132	176	80
CNL 003	88.5	32	60	6	33	60	27
CNL 004	75.8	62	38	4	59	83	27
CNL 005	155.6	35	345	5	100	272	34
CNL 006	28.3	12	335	6	138	580	119

Channel	Meters	Samples	Azimuth	Ag (g/t)	Pb (g/t)	Zn (g/t)	Cu (g/t)
CNL 007	98.1	26	346	4	79	134	30
CNL 008	138	65	46	4	167	267	23
CNL 009	229.3	55	41	5	119	82	21
Total	**937.9**	**336**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**

Source: MLN

9.3.4 Data Recovery

With a significant portion of La Negra's 50 years of operating history occurring before the advent of modern geological database management, much of the data that had been compiled had not been digitized. Among this information are drill logs with extensive details, including collar and orientation information, full geologic logging, assays, and sections. As a result, MLN engaged a third-party geologic contractor to sift through all existing paper records, confirming the completeness of the data and incorporating it into the drillhole database.

10 DRILLING

The project database contains 2,851 diamond drill holes drilled from 1950's to 2025 with a total length of 230,585.8 m. Figure 10-1 shows the project drilling in relation to underground workings. MLN has conducted underground drilling since the acquisition of the Property in 2006 from Peñoles, both to find extensions of known mineralization, and to discover new zones but primarily drilling after 2006 has been near existing development.

During the 2024-2025 drilling campaign, a series of grade control and near development definition holes were completed with an average hole length of 73 m. A total of 48 diamond drill holes were drilled for 3521.8 m of core. A total of 1500 assays were obtained from 2,314.35 m of sampled core.

Figure 10-1 Drilling (Looking North)

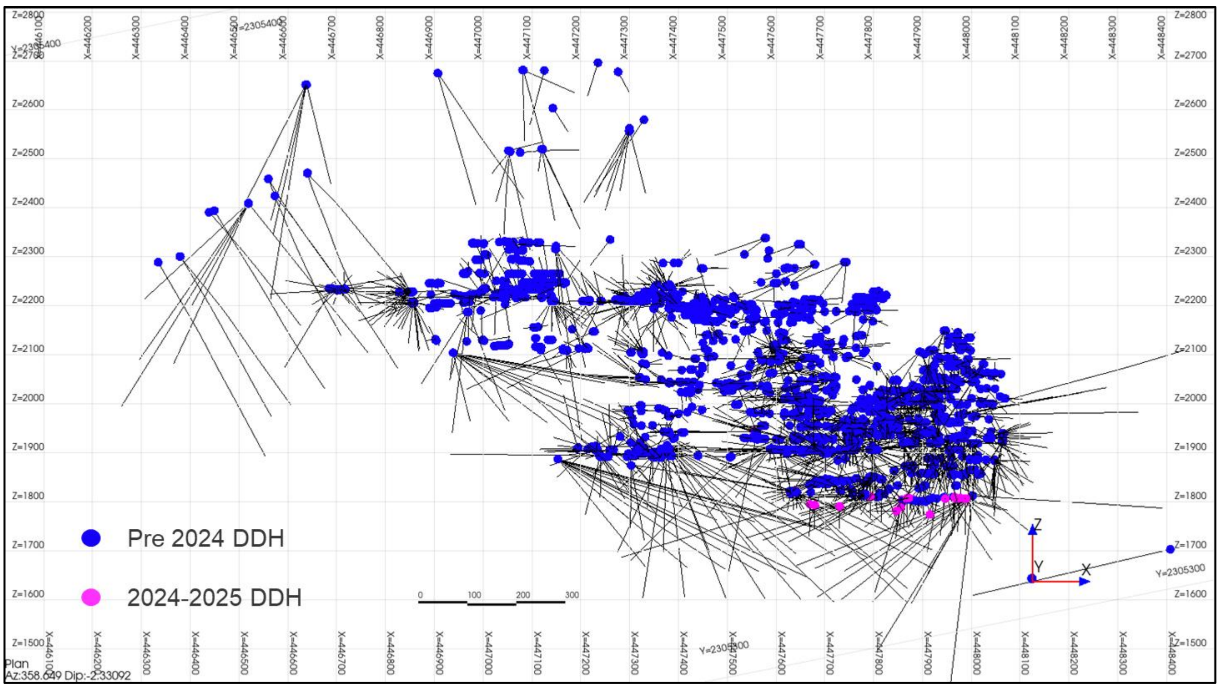


Table 10-1 MLN Diamond Drilling by Year

Year #	Holes	Meters
2006	1	79
2007	25	1938
2008	60	4326
2009	59	3762
2010	203	10574
2011	220	13231
2012	188	12467
2013	180	15102
2014	170	12582
2015	93	5696
2016	45	1431
2017	41	3101

Year #	Holes	Meters
2018	39	3597
2019	13	364
2020	-	-
2021	35	9800
2024	13	970.1
2025	35	2551.7

Intervals were selected for sampling based on visual identification of mineralization. Sample lengths generally are one or two meters; barren intervals above and below mineralization are also sampled to ensure the limits of mineralization are captured by the sampling process. Core was cut with a saw and half was placed in a labelled plastic sample bag together with a corresponding sample tag. A sample tag was placed in the core box and a third copy was retained in the sample booklet. When sampling was completed, the samples were consigned to the mine assay lab through a chain of custody protocol. Samples were routinely assayed for silver, copper, lead, zinc, iron, and arsenic and beginning in 2021 for antimony, bismuth, and cadmium.

The majority of underground drill core assays that have been collected by MLN have been incorporated into the database.

The host rocks of the mine are typically very competent; core recoveries are consistently high. There are no drilling, sampling, recovery or other factors that appear to materially impact the accuracy and reliability of the assay results obtained.

Holes are drilled at a variety of angles with respect to the true thickness of the mineralization encountered. This is true both within zones and from one zone to another because the morphology of the mineralization is variable at both scales.

Table 10-2 2024-2025 Drill Program Significant Intercepts

hole id	sample id	from	to	Length	Ag g/t	Pb %	Cu %	Zn %
MN24-011	17-33098	14.00	16.00	2.00	762.77	1.84	0.99	1.94
MN25-008	17-33330	36.35	37.34	0.99	586.12	3.08	0.69	11.14
MN25-005	17-33222	9.26	10.86	1.60	480.04	1.53	0.62	1.88
MN25-018	17-33586	29.90	31.25	1.35	461.94	1.68	1.54	6.01
MN25-016	17-33552	30.65	32.00	1.35	448.31	2.21	1.57	6.98
MN25-013	17-33482	26.92	28.10	1.18	431.69	2.11	0.84	2.27
MN25-025	33832	84.75	86.05	1.30	357.99	1.20	0.34	5.06
MN25-021	17-33680	66.10	67.15	1.05	314.35	0.02	2.50	0.13
MN25-013	17-33470	13.04	14.77	1.73	301.88	1.28	1.07	7.20
MN25-001	17-33117	11.80	12.80	1.00	286.40	0.92	0.83	3.06
MN25-015	17-33514	12.10	13.05	0.95	282.42	1.15	1.22	12.27
MN25-012	17-33443	33.75	35.30	1.55	274.35	1.34	1.03	4.86
MN25-005	17-33228	17.03	18.87	1.84	273.55	0.44	2.19	1.89
MN25-016	17-33544	19.65	21.30	1.65	267.43	0.99	1.20	11.77
MN25-016	17-33551	29.50	30.65	1.15	260.62	1.34	0.97	2.64
MN25-014	17-33493	5.50	6.50	1.00	250.35	0.93	0.79	12.52

hole id	sample id	from	to	Length	Ag g/t	Pb %	Cu %	Zn %
MN25-011	17-33403	7.70	9.00	1.30	248.29	0.45	3.23	4.94
MN25-027	17-33891	71.25	72.50	1.25	245.84	0.88	1.97	6.19
MN25-022	17-33718	53.00	53.75	0.75	245.57	0.79	2.44	5.72
MN25-014	17-33491	3.70	4.30	0.60	244.06	2.97	0.79	4.86
MN25-013	17-33471	14.77	15.26	0.49	232.71	0.94	1.43	7.08
MN25-012	17-33440	30.45	31.00	0.55	226.82	0.91	0.88	2.39
MN25-018	17-33584	28.05	28.95	0.90	223.18	0.24	3.22	9.14
MN25-012	17-33448	39.33	39.94	0.61	212.96	1.00	1.58	6.61
MN25-025	33846	100.30	101.45	1.15	204.25	0.84	0.27	2.25

Table 10-3 2024-2025 Collar Location

Hole Id	Max depth	x	y	z	Date
T55-01	31.75	447931.31	2305589.02	1787.92	2024-08-20
T55-02	78.70	447948.41	2305597.63	1788.34	2024-09-05
MN24-001	121.05	447848.40	2305556.07	1764.25	
MN24-002	80.85	447968.31	2305622.91	1788.18	2024-09-13
MN24-003	5.60	447948.53	2305567.17	1788.36	2024-09-20
MN24-004	81.15	447917.44	2305587.27	1754.86	2024-10-18
MN24-005	63.75	447969.18	2305581.03	1788.82	2024-10-29
MN24-006	139.50	447556.753	2305505.83	1930.16	2024-12-05
MN24-007	54.40	447874.32	2305619.01	1786.87	2024-11-17
MN24-008	56.05	447871.85	2305618.95	1786.87	2024-12-04
MN24-009	138.65	447556.025	2305506.78	1930.27	2025-01-24
MN24-010	40.15	447629.99	2305541.01	1803.82	2024-12-18
MN24-011	78.50	447631.11	2305555.10	1803.47	2025-01-08
MN25-001	94.40	447630.90	2305555.21	1803.41	2025-01-16
MN25-002	33.75	447630.63	2305555.27	1803.62	2025-01-21
MN25-003	80.70	447641.51	2305561.10	1804.50	2025-01-22
MN25-004	139.20	447556.216	2305507.25	1930.39	2025-01-29
MN25-005	50.25	447680.89	2,305,530.16	1777.66	2025-06-28
MN25-006	17.10	447556.53	2305504.572	1930.67	2024-02-24
MN25-007	66.05	447,671.810	2,305,553.756	1777.952	2024-02-15
MN25-008	90.80	447556.18	2,305,507.308	1931.15	2025-03-29
MN25-009	45.85	447731.52	2,305,506.175	1777.25	2025-03-11
MN25-010	92.00	447556.08	2305506.793	1930.98	2025-03-19
MN25-011	24.80	447871.60	2305639.734	1782.88	2025-04-22
MN25-012	53.80	447871.15	2305640.26	1783.04	2025-04-26
MN25-013	32.65	447881.72	2305646.603	1781.40	2025-04-30
MN25-014	22.75	447881.26	2305646.61	1781.51	2025-05-08

Hole Id	Max depth	x	y	z	Date
MN25-015	37.85	447883.51	2305647.356	1781.81	2025-05-08
MN25-016	62.80	447866.21	2305675.005	1777.39	2025-06-01
MN25-017	62.80	447862.87	2305680.262	1777.19	2025-06-07
MN25-018	75.80	447861.30	2305682.599	1777.80	2025-06-21
MN25-019	47.40	447861.36	2305682.688	1777.53	2025-07-02
MN25-020	50.20	447861.35	2305682.663	1778.89	2025-07-08
MN25-021	63.60	447861.37	2305682.526	1777.67	2025-07-17
MN25-022	73.30	447861.28	2305682.73	1777.83	2025-07-29
MN25-023	83.15	447861.46	2305682.643	1777.83	2025-08-05
MN25-024	78.75	447861.35	2305682.647	1778.19	2025-08-01
MN25-025	111.25	447861.329	2305682.699	1778.49	2025-09-18
MN25-026	74.80	447988.96	2305556.039	1789.00	2025-09-24
MN25-027	82.30	447865.51	2305675.287	1778.00	2025-11-05
MN25-028	111.00	447991.116	2305558.568	1789.819	2025-10-27
MN25-029	105.60	447991.09	2305558.558	1789.60	2025-10-27
MN25-031	107.75	447979.60	2305572.605	1789.46	2025-11-12
MN25-032	76.45	447979.69	2305572.636	1789.12	2025-11-12
MN25-034	77.40	447857.95	2305645.522	1765.57	2025-11-18
MN25-030	100.50	447991.01	2305558.326	1789.22	2025-10-27
MN25-033	77.80	447973.93	2305568.636	1788.79	2025-11-12
MN25-037	147.10	447795.82	2305626.484	1788.87	2025-11-18

11 SAMPLE PREPARATION, ANALYSES, AND SECURITY

The Following (Section 11.1 to section 11.5 and section 11.7) is taken from the 2022 report: *Technical Report – Preliminary Economic Assessment Study, La Negra Mine, Minera La Negra S.A. de C.V., Cadereyta de Montes (Maconí), Querétaro, Mexico. No further information was available.*

The project dataset includes two primary databases, one consisting of sampling collected during operations and the other consisting of drill core sampling. The operational database largely contains information collected after Aurcana purchased the property; some Peñoles operational data exists but is mostly relevant to mined out areas and is not as relevant to remaining Resource areas. The drill core database contains significant quantities of Peñoles drilling, with exploration drilling outside of the immediate mining area nearly exclusively from Peñoles. A minor amount of exploration drilling was completed by Aurcana in the Carolina and Samara area in 2015. Except for the 2021 drill program, the drilling since Peñoles has largely been focused on mining related definition of immediately available areas. The goal of the 2021 drill program was to expand Inferred Resources and promote near mine discovery with little focus on incremental near mine expansion.

Peñoles completed several rock and soils programs, however, very little tabular data is available. Aurcana conducted an extensive rock sample program in 2012 that is described in previous technical reports. In 2021, assisted by geologic services contractor A-Geommining, MLN completed a systematic soil sample program and rock sample prospecting. The 2021 soil and rock program samples were prepared at the onsite laboratory and pulps were analyzed at ALS Chemex. ALS Geochemistry (formerly ALS Chemex) laboratories operate under a global quality system compliant with ISO/IEC 17025:2017 standards, ensuring high-accuracy mineral analysis and metallurgical testing.

All core is logged and sampled at a secure core logging facility located on the property. Other samples such as surface and underground channel samples are submitted by the geologists responsible for their collection to the onsite assay laboratory for analysis. In both cases the samples are prepared according to formal protocols that have been developed by the Mine Geology and Exploration Department. These protocols are summarized in Section 11.3.

11.1 Peñoles and Previous Explores

Peñoles actively explored and operated the property up to 1999. Although modern concepts of QA/QC were not common at that time, analytical testing was completed by the onsite laboratory responsible for mine operating data. A reasonable assumption has been made that the mine was financially incentivized to maintain an accurate facility. The quality of reports, maps, and logs, indicates Peñoles operated the mine and exploration at a high professional standard. Information regarding QA/QC from this period has not been located and is suspected not to exist. The production sample database does not contain significant quantities of blast-hole and channel sampling completed by Peñoles. The drill hole database does contain significant quantities of Peñoles exploration and operational core drilling. This information is considered reliable and verified by the operating history of the mine. Weakness of the historically collected drillhole samples include smaller diameter core that contributes to increased variability. Grade bias has not been observed with this dataset except for bias generated from absence of sampling. Historic sampling procedures did not include shoulder sampling, often did not include the sampling of internal waste intervals, and generally ignored grades suspected to be lower than the current operating cut-off grades. Discussed further in the Resource section of this report, unsampled historic intervals within the modeled mineralized zones were assigned ‘0’ grade for payable attributes which is the most appropriate option but also the most conservative approach. Historic sampling has frequently been confirmed through mining, resampling, and adjacent testing; no issues with historically collected data have been suggested or encountered.

11.2 Aurcana

Ownership by Aurcana, a publicly listed Canadian mining company, was accompanied by improvements and modernization of QA/QC protocols. The initiation of QA/QC sample insertion is described in Aucana’s

2008 technical report authored by GeoSim Services Inc and extensive verification sampling is described in the 2013 Behre Dolbear technical report. Aurcana frequently employed umpire check sampling at SGS and ALS Chemex. The SGS laboratory in Durango (Mexico) offers sample preparation services and ICP-OES or AAS analysis. The SGS Durango lab received ISO/IEC 17025 accreditation in 2009.

11.3 Sample Preparation and Sampling Methods

11.3.1 Surface Sampling

Sample size varies with the sample medium (soil or rock), but for all sample types the project number, sample number, date of collection, location and description, including, if appropriate, lithology, structure and alteration are recorded. The sample is placed into either a cloth or canvas sample bag that is tied shut. The sample location is marked and photographed. Samples are submitted to the assay laboratory by the responsible geologist.

11.3.2 Mine Sampling

Samples are collected from working faces, backs and ribs. Sample lines are marked at 5 m intervals along the strike of the mine development with spray paint and are divided into sample intervals, typically 3 m in length. Samples are collected either with a chisel and hammer or by saw, and the sample material is caught on a tarp placed on the floor of the area being sampled. Samples are collected in numbered plastic bags and a sample tag is also placed in the bag. Bags are closed with ties. Sample numbers are inscribed on aluminum tags that are nailed to the midpoint of the sample interval. The sample numbers and locations are recorded manually and subsequently transcribed to a database. Samples are transported to surface as collected and are submitted to the assay laboratory by the responsible geologist.

In addition to samples taken from the surface of workings, samples are also taken from production long holes (blast holes) and used for grade control. Blast holes are drilled both down and up and a single sample is collected for each hole from the cuttings generated by the drill. Holes are laid out in parallel lines 1.5 m apart and drilled at a spacing of 1.2 m. Each hole is assigned a unique, consecutive identification number that is in turn applied to the collected sample. Holes, and hence samples, vary in length, normally from 8.0 to 13.0 m, but at Trinidad are up to 22 m long. Samples from down-holes are collected using a shovel from the pile of cuttings that surrounds the hole on the floor of the working; material is taken from at least five points around the pile by digging through the full vertical profile of the cuttings to obtain a representative sample. For up-holes, a boot is installed on the drill to capture the cuttings from the hole and the sample is taken from the material collected in the boot. The boot is cleaned after each hole before re-use. The location of each blast hole is surveyed, and all holes are laid out on a plan map used for identification and notation of sample numbers. Between 3.0 to 4.0 kg of cuttings are collected in plastic bags from each hole; each is accompanied by a sample tag also placed within or attached to the bag. Bags are closed with ties. The sample numbers and locations are recorded manually and subsequently transcribed to a computer database. Samples are taken under the supervision of a geologist and the same day are transported to surface as collected and submitted to the assay laboratory by the responsible geologist.

11.3.3 Drill Core Sampling

This procedure applies to core obtained by both surface and underground drilling but, in practical terms, almost all core drilling has been, and is, carried out underground. Core is placed into synthetic cardboard core boxes by the drill crew. The interval drilled is marked with wooden blocks showing the depth of the hole at the location of the block. Core is washed and measured for recovery. In transporting core to the core processing facility on surface, care is taken to avoid any contaminants that may compromise the integrity of the core boxes or the quality of the contained core.

At the core processing facility, the core is logged and marked for sampling by the geologist in charge of the facility. After the core is marked for sampling, and prior to cutting, the core is photographed in lots of two boxes. Core intervals to be sampled are selected on the basis of visual inspection for mineralization.

Intervals of mineralization are bracketed by samples of unmineralized wall rock, 1 – 3 m in length, on both sides of the mineralized interval. Core is sampled by cutting with diamond saws. The saws are located immediately adjacent to the table on which the core is logged. Core is sawn in half and the portion to be analyzed is placed in a plastic bag that is marked with the sample number. In addition, a tag with the sample number is placed in the bag, which is then shut with a plastic tie. The bagged samples are placed in trays for transportation to the assay laboratory and the boxes containing the other half of the core are placed on racks in the core processing and storage facility.

Routine measurement of bulk densities is part of the drill core sampling protocol with samples measured at three-meter intervals along the drill core.

11.4 Sample Security

All types of samples are collected, prepared and transported by, or under, the supervision of, qualified personnel and their movement is controlled by a formal chain-of-custody protocol. The core sampling and storage facility is accessible only to qualified personnel. Given the sample handling and preparation protocols, there is very limited opportunity for any mishandling, accidental or otherwise, of any samples.

11.5 Sample Analysis

With the exception of the 2021 surface drill samples, all samples from all sources are prepared and analyzed in the on-site assay laboratory. This on-site laboratory does not have an international certification. Prior to processing, samples are checked for origin, number of samples and sample numbers. Samples are then dried, crushed and then pulverized using a ring pulverizer. Crushing reduces the samples to minus ¼ inch. Every 10th sample is split with a Jones splitter to obtain a duplicate check sample. Two hundred grams of crushed sample is reduced to minus 100 mesh (0.0059 inches or 150 microns) in a ring centrifugal pulverizer. The crushing and pulverizing equipment is cleaned between samples, using compressed air. A 100-gram pulp sample is placed in an envelope and sent for assay. One duplicate pulp sample is collected for every 10 samples.

Samples are routinely analyzed for lead, zinc, copper, silver, iron and arsenic. Pulp samples are dissolved in aqua regia (hydrochloric and nitric acid). Silver content is determined by fire assay; lead, zinc, copper and arsenic are assayed by Atomic Absorption (AAS). Analyses are copied manually from the screen of the atomic absorption unit into a journal and subsequently are entered into an electronic database.

Detection limits for silver was 1g/t Ag and 0.001% for copper, lead and zinc.

11.6 QA/QC-2012-2017 Drill Hole Program

All QAQC data available prior to 2021 have been compiled together in this section.

Throughout those years, 14,834 CRM (certified reference materials or standards) have been introduced in the analysis sequence. Only one CRM was used; CDN-FCM-3. It was used to control the silver, copper, lead and zinc values.

For the silver commodity, many values are very closes to 100g/t Ag. It looks like a CRM with a value around 100 g/t Ag as also been included in the sequence but is not reference anywhere (red rectangle on Table 11-1). Also, for all commodities, it looks like some blanks have been mixed-up with CRMs as many values are very closes to 0g/t (Table 11-1 and Figure 11-1 to Figure 11-4).

Table 11-1 Certified Material Reference (CDN-FMC-3) (Britton et al., 2022)

CDN-FMC-3							
	Count	Value	Standard Deviation	Pass	Warning	Failed	% Failed
Ag	14,834	23.6	3.30	14,772	3	59	0.40
Cu	14,834	0.29	0.02	14,606	28	200	1.35
Pb	14,834	0.15	0.01	14,724	2	108	0.73
Zn	14,834	0.543	0.03	14,663	9	162	1.09

Figure 11-1 CDN-FCM-3 – Ag (Britton et al., 2022)

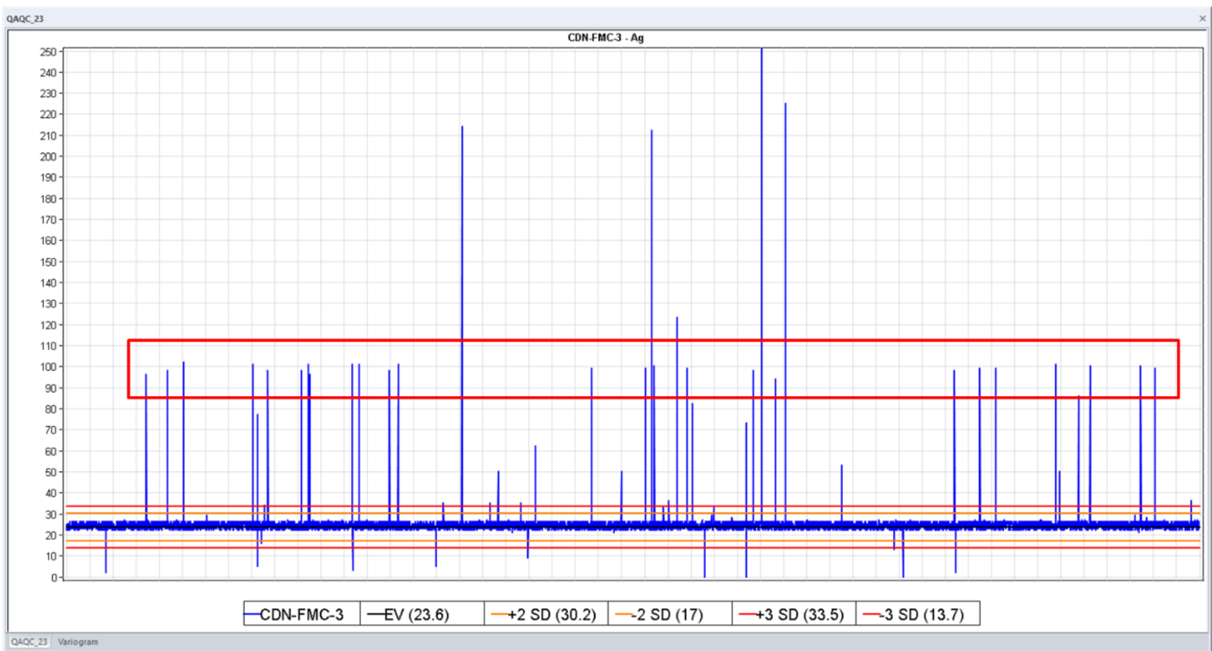


Figure 11-2 CDN-FCM-3 – Cu (Britton et al., 2022)

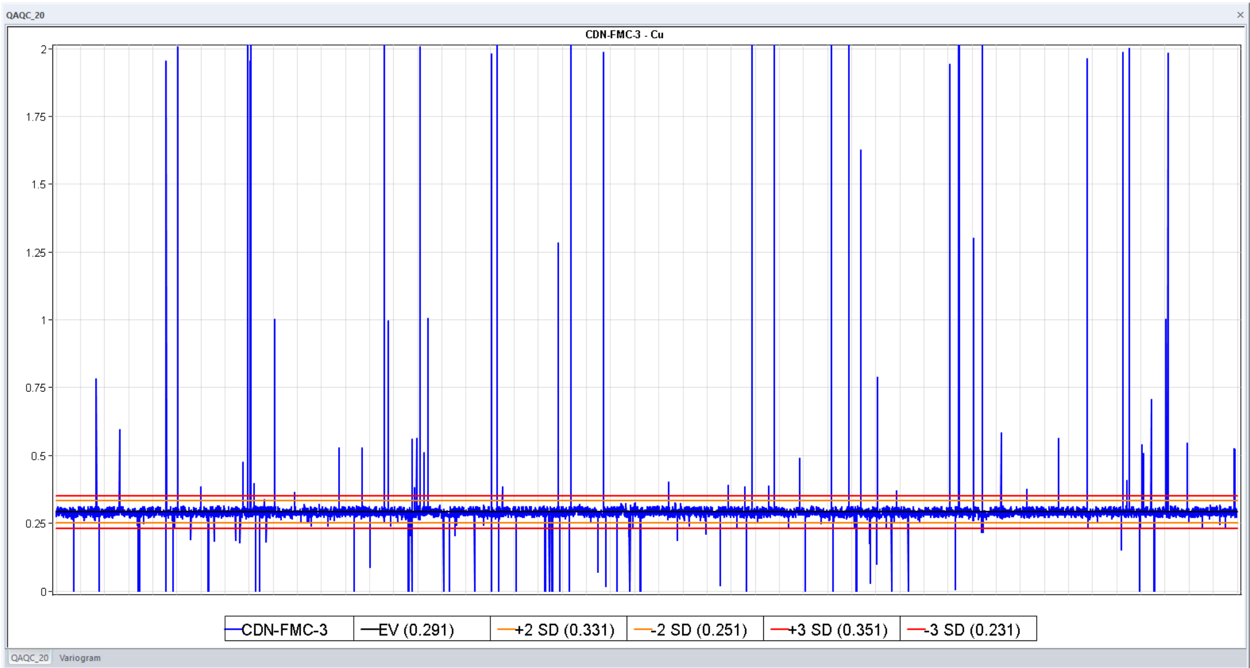


Figure 11-3 CDN-FCM-3 – Pb (Britton et al., 2022)

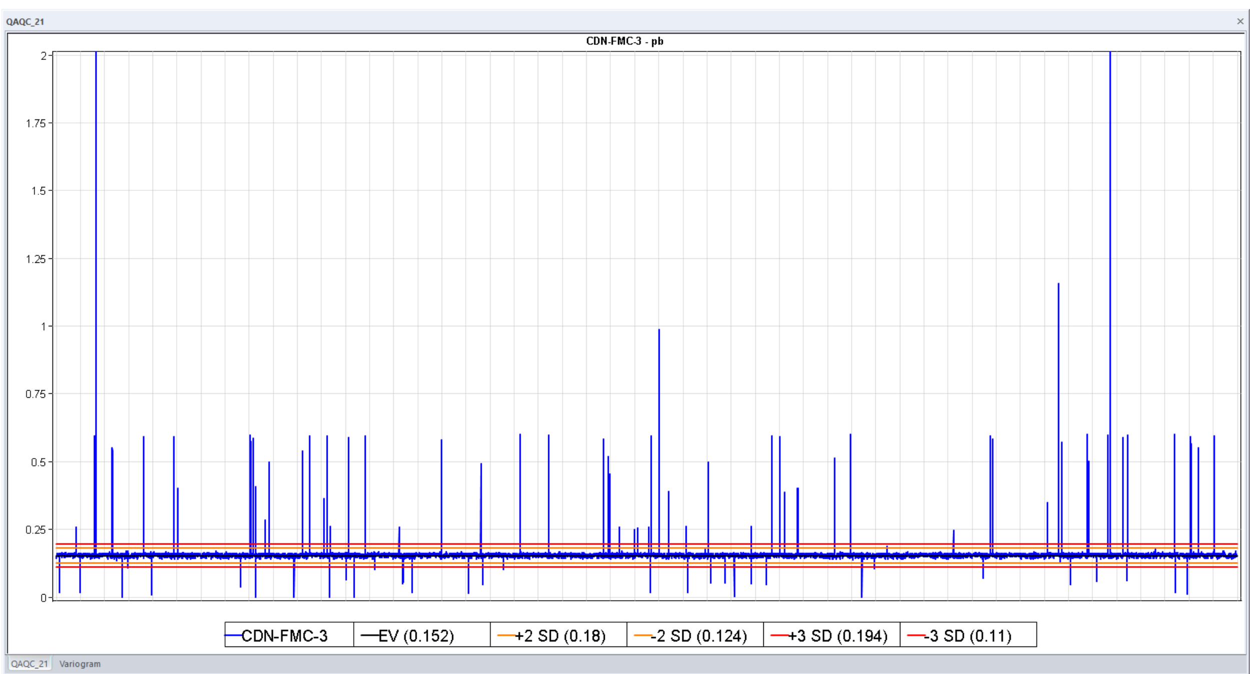
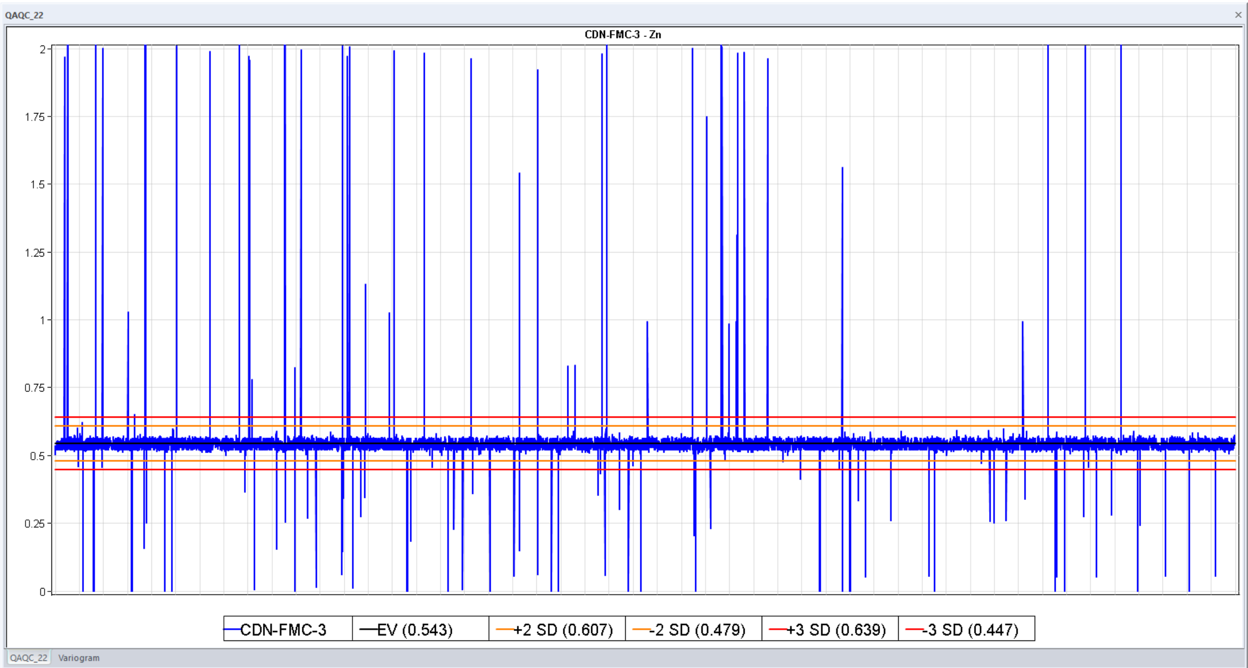


Figure 11-4 CDN-FCM-3 – Zn (Britton et al., 2022)



In addition to the CRMs 14,403 blanks were also introduced in the analysis sequence to identify contamination introduced during sampling, transport, storage, or laboratory analysis. Blank material is core taken from limestone intersections from underground drill holes from the Mine Area. It is not the best source of blank material as it is probably not completely barren. If contamination is present in the blanks, it becomes impossible to know if it originates from the cleaning procedure between samples or from the blank itself. Considering the quality of the blank material, the QAQC blank results for silver and copper are good. However, residual zinc and lead are probably present in the limestone which contaminated the blanks (Table 11-2 and Figure 11-5 to Figure 11-8).

Table 11-2 Blank Quality Control

Blank Quality Control				
	Ag	**Cu**	**Pb**	**Zn**
Count	14,403	14,403	14,403	14,403
Passed	11,381	13,379	8909	9591
Warning	2,858	583	4291	1025
Failed	164	441	1203	3787
% Failed	1.14	3,06	8.35	26.29

Figure 11-5 2012-2017 Blanks – Ag

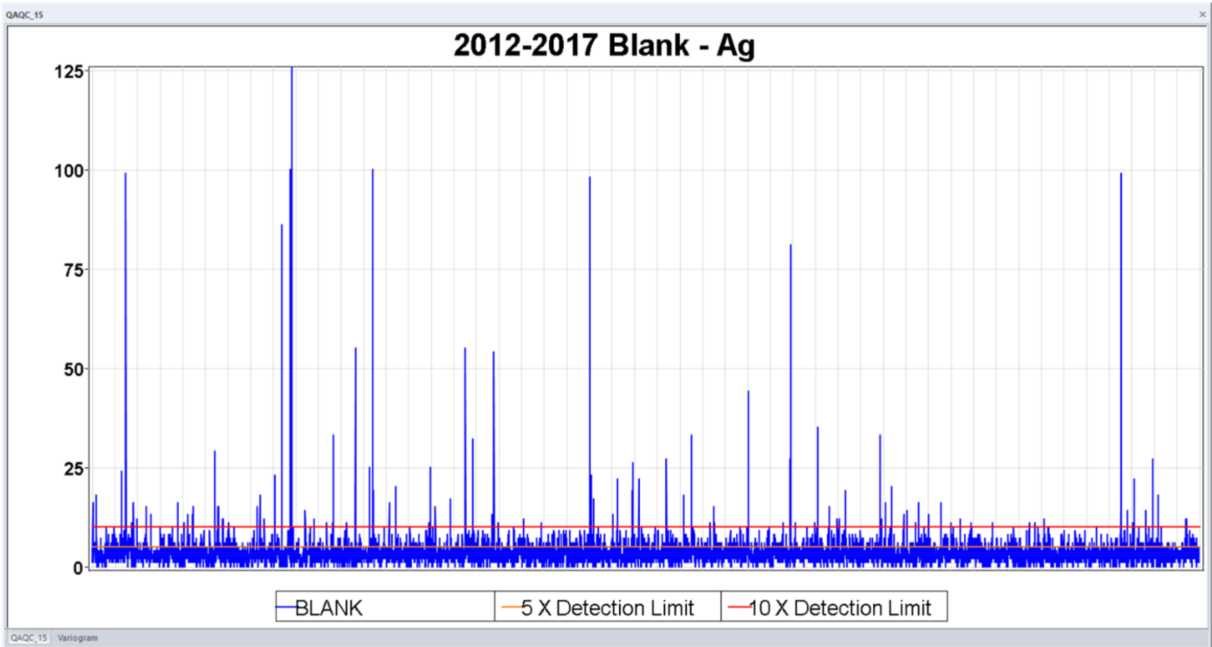


Figure 11-6 Blanks – Cu

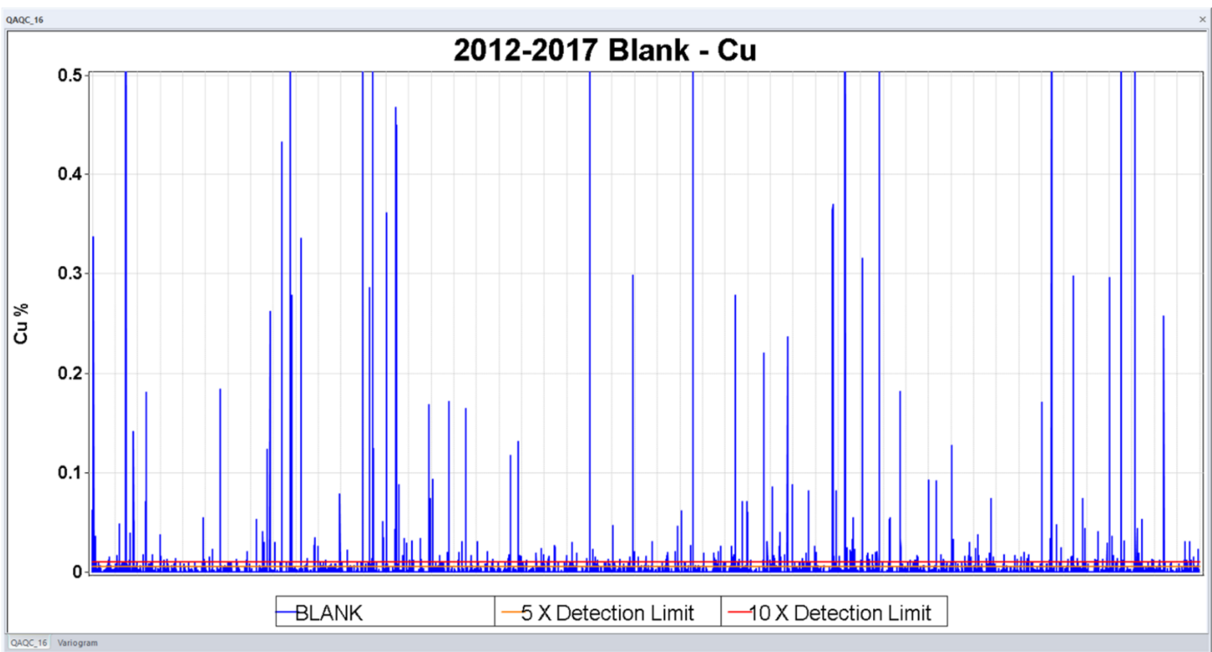


Figure 11-7 Blanks - Pb

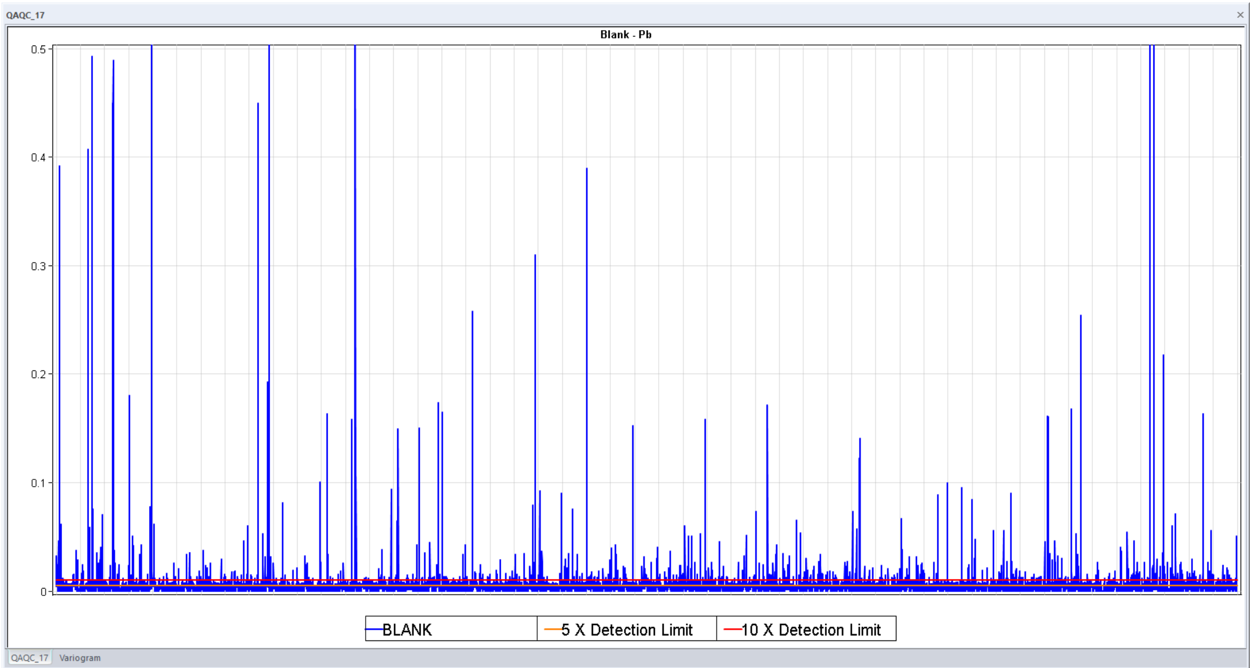
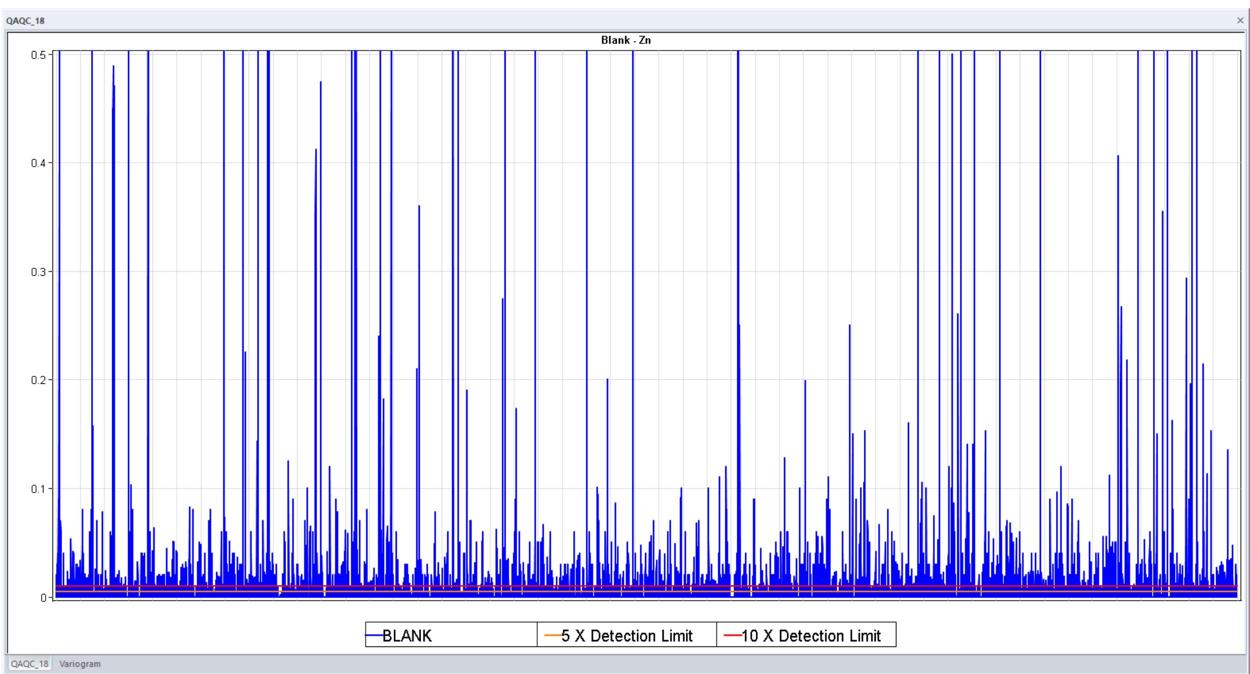


Figure 11-8 Blanks - Zn



For the years 2012-to 2017, the database is suitable to support an estimate of mineral resources. However, certified Blanks or at least decorative rock silica available in hardware store could be used, to be sure not to contaminate the results with impurities from the core located within the deposit, even if this rock is not visually mineralized. Silver and copper values are acceptable, but it seems that a lot of zinc is included in the host rock.

It is also recommended to use different CRMs to test different level of grades (low, medium and high grades) and to reference it.

11.7 QA/QC-2021 Drill Hole Program

The 2021 drill program consisted of 2,718 core samples submitted to and analyzed by the on-site laboratory, accompanied by 43 blank samples, 73 standards, 37 field half core duplicates, and 129 pulp duplicates submitted in the sample stream blind to the laboratory. In-stream QC samples accounted for 5.6% of the core samples submitted. Additionally, 667 standards and 119 blanks were tested as part of the laboratory's procedures. Further verification was completed by sending 239 mineral zone sample pulps and coarse duplicates to ALS for Umpire sampling. Except for one hole, every interval from the 2021 drill program within mineral resource estimate has been umpire tested.

QA/QC performance from the 2021 program is shown in the below figures. Figure 11-9 shows adequate performance of locally sourced blank material, with very few, minor failures. Prior sample analysis demonstrates minor amounts of contamination are likely due to elevated natural background Ag that is typical with non-certified blank material and not contamination from the preceding sample.

Figure 11-9 In-Stream Ag Blanks - 2021 Drill Program

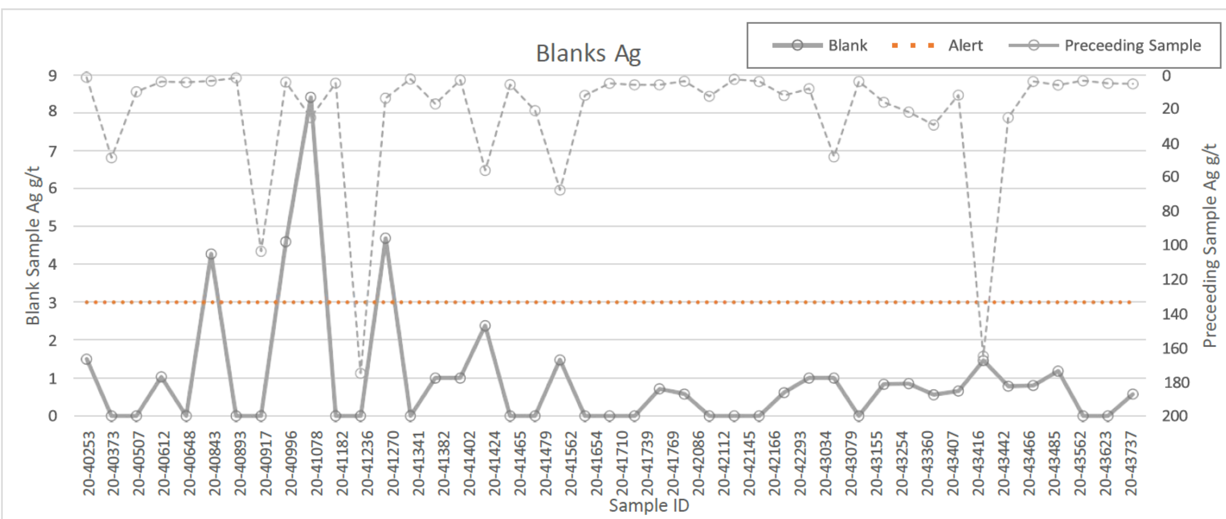
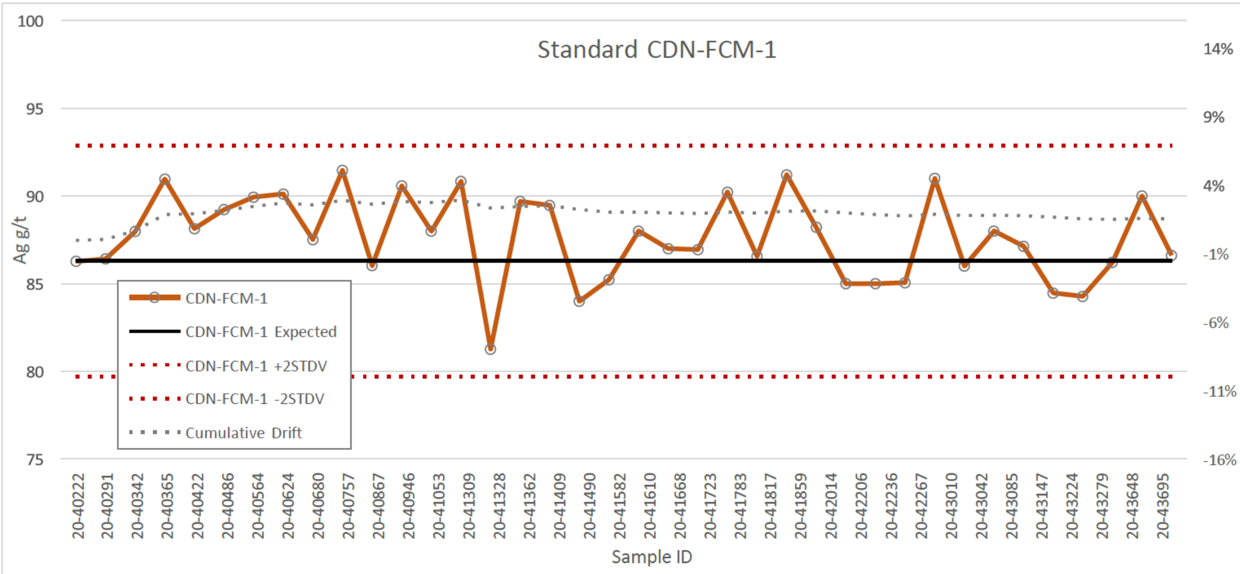


Figure 11-10 shows no failures for 38 in-stream submittals of standard CDN-FCM-1. A minor amount of cumulative drift, within one standard deviation was observed over the sample range.

Figure 11-10 In-Stream Ag Standard CDN-FCM-1 - 2021 Drill Program



Similarly, the 35 in-stream submittals of standard CDN-FCM-3, show no failures with very little cumulative drift (See Figure 11-11).

Figure 11-11 In-Stream Ag Standard CDN-FCM-3 - 2021 Drill Program

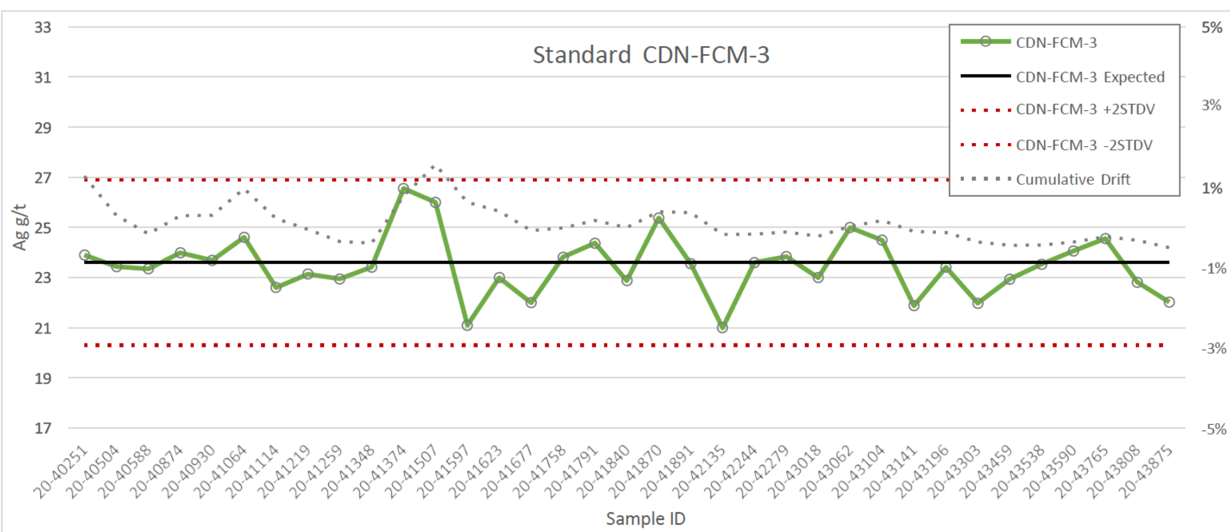
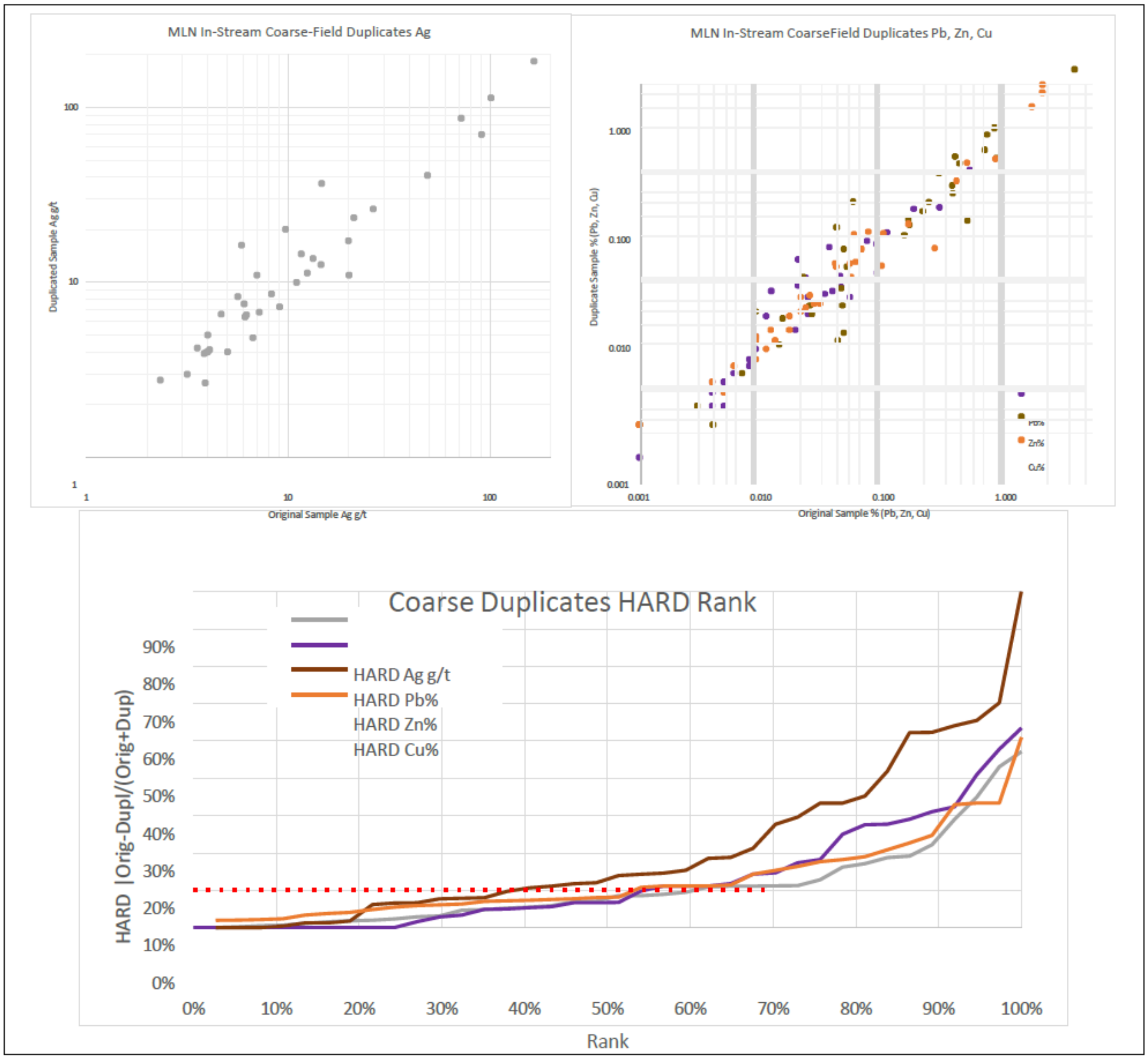


Figure 11-12 shows the field duplicate performance for in-stream quarter-core duplicates. Half Absolute Difference Analysis suggests that Zn is lower precision compared to Ag, Pb, Cu, possibly as a result of the coarser metallic nature.

Figure 11-12 In-Stream Field (Coarse) Duplicates - 2021 Drill Program



It is the opinion of the author that the 2021 dataset is suitable to support the estimate of Resources. Data collected nearest to the immediate operating areas is modern and sample streams have included QA/QC samples and analysis.

11.8 QA/QC-2024-2025 Drill Hole Program

No known drilling has been done in 2022 and 2023.

The 2024-2025 drill program consisted of 1,500 core samples submitted to and analyzed by the on-site laboratory, accompanied by 19 blank samples and 26 duplicates submitted in the sample stream blind to the laboratory. In-stream QC samples accounted for 3% of the core samples submitted.

QA/QC performance from the 2024-2025 program is shown in the below figures. Figure 11-13 to Figure 11-20 show blanks and duplicates results for Ag, Cu, Pb and Zn. Performance of blank material for Silver and Lead are adequate. Blank performance for copper and zinc includes some fails but the detection limit was low on those commodities (0.001%). The level of contamination on copper blanks (max 0.02% Cu) and zinc blanks (max 0.06% Zn) won't have a significant impact on the grades of the mined resources as the average copper value in MLN mineralized solid is 0.54% Cu and 1.71% Zn.

No other precision about the sample analysis procedure at the on-site laboratory is currently available.

The author suggests using decorative rock silica available in hardware store to use as blank or to use certified blank material instead of waste rock from core located between mineralized zones. This rock is in the deposit area and can easily be contaminated by low Ag, Cu, Zn and Pb impurities.

Duplicate values for all commodities correlate well. The sign test and the Student T test don't reveal any bias. Student's t-test determines if the means of two groups are significantly different. The sign test is used to determine if there is a significant difference between paired observations. From those tests the author concludes that both populations (original sample and duplicate values) are similar.

11.8.1 Ag QA/QC

Figure 11-13 2024-2025 Ag Blanks

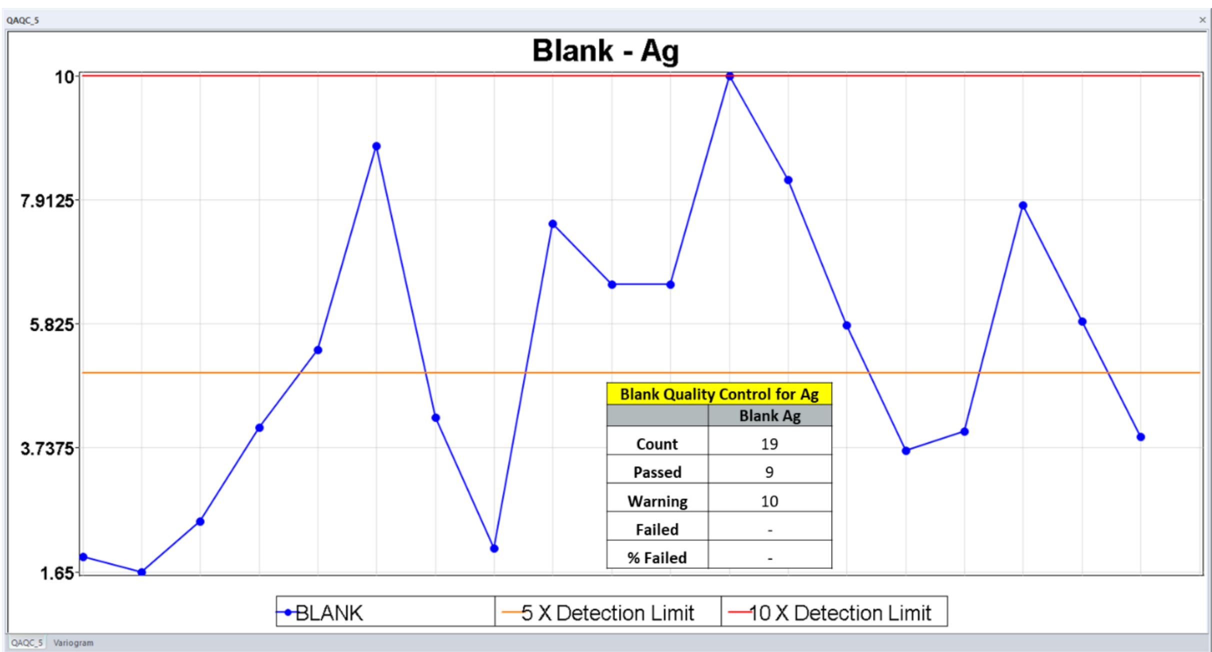
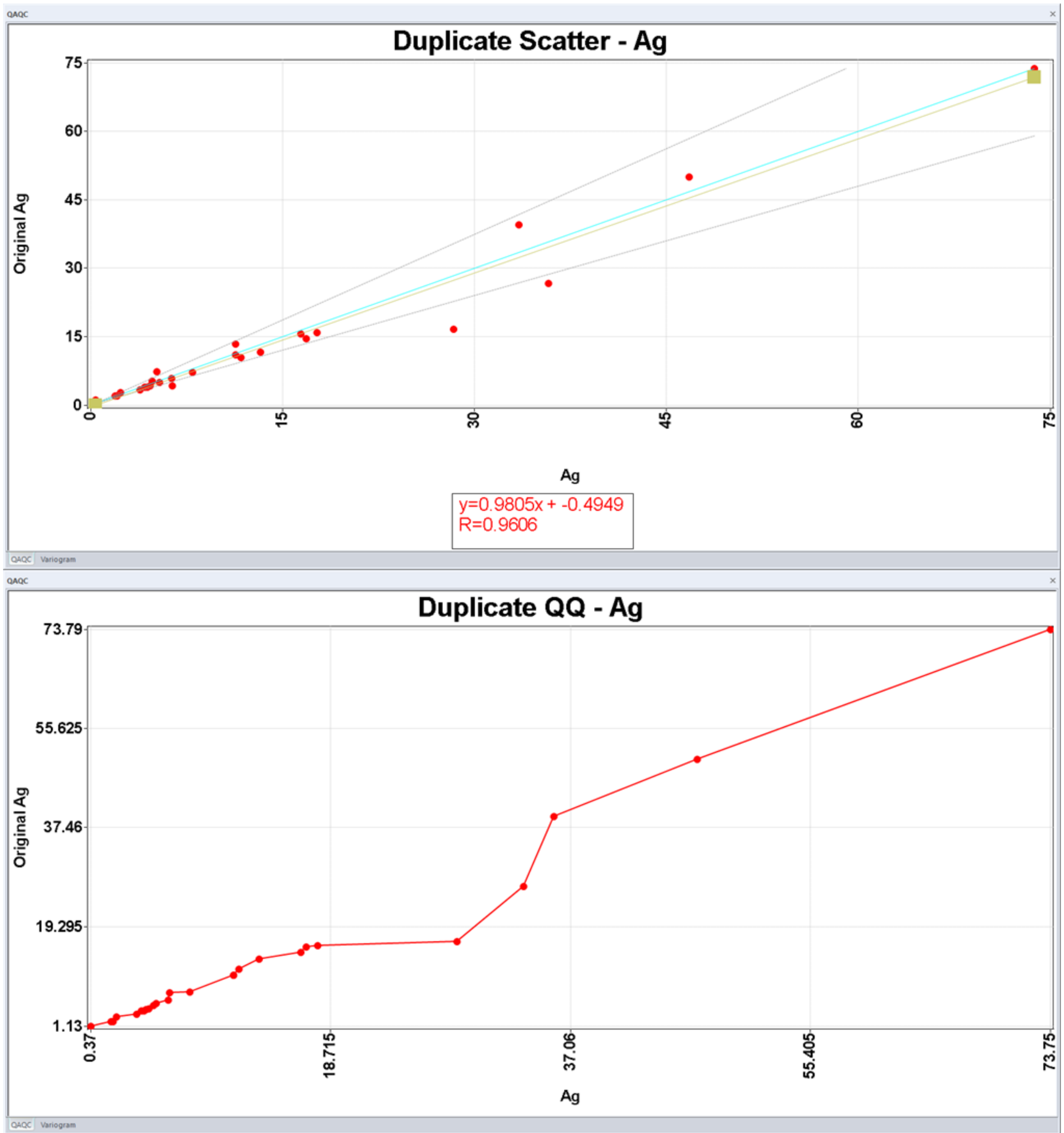


Figure 11-14 2024-2025 Ag Duplicates



11.8.2 Cu QA/QC

Figure 11-15 2024-2025 Cu Blanks

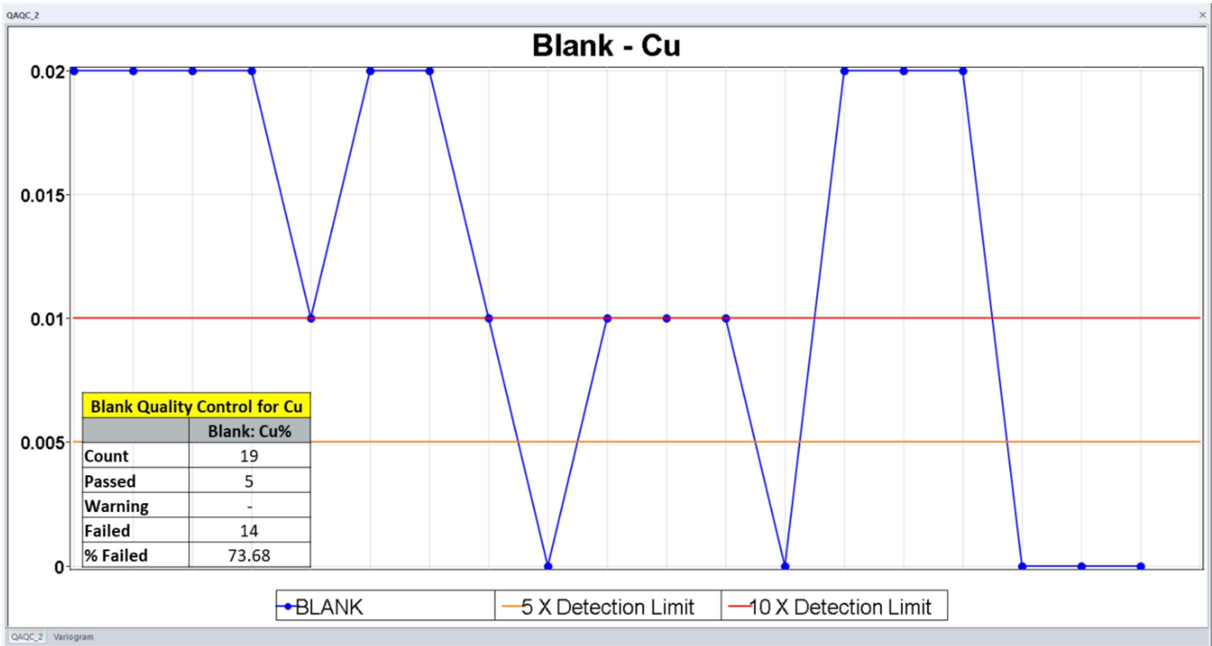
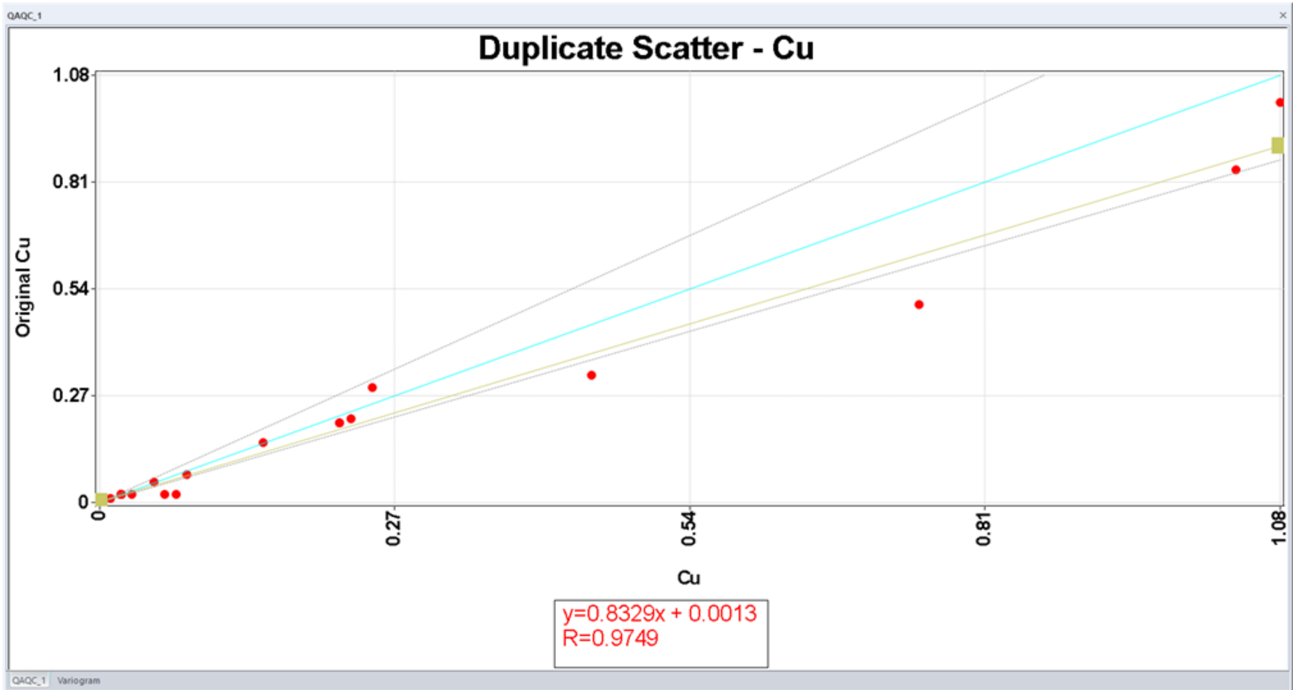
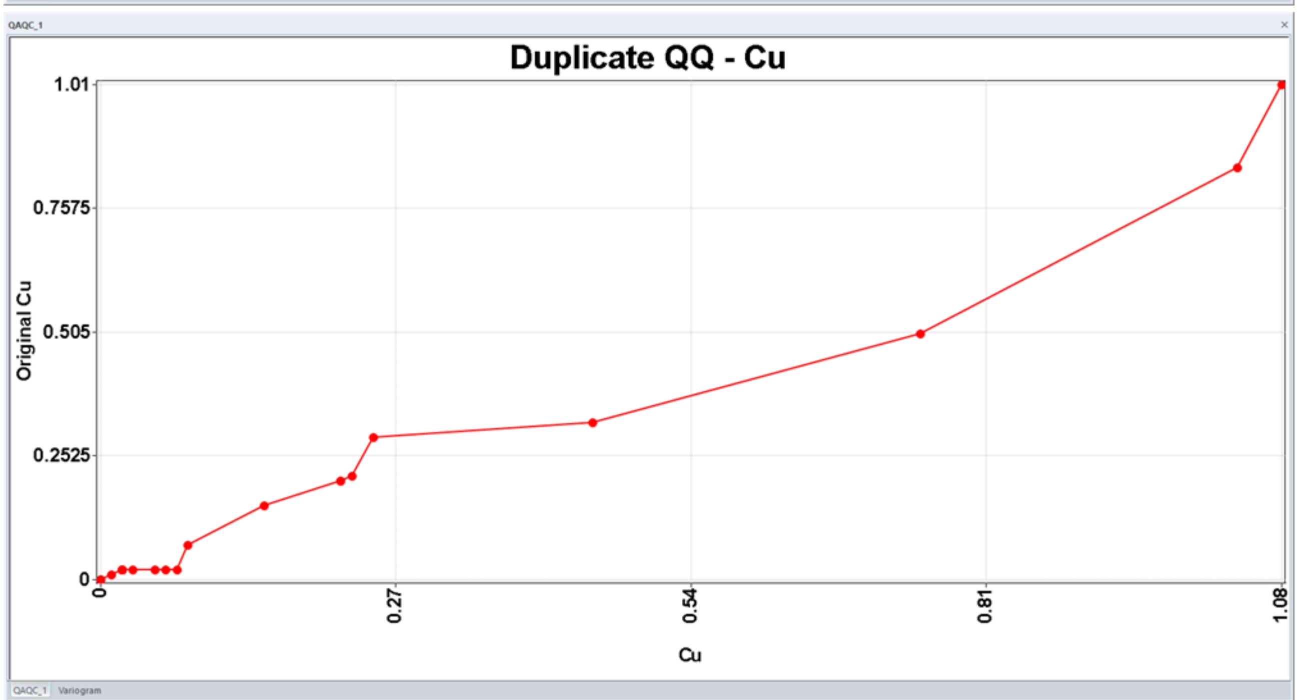


Figure 11-16 2024-2025 Cu Duplicates





11.8.3 Pb QA/QC

Figure 11-17 2024-2025 Pb Blanks

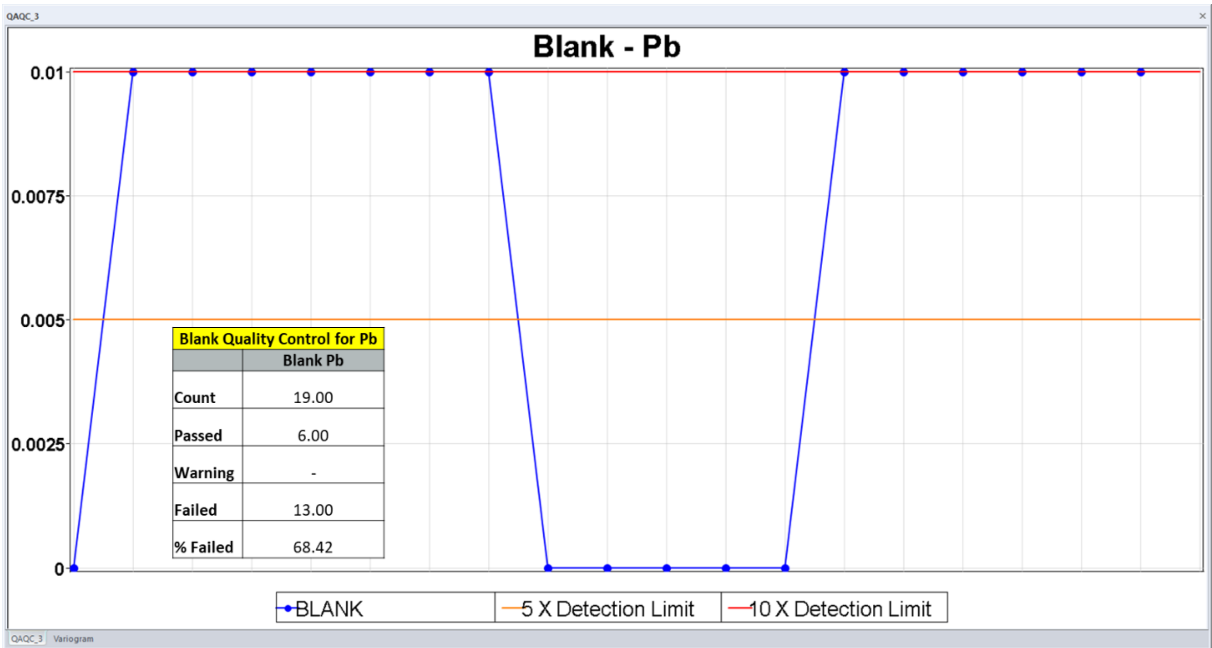
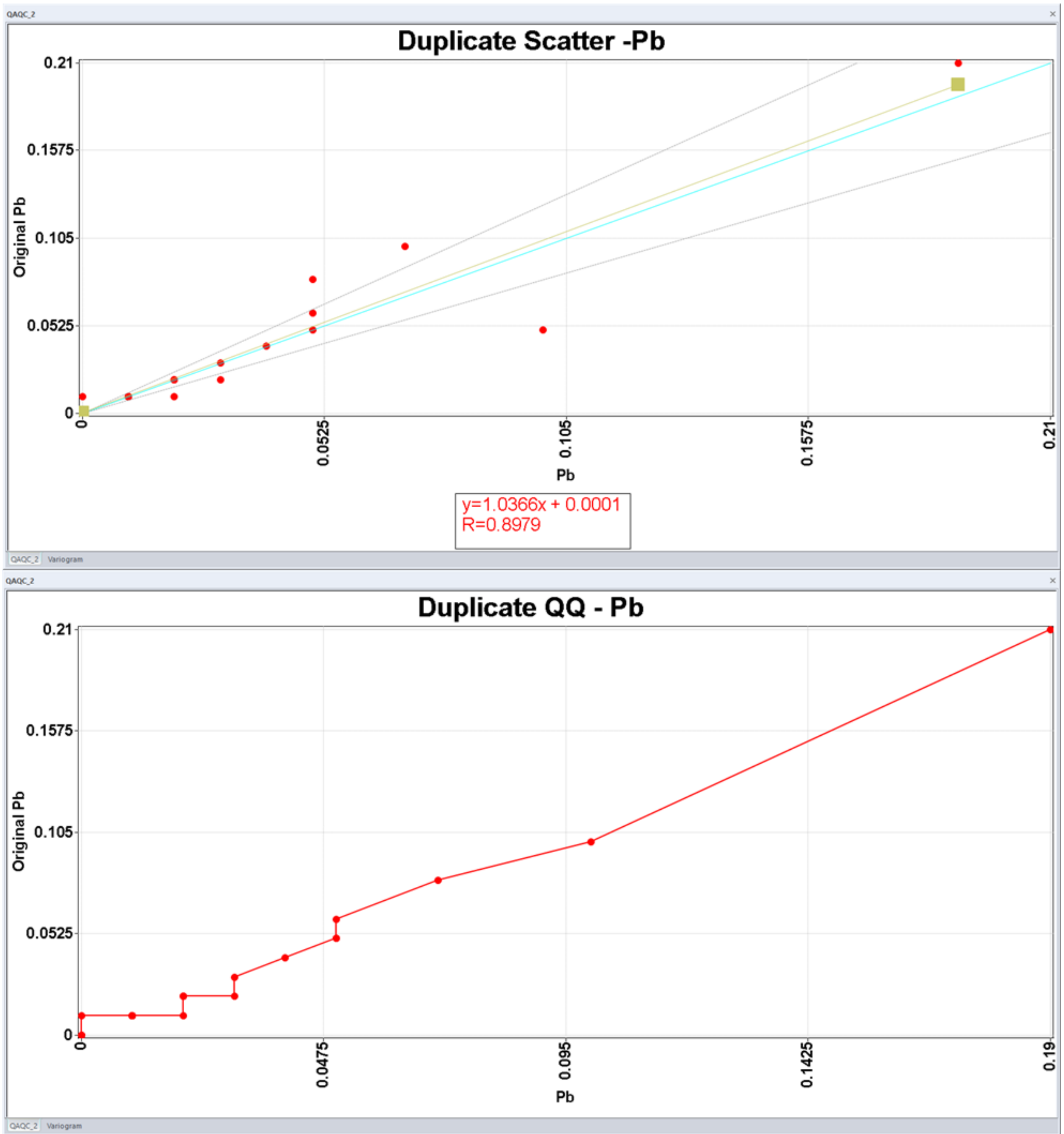


Figure 11-18 2024-2025 Pb Duplicate



11.8.4 Zn QA/QC

Figure 11-19 2024-2025 Zn Blanks

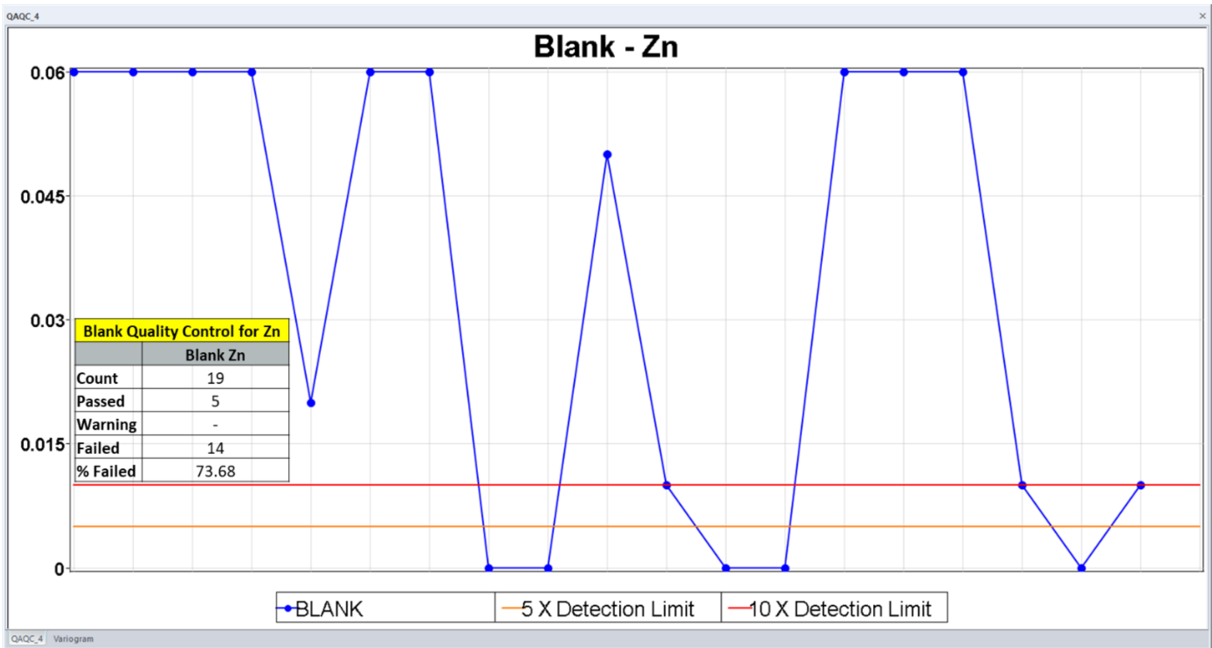
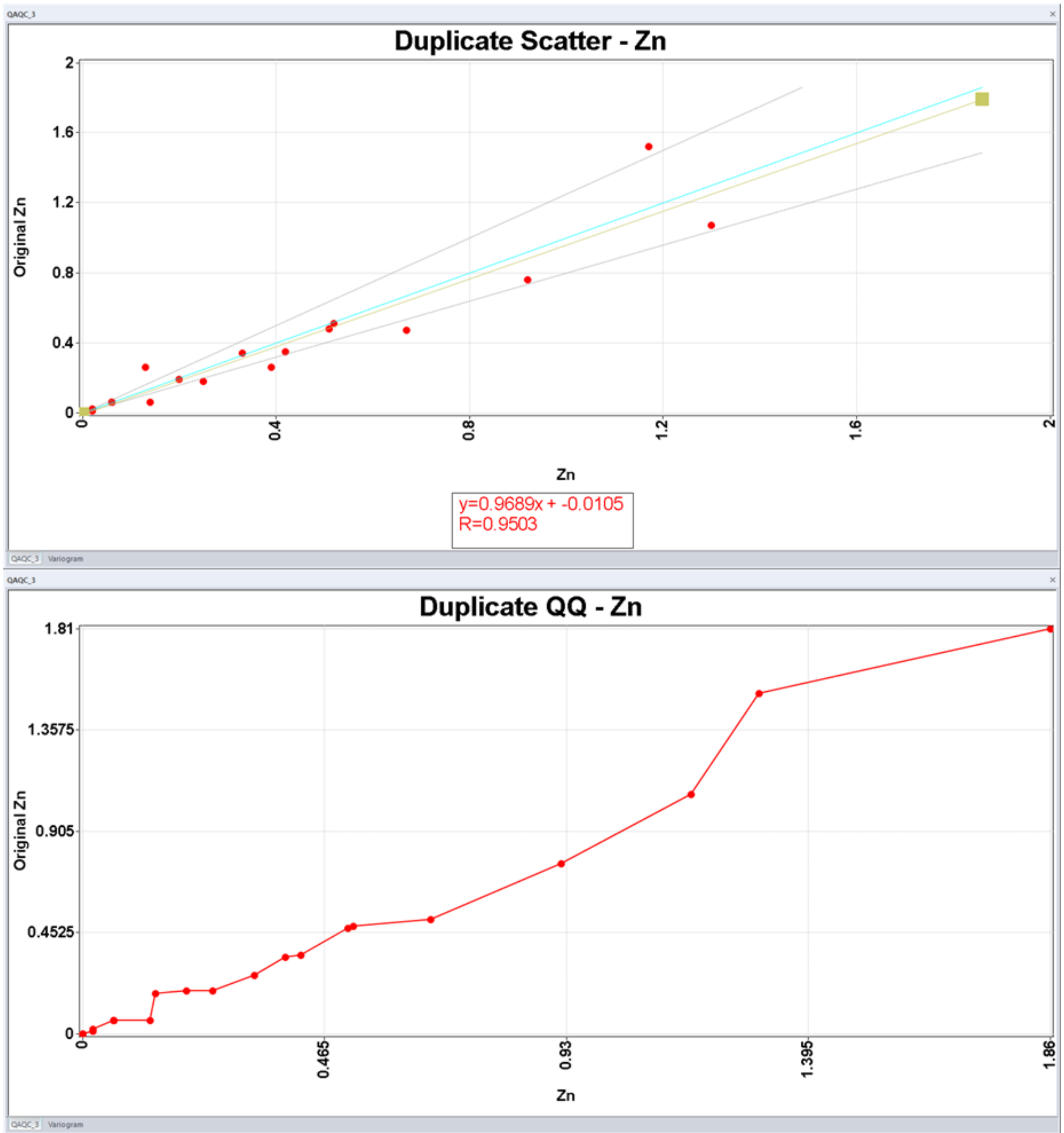


Figure 11-20 2024-2025 Zn Duplicates



11.9 Opinion of Qualified Person

It is the opinion of the Qualified Person that the dataset is suitable to support the estimate of Resources. The author suggests using decorative rock silica available in hardware store to use as blank or to use certified blank material instead of waste rock from core located between mineralized zones. This rock is located in the deposit area and can easily be contaminated by low Ag, Cu, Zn and Pb impurities. Importance is that the grades of the blanks are lower than the analysis lower detection limit.

It is also recommended to include certified reference materials (standards) with the QA/QC for further drilling. By doing so the percentage of QA/QC will rise to approximately 5%-10%.

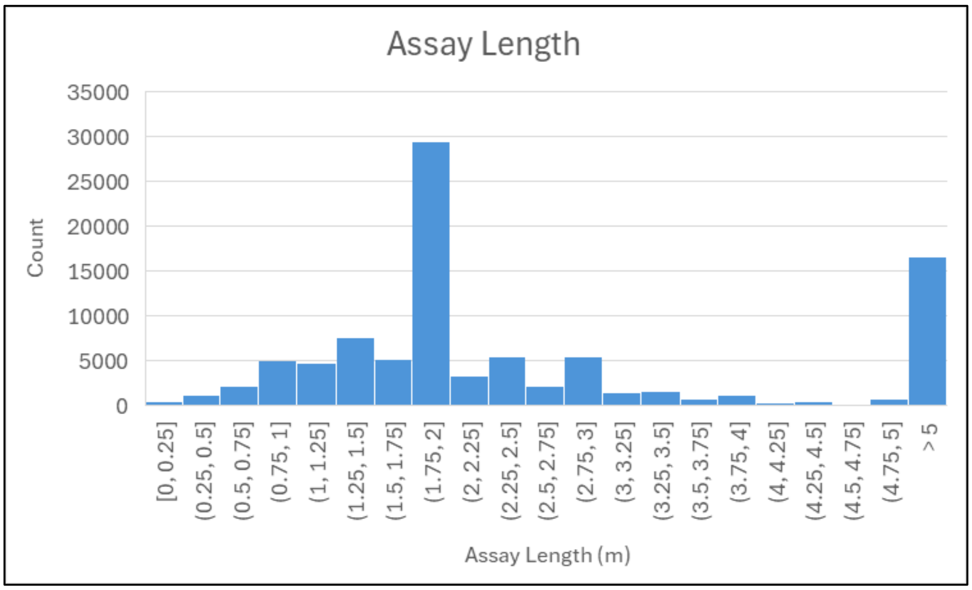
12 DATA VERIFICATION

12.1 Data Sources and Records Maintenance

Even if no resources are currently presented in this technical report, data has been provided by Silverco Mining by internal share file method. Data was split into multiple Access databases that were combined into one. Duplicates drill holes were removed. Some drill hole lengths were too short relatively to corresponding assays and lithologies and were adjusted. Overlaps on assays and lithologies were readjusted.

A total of 58,807 drill holes is available in the database. Within those drill holes, 96,191 assays (357.729.2 m) and 20,242 lithologies (169,215.3 m) are present. Many assays are from production drill holes where only one assay per drill hole is taken. Lenth of those drill hole can go up to 27 m. Approximately 17% of drill holes are above 5 m. Assays from production drill holes are probably analyzed from drill cutting and not from core.

Figure 12-1 Assay length



12.2 Site Visits and Scope of Personal Inspection

La Negra was visited by Armitage on March 23-24, 2026. The site visit included:

- A general tour of the property, surface and underground, to assess:
  - inspection of the project site to assess accessibility, topography, available infrastructure and proximity to towns and roads,
  - infrastructure including office facilities, core logging and core storage facilities,
  - surface water and power supply,
  - assay lab and process plant,
  - tailings storage,
  - active mine portals and underground workings,
  - Mineralized material stockpiles and blending procedures.

- Inspection of underground mine workings, including several active faces, geotechnical conditions, underground face sampling procedures.
- Inspection of selected drill sites, outcrops and drill core to review local geology and the different styles of mineralization.
- Review current core sampling, QA/QC and core security procedures.
- Inspection of drill core and assay sheets to validate sampling, confirm the presence of mineralization in drill core and underground workings.
- General discussions with project geologists and engineers regarding future plans.

The site visit conducted by Armitage is considered as the current site visit, per Section 6.2 of NI 43-101CP.

12.3 Conclusion

All geological data has been reviewed and verified as being accurate to the extent possible, and to the extent possible, all geologic information was reviewed and confirmed. There were no significant or material errors or issues identified with the drill database. There are no current Mineral Resource Estimates on the Property.

13 MINERAL PROCESSING AND METALLURGICAL TESTING

13.1 Introduction

Minera La Negra initiated operations in 1971 and has been in continuous production for most of that time (see Table 6-1). Other than various throughput expansions over the years, the processing plant flowsheet has been well established and is little changed, and operating parameters and recoveries are well understood. Production data for the period 2011-2019 and period from 2024 to 2025 is shown in Table 13-1. The production data between 2011 and 2019 is extracted from previous PEA report, and the production data between 2024 and 2025 is compiled from the latest production summary from the operation.

Table 13-1 MLN Production Data 2011-2019 (Britton et al., 2022) & Production Data between 2024-2025

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2024*	2025
Ore tonnes processed	505,965	691,260	825,013	961,840	880,189	799,055	759,358	643,871	303,311	173,235	432,005
Head grade											
Zinc	1.4	1.4	1.3	1.1	0.9	0.8	1	1.3	1.4	1	1.3
Copper (%)	0.4	0.4	0.4	0.4	0.4	0.3	0.3	0.2	0.2	0.2	0.3
Silver (g/t)	77	78	61	60	56	51	46	43	33	29	45
Lead (%)	0.5	0.4	0.3	0.3	0.2	0.3	0.2	0.1	0.1	0.1	0.2
Recovery to concentrate											
Zinc (%)	55.7	74.2	72	77.5	75.6	73.9	73.2	81.1	84.1	80.2	80.0
Copper (%)	78.9	71.8	71.2	74.6	77.9	67.9	65.9	64.6	67.4	68.0	77.1
Silver (%)	82.8	82.6	80.8	82.5	82.2	77.2	76.8	75	72.4	72.7	79.7
Lead (%)	69.5	80.6	77.2	74.6	74.6	71.4	68.5	71.9	62.1	63.4	75.6
Concentrate											
Zinc concentrate (tonnes)	10,063	15,442	16,287	18,023	13,584	10,937	13,265	15,283	6,944	3,746	9,501
Containing: Zinc (tonnes)	4,345	7,159	7,471	8,060	6,209	4,972	6,097	6,789	2,838	1,344	4,345
Containing: Zinc (%)	43.2	46.4	45.9	44.7	45.8	45.5	46.3	44.4	41.9	35.9	45.7
Containing: Silver (g/t)	N/A	N/A	N/A	N/A	95	125	99	106	79	78.6	73.3
Copper concentrate (tonnes)	8,155	9,473	11,030	13,137	11,916	7,570	5,697	3,900	2,158	1,524	4,633
Containing: Copper (tonnes)	1,584	2,217	2,553	2,882	2,595	1,610	1,318	839	377	266	960
Containing: Copper (%)	19.4	23.4	23.1	21.9	21.8	21.3	22.5	21.5	21.8	17.5	20.7
Containing: Silver (g/t)	1,529	1,304	1,250	1,233	1,211	1,241	1,520	1,363	1,237	993	1,016
Lead concentrate (tonnes)	2,343	3,433	3,101	3,242	2,733	2,459	1,628	1,303	410	311	1,328
Containing: Lead (tonnes)	1,408	2,101	1,953	1,958	1,643	1,429	927	671	191	97	563
Containing: Lead (%)	60.1	61.2	63	60.4	60.3	58.1	56.9	51.5	55.4	31.3	42.4
Containing: Silver (g/t)	8,043	8,844	8,108	8,658	8,968	6,362	10,206	11,406	9,679	5,498	7,181
Payable Metal											
Silver (oz)	1,007,256	1,374,166	1,255,445	1,424,100	1,252,510	805,430	813,105	649,235	213,576	113,041	480,332
Zinc (Oz Ag Eq)*	351,791	446,350	618,036	931,429	778,230	612,600	931,918	1,240,071	400,333	143,777	372,590

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2024*	2025
Copper (Oz Ag Eq)*	314,376	561,803	813,504	1,076,853	885,312	460,358	406,197	317,046	148,083	99,925	283,042
Lead (Oz Ag Eq)*	68,279	141,126	177,073	220,625	188,185	154,705	125,096	93,030	26,015	7,922	33,607
Silver Equivalent (Oz Ag Eq)*	1,741,702	2,523,445	2,864,058	3,653,007	3,104,237	2,033,093	2,276,316	2,299,382	788,007	364,665	1,169,571

Source: MLN
Note: The production data from 2024 only cover the period from August to December in 2024.
Note: The silver equivalent calculation from all base metals is based on previous metal price in 2022, and not reflective to current metal price.

An important aspect of mine planning and mineral processing at La Negra is the correct calculation of the NSR for each tonne of rock in the model, as this directly drives the planning process for both the mine and the processing plant, as described in Sections13.2 through 13.12.

13.2 NSR – Net Smelter Return

NSR is the dollar value of material after the metallurgical recovery, concentrate trucking charges, smelter payables, smelter deductibles, smelter penalties, and treatment charges have been accounted for.

NSR does not account for mining cost, process cost, G&A, sustaining capital, dilution, royalties, VAT, or taxes. The purpose of the NSR is to compare material value to the breakeven costs of the mine. If the NSR per tonne is lower than the C1 cash cost per tonne operating cost (mining, processing, and G&A) mining and processing the material will result in a loss.

Therefore, NSR must be calculated accurately for use in Resource and mine-planning. NSR cannot be calculated using a summary factor for the following reasons:

- Proper NSR calculation is common best practice for multi-concentrate mines.
- Different grades of material have different metallurgical recoveries. Using average recoveries factors provides misleading results and artificially inflates the value of low-grade material.
- Different material sources have different ratios of metal which changes the portion of metals that report to each concentrate.
- Different material sources have different concentrations of penalty elements and economic evaluation may require optimization of penalty vs contained value. There is direct and recent experience at La Negra where arsenic had to be managed prior to sending to the smelter.
- Different concentrate grades have different payables and deductions. •
- A factor is linked to a fixed metal price.
- Factors do not account for the concentration ratio and therefore excludes trucking costs.
- Summary factors only work at the average grade and not at the extremes of grade or penalties, which will lead to incorrect decision-making.

NSR is recalculated at each stage of use and is never be added, averaged, spatially estimated, or otherwise weighted. The basis grades (Zn, Pb, Cu, Ag, Fe, As) are carried at every step in the planning process and the NSR recalculated. For example, NSR should be calculated for drill results, for estimated blocks, stope shapes, monthly mined grade, yearly mined grade, and cash flow models. The average NSR of blocks is never used as a monthly average or similar calculation. When As and Fe grades are not known, a best guess average based a regression to other metals for each domain are applied, As and Fe are important elements to the calculation of NSR for La Negra.

Small amounts of gold have consistently reported to both the lead and copper concentrates and have provided a small boost to the past NSR payments. As gold is not recorded in the sample database it is not included in the resource model, and therefore the financial model does not include any assumed gold values.

13.3 NSR-Calculation

An NSR calculation for the La Negra mine requires calculating and accounting for the following:

- Tonnage

  - This can be ‘1’ for drill hole results, or the block tonnage for block models, the stope tonnage for stopes, and monthly tonnage for mine plans.
- Head Grade
  - Drill hole assay values, block grades, stope grades, monthly grades, yearly grades.
- Recovery
  - For La Negra, recovery is based on head grade and is a function of the constant tail grade and a fixed recovery is never used. See support for recovery regression in the recovery section of this document.
  - Both total recovery to concentrate and the portion of the recovery to each concentrate is required. For example, silver goes to the zinc, copper and lead concentrate with significantly different payables and deductions.
- Concentration Ratio (Mass Pull)
  - The ratio by which the process feed is reduced and transformed to concentrate is required to determine the quantity of concentrate produced to calculate the amount and cost of the concentrate that is trucked to the smelter.
- Moisture (Wet weight)
  - Concentrate is delivered from the mine to the smelter with moisture. Contained metal, however, is calculated on a dry basis. Trucking of concentrate requires wet tonnage. Smelters may also reject material that is not sufficiently dry.
- Concentrate Trucking
  - The cost per tonne to deliver the material to the smelter from the mine is subtracted from the material value.
- Smelter Terms
  - Grade Payability: Most terms either have a percentage of the available grade or a minimum deduction of grade. For example, for the 2019 Zn concentrate, zinc grade payability is the lesser of: 85% of the available zinc or the zinc concentrate grade minus 8 percentage points of the grade.
  - Treatment Charge: The cost per tonne of concentrate treated.
  - Treatment Charge Basis Price: There is often a treatment charge escalation based on the basis metal prices. If the actual price of the metal is greater than the basis price a $/t escalation factor is applied to the treatment charge.
  - Penalties: Depending on the concentrate, penalty charges are added for non-desirable elements.

13.4 Tonnage

- The basis for the tonnage factor used at the mine is variable by mineral zone but ranges from 3.03 up to 3.47 gm/cm^3 with an assumed average density of 3.2 gm/cm^3.

13.5 Head Grade (Grade)

- Drill hole assay values, block grades, stope grades, monthly grades, yearly grades.
- Must include: Ag, Pb, Zn, Cu, As, and Fe.
- There has been historically minimal smelter credit for gold, and this has become more impactful given the increase in the gold price; however, there is no dataset for this element.

13.6 Recovery

As a recently operating mine with a fixed flowsheet and existing plant, the absence of metallurgical testwork is not considered an obstacle to recovery determination and meets the requirements for supporting a Resource estimate and LoM plan. As noted in Section 13.1 La Negra has been in almost continuous operation since 1971 and has well-developed metallurgical protocols.

Recovery estimates are based on regression equations of actual operating data. In the past, the mine has forecasted using fixed recovery assumptions, leading to planning for artificially high recovery of lower grades and artificially low recovery of higher grades.

As noted, fixed recovery is not the correct approach. Fixed recovery by area has the same issues as overall fixed recovery. It has been postulated that recovery can also be impacted by flotation retention time which can be varied by process feed throughput variation.

Weekly historic information from October 2016 to January 2020 was reviewed and regressed to estimate the recovery. The limitations and considerations to this dataset for estimating recovery are:

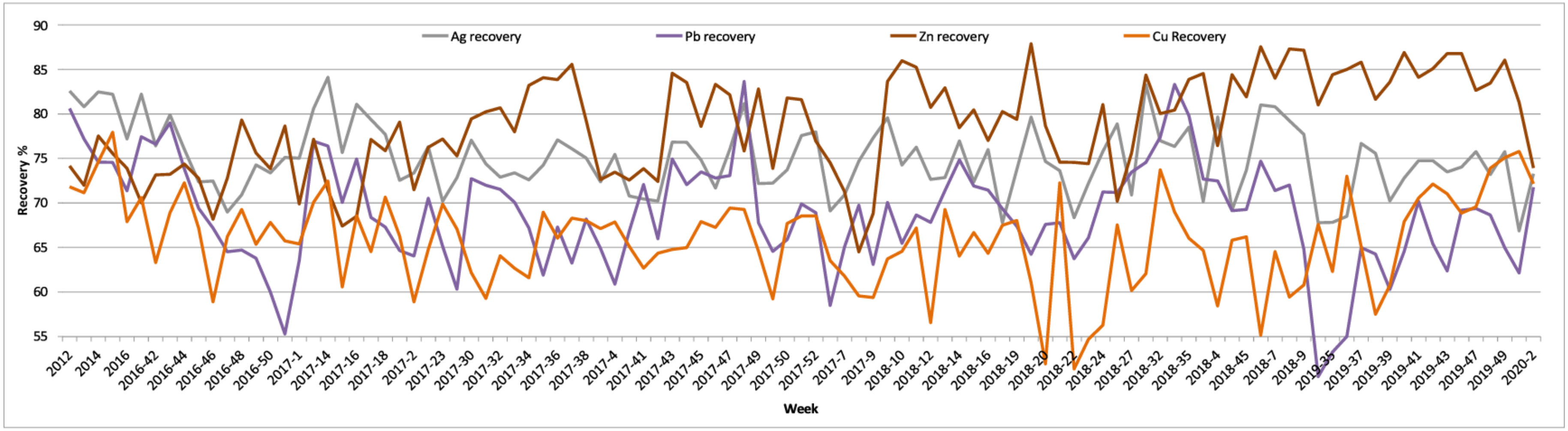
- Periods following restart, which is typically one week, have artificially low recovery because the plant is not in steady state.
- Weekly operating periods averaging less than 1,800 tpd (tonnes per calendar day) were not included in the analysis for the following reasons:
    - They largely represent time periods of working outside of steady state.
    - They could have falsely high recovery due to increased retention time.
- They could have falsely low recovery due to inappropriate operational conditions or a blend of material caused by in-mine issues.

The recovery periods analyzed are shown in Figure 13-1. Figure 13-2 shows the recovery regression equations compared to the actual recovery achieved.

Based on historical operational data, process recovery is a function of head grade, with the higher recovery from the higher-grade mineralized material. These recovery equations through regression assume good operating practices and are based on steady state operation.

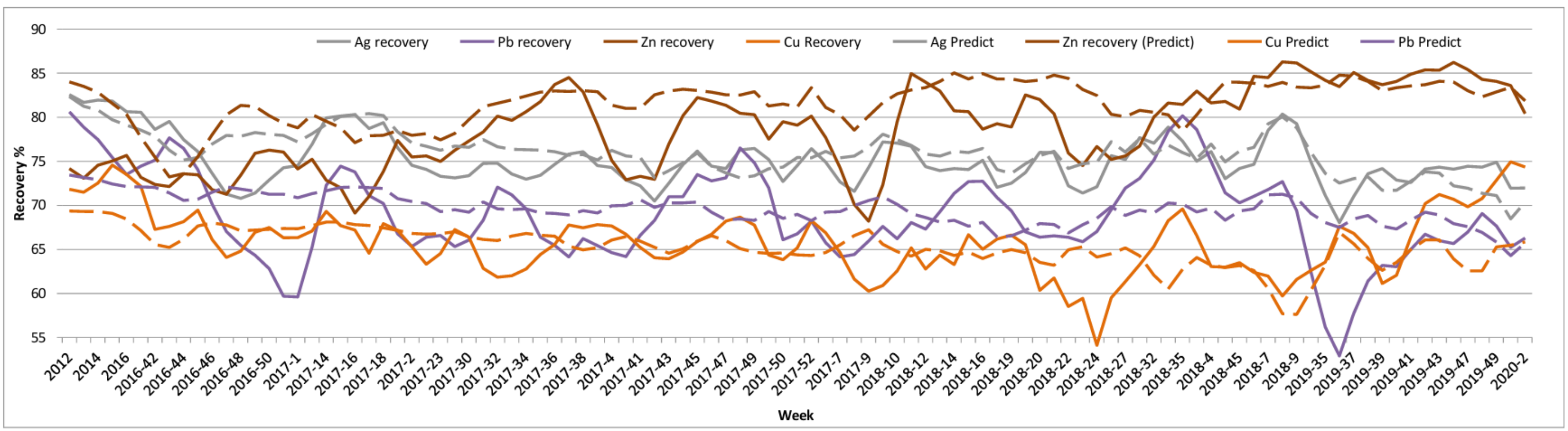
The constant tails at various head grades were compared and regressions were established. The constant tail scatter plots are shown in Figure 13-3.

Figure 13-1 La Negra Weekly Actual Recoveries 2012-2020 (Britton et al., 2022)



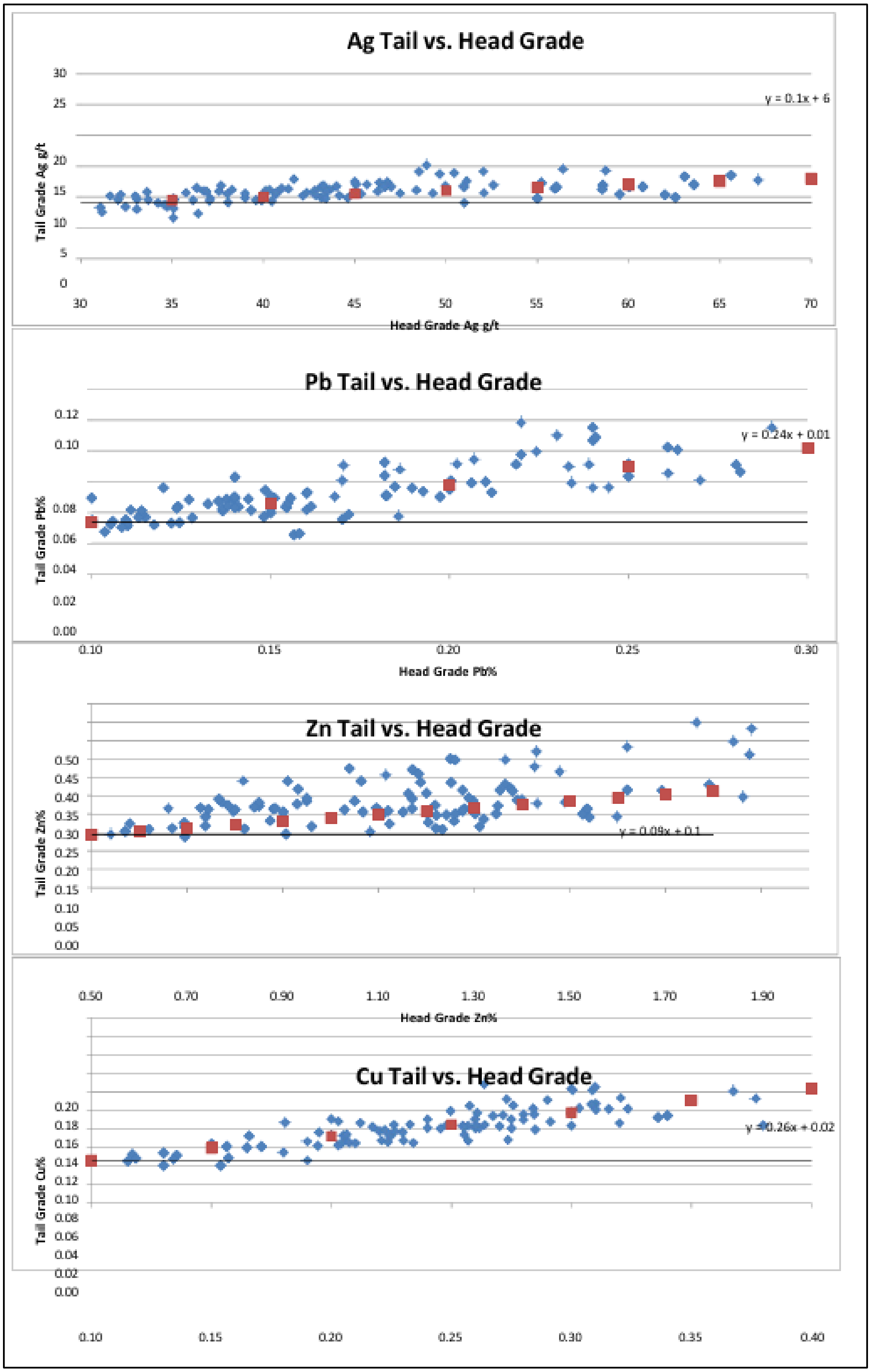
Source: MLN

Figure 13-2 La Negra Weekly Three Week Average Actual Recoveries Compared to Recovery Model 2012-2020 (Britton et al., 2022)



Source: MLN

Figure 13-3 La Negra Variable Recovery Basis-Constant Tail vs Head Grade Scatter Plots (Britton et al., 2022)

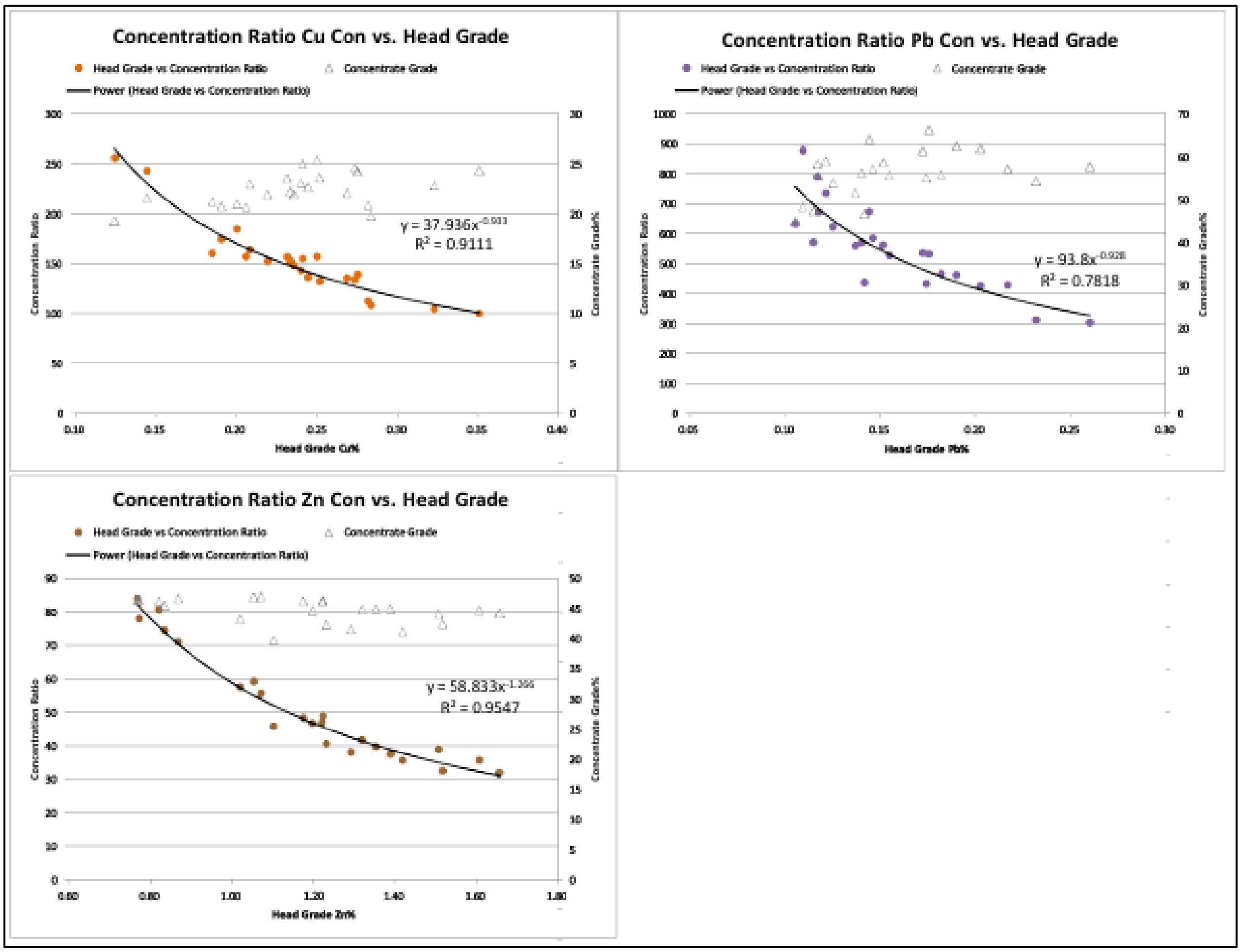


Source: MLN

13.7 Concentration Ratio (Mass Pull)

The actual mass pull or concentration ratio demonstrates that head grade impacts the production of concentrates; Figure 13-4 shows relatively constant concentrate grade despite the wide range of head grades, which implies a much less quantity of concentrate production from a lower head grade material, and vice versa.

Figure 13-4 Head Grade vs Mass Pull and Head Grade vs Concentrate Grade (Britton et al., 2022)



Source: MLN

13.8 Silver Recovery Total and by Concentration

Monthly actuals for silver recovery represent total plant recovery of silver, meaning the combined silver contained in the lead, zinc, and copper concentrates. It is important that the amount of silver reporting to each concentrate be predicted because silver has different payables and deductions from each concentrate.

Total silver recovery (all three concentrates) is first calculated as discussed above using the constant tail regression method. Silver recovery to the concentrates is determined by first looking at the recovery to the zinc concentrate. An equation established using the zinc grade to the total recovered base metals and the achieved silver recovery to the zinc concentrate. The remaining portion of the silver recovery (total silver recovery less of zinc concentrate silver recovery) is then split between the copper and lead concentrates, with 67% of the remaining silver reporting to the lead concentrate and 33% to the copper concentrate. This fraction is based on the average reporting when zinc concentrate silver recovery is removed.

13.9 Arsenic Recovery to Copper and Lead Concentrates

Arsenic recovery was subjected to exploratory data analysis but no clear relationships were present other than the tendency for higher combined head grades to have higher arsenic concentrations. Arsenic recovery is determined by a fixed recovery of 0.8% to the copper and lead concentrates combined, with 36.6% reporting to the lead concentrate and 63.4% to the copper concentrate; therefore, fixed recoveries were used, and 0.29% of total arsenic reports to the lead concentrate and 0.51% of total arsenic is recovered to the copper concentrate.

While there are known mineralogical differences for each mineralized deposit, there is insufficient information to determine independent arsenic recoveries. However, the resource model does allow for the calculation of arsenic concentration by mineralized deposit. Mineralized bodies with higher known concentrations of arsenic typically have higher grades and require blending or scheduling with materials from the lower arsenic areas. The upper bound for arsenic grade in concentrate is 1% for lead and 0.5% for copper, although for the former higher levels of arsenic are generally acceptable if accompanied by high precious metals credits. Amounts slightly above these thresholds are acceptable but special dispensation from the buyer/smelter is required. In the date range shown in the above table the arsenic grade in lead concentrate was 0.77% (with five occurrences over 1%) and the arsenic grade in copper concentrate averaged 0.39% (with four occurrences over 0.5%).

Table 13-2 As in Pb and Cu Concentrate Jan 2017 – November 2019 (Britton et al., 2022)

Month	As Recovery% to Pb+Cu Con	PbCon As Portion	CuCon As Portion
2017-01	0.90%	26%	74%
2017-02	0.70%	39%	61%
2017-03	1.10%	48%	52%
2017-04	1.00%	40%	60%
2017-05	0.80%	38%	62%
2017-06	0.80%	46%	54%
2017-07	0.90%	44%	56%
2017-08	0.50%	35%	65%
2017-09	0.50%	33%	67%
2017-10	0.50%	30%	70%
2017-11	0.50%	34%	66%
2017-12	0.40%	39%	61%
2018-01	0.70%	52%	48%
2018-02	0.80%	54%	46%
2018-03	0.60%	40%	60%
2018-04	1.20%	20%	80%
2018-05	0.60%	47%	53%
2018-06	1.30%	19%	81%
2019-01	0.80%	38%	62%
2019-08	0.90%	13%	87%
2019-09	0.80%	29%	71%

Month	As Recovery% to Pb+Cu Con	PbCon As Portion	CuCon As Portion
2019-10	0.90%	37%	63%
2019-11	0.90%	41%	59%
Average	0.79%	36.60%	63.40%

Source: MLN

13.10 Other Deleterious Elements

Other elements that incur penalties include: combined As and Sb in the lead concentrate, Fe in the Zn concentrate, As in the copper concentrate, Sb in the copper concentrate, and combined Pb and Zn in copper concentrate. On a percentage basis Fe in the Zn concentrate is most impactful. Arsenic in the lead and copper concentrates is not impactful on a percentage basis but this concentrate could become unattractive to some traders if too far above thresholds discussed above.

13.11 Trucking

The cost to truck concentrate to the smelters is included in the NSR. For the most recent Cu, Pb, and Zn contracts the cost to truck the zinc concentrate to Torreón is MXN 700 per wet tonne ("/wt"), and for the copper and lead concentrates to Manzanillo the cost is MXN 1,078/wt. Transportation to San Luis Potosí is MXN530/wt. Moisture (humidity) of the concentrates is accounted for because the trucking contract is on a wet tonnes' basis.

13.12 Model Results and Conclusions

The NSR calculation for the expected concentrate production at La Negra is based on empirical formulas that were derived from historical plant results, as detailed in Section 13.2 to Section 13.11. The key formulas that go into the NSR calculation are the following:

- Overall metal recovery for silver, lead, copper, and zinc – these are determined by the fixed-tail formulas as described in Section 13.3 which are in turn based on empirical data based on historic plant performance.
- Distribution of silver to lead, copper, and zinc concentrates as described in Section 13.8 and based on empirical formulas derive from historic plant performance.
- Concentration ratios (mass pull) for each of lead, copper, and zinc into concentrate as described in Section 13.7, as well as the concentration of silver into concentrate based on the distribution determined in Section 13.8.
- Recovery of As to (primarily) lead and copper concentrates does not display a clear trend; fixed assumptions have been made as described in Section 13.9. • Recovery of other penalty elements, either individually or in combination, into the three final concentrates, as described in Section 13.10.
- Payability of each of lead, copper, and zinc for each of the three final concentrates. The payability for each metal depends on the grade of the material and assumption of standard industry payable factors for each concentrate as described in Section 13.3.
- Treatment and refining charges ("TC/RC") as well as price participation assumptions for each of the three concentrates are based on long-term assumptions based on both current and historical TC/RCs. See Section 13.3.
- Silver refining charges in lead and copper concentrates, and price participation assumptions, are based on long-term assumptions based on both current and historical refining charges.
- Penalty charges were also determined from both current and historical charges for certain percentages of deleterious elements. See Section 13.3.

- The anticipated humidity for each concentrate is based on historical plant performance.
- Concentrate trucking charges are based on historic charges. Concentrate trucking has historically been performed by a local contractor.
- Although historically small amounts of payable gold have reported to both the lead and zinc concentrates, the financial model does not make any assumption about gold recoveries.

The key formulas for recovery are shown in Table 13-3.

Table 13-3 Metallurgical Recovery by Concentrate (Britton et al., 2022)

Metal	Recovery Equation
Ag to Pb, Zn, and Cu Con	(AgGrade – ((0.1 * AgGrade)+ 6))/ AgGrade
Ag to Zn Con	Ag Total Recovery * ((0.242 * (ZnGrade / (ZnGrade + PbGrade + CuGrade))) - 0.113)
Ag to Pb Con	0.67 * (Ag Total Recovery - Ag Recovery to Zn Con)
Ag to Cu Con	0.33 * (Ag Total Recovery - Ag Recovery to Zn Con)
Pb to Pb Con	(PbGrade – (0.01 + (0.24 * PbGrade))/PbGrade
Zn to Zn Con	(ZnGrade – (0.1 + (0.09 * ZnGrade))/ZnGrade
Cu to Cu Con	(CuGrade – (0.02 + (0.26 * CuGrade))/CuGrade

Source: MLN

Table 13-4 summarizes the parameters that go into the calculation of the NSR model and shows the relationship between grade and NSR for an idealized tonne of material from La Negra.

Table 13-4 La Negra NSR Model (Britton et al., 2022)

	Ag	Pb	Zn	Cu	Fe	As
Material Grade	63	0.46%	1.51%	0.35%	8.78%	0.71%
Gross Recovery (%)	79.7	72.3	84	68		
Concentration Ratio		193.1	34.5	99.9		
Concentrate Grade		**Pb**	**Zn**	**Cu**		
Moisture (%)		11.1	12.2	10.2		
Ag (g/t)		8,362	156	1,740		
Pb (%)		60.2	0.2	2.4		
Zn (%)		1.3	49.2	6.7		
Cu (%)		0	0	23.9		
Fe (%)		0	15	0		
As (%)		0.63	0	0.38		
Sb (%)		1.2	0	0.03		
Cd (ppm)		0	0.42	0		
Bi (%)		2	0	0		
SiO2 (%)		0	0	0		
Cl (ppm)		0	0	0		
F (ppm)		0	0	0		

	Ag	Pb	Zn	Cu	Fe	As
Payability						
Ag (g/t)		95%/50g/t ded	70%/100g/t ded	90%/31g/t ded		
Pb (%)		95%/3% ded	0	0		
Zn (%)		0	85%/8 % ded	0		
Cu (%)		0	0	96.5%/1% ded		
Deductions						
Treatment Charge (US$/t)		97	150	75		
Treatment Charge Escalation (US$/t)		0	0.12 > 1900/t	0		
Refining Charge Ag (US$/oz)		0.75	0	0.75		
Penalties						
As (US$/t)		0	0	2.5 > 0.2%		
Sb (US$.t)		0	0	2.5 > 0.1%		
Pb+Zn (US$/t)		0	0	2.5 > 2.0%		
Fe (US$/t)		0	2.5 > 5%	0		
As+Sb (US$/t)		2.5 > 0.3%	0	0		
Zn (US$/t)		2 > 5.0%	0	0		
F+Cl (US$/t)		2.00 > 500ppm	0	0		
NSR (US$/t)		72.2				

Source: MLN

14 MINERAL RESOURCE ESTIMATES

There are no current Mineral Resource Estimates for the Property.

15 MINERAL RESERVE ESTIMATE

There are no current Mineral Reserve Estimates for the Property.

16 MINING METHODS

The mineral zones that make up La Negra are mined using as much of the existing mine infrastructure as possible, supplemented by new planned drift and ramp development, water handling, and ventilation, as needed.

The mine has been in production since the early 1970's on a largely continuous basis, creating historic mined out stopes of varying size and shape that have been taken into account in the resource modeling. The mine has used long hole open stoping and benching to produce most of the mineralized material for processing but has also used jackleg mining to develop in and around the production stopes. Peñoles conducted geological mapping, sampling, magnetic surveys and drilling that resulted in the discovery of the La Negra and El Alacrán deposits of which the Negra deposit is still actively mined by MLN. Mine development commenced in 1967, and mining in 1971. Between then and 2000, Peñoles is reported to have mined approximately 6.6 million tonnes with an average grade of 169 g/t silver, 1.1% lead, 2.2% zinc and 0.48% copper. In 2000, Peñoles put the mine on care and maintenance because of low metal prices. Aurcana acquired an indirect interest in the Property in 2006 and recommenced mining in the second quarter of 2007 at a mill production rate of 1,000 tpd, increasing to 1,500 tpd in 2007, to 2,000 tpd in April 2012 and to 3,000 tpd capacity in April 2013. Between 2007 and the end of 2016, the mine produced approximately 5.8 million tonnes at an average grade of 69 g/t silver, 0.32% lead, 1.13% zinc and 0.42% copper. Between 1971 and the end of 2016, the mine produced approximately 12.4 Mt with an average grade of 122 g/t silver, 0.73% lead, 1.70% zinc and 0.45% copper.

Mining takes place with La Negra's existing fleet, supplemented with new equipment as required to achieve the mine plan, which is based on the production of 2,500 tonnes per operating day, or 842,500 tpa. All phases of mining, except for haulage to surface, are carried out by La Negra personnel, with the latter being managed by a community-based contractor.

16.1.1 Mining Method and Mining Costs

For the purposes of the preliminary optimization, a mining cost of US$7.21/tonne mined was assumed for long-hole open stoping and was generated from first principles considering anticipated staffing levels, current wage levels plus anticipated bonuses, current equipment running costs, and consumable vendor quotes. The cost of haulage, at US$1.18/tonne, which is carried out by a community-based contractor, is included in the mining cost quoted above.

16.1.2 Dilution

For the mining study the resource model was adjusted to account for expected mining dilution. Historically, dilution at La Negra has averaged 14%. For this study a dilution of 15% has been used.

16.2 Geotechnical Considerations

The original geotechnical model for Minera La Negra was developed by A-Geommining in October of 2018. The mechanical properties for each mineralized zone were determined based on lithology and assigned a minimum, maximum and average Uniaxial Compressive Strength (UCS). Q-values (max, min, avg) were also determined for each zone for each lithology.

Based on site observations of the ground conditions at La Negra, the Geological Strength Index for the rock mass ranges between 40 and 80, with the majority of the readings between 60 and 75 and the lowest readings occurring only in faulted zones. This correlates very well with the Q values for the project as shown in Figure 16-1.

As shown in Table 16-1 the rock mass quality shows two distinct populations, with a portion of the mineralized zones with an RMR of Poor to Fair and Q-values 10 and RMR of Fair to Good. Based on historical experience, the former are zones that are hosted at the contact of the intrusive and the limestone with faulting in the footwall of the deposit or, as in the case of Maravillas, with a crosscutting structure bisecting the mineralization. The intact rock strength is highly dependent on lithology, with the diorite intrusive averaging >140 MPa and the skarn averaging ~90 MPa. While the unaltered limestone host rock is generally quite competent, particularly where it has been indurated in the distal area of the metamorphic aureole, it can be quite weak where it has been highly altered, due to the mechanical and chemical degradation occurring during mineralization. This results in average UCS in the mineralized zones of ~30 MPa.

For those zones which do not have access, and for which detailed geotechnical information is not available, values were estimated on the basis of geologic similarity with known zones.

16.2.1 Stability Assessments

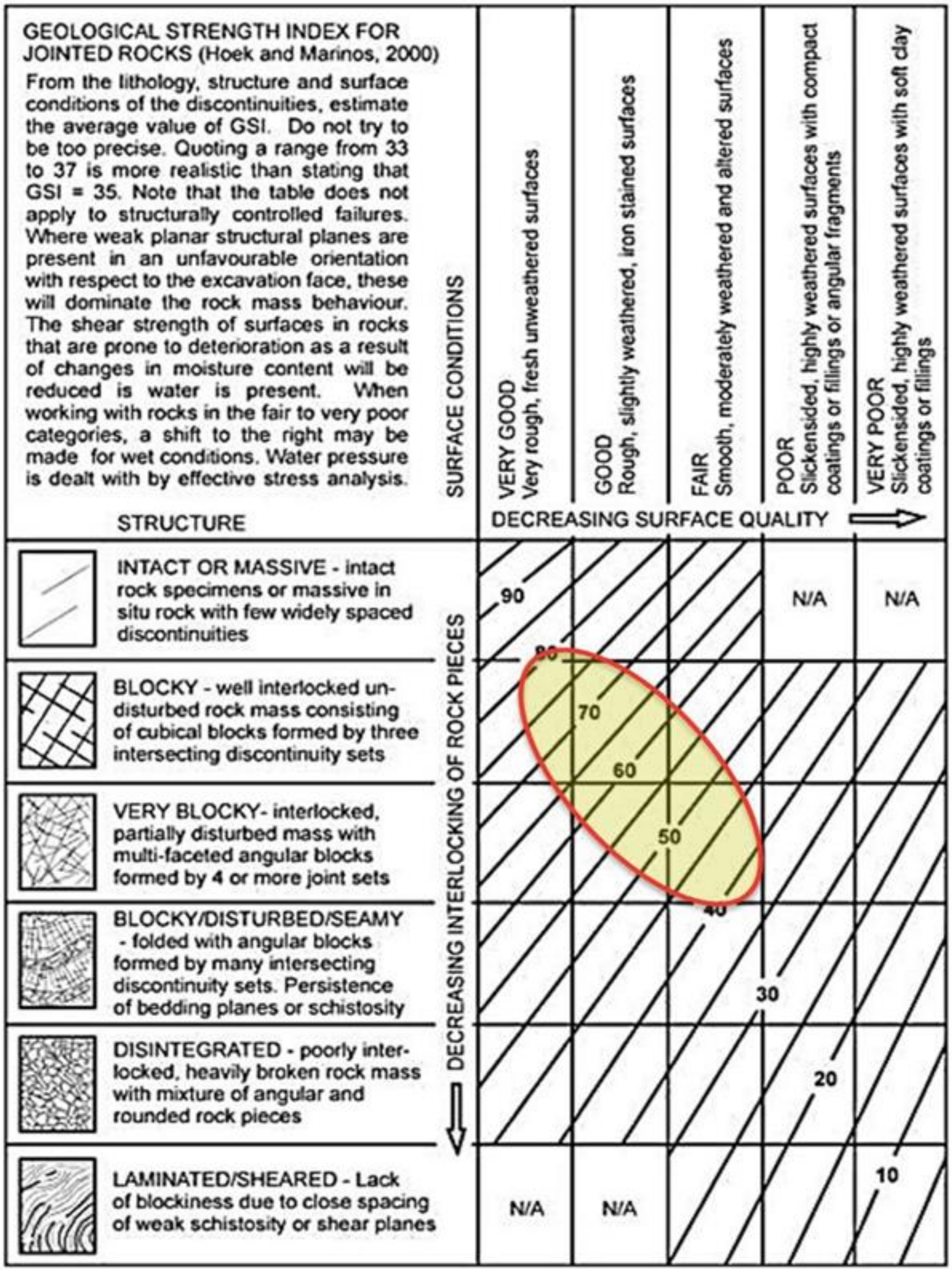
Excavation stability assessments were completed using industry-accepted empirical relationships and software calculations, supported by historical experience. The rock mass conditions in the Fair and Fair to Good are considered suitable for open stoping mining methods such as those that have been historically employed at La Negra. The ground conditions within the Poor to Fair domain are considered adequate for open stoping methods, but with shorter spans and great use of rib and sill pillars.

The planned open stope geometry is 20 m long by 20 m high and 6 m wide, mined in a longitudinal orientation. Transverse mining will be considered in areas where the mineralization is greater than 20 m in width. Stability of the stope back is critical for maintaining stable mining conditions, and this design is expected to provide a development pillar height to width > 1.0 and factor of safety > 2.0. As additional geotechnical data is accumulated and studied, more detailed planning will occur and these parameters may change, however, these are considered reasonable at this level of study.

Based on the prevailing ground conditions the 4.5 m by 4.0 m headings that have been used in the lower levels of the mine are considered adequate for use throughout the mine.

The upper levels of the mine have been accessed from the lower levels by using smaller drift sizes (2 m x 2.5 m) and have been driven in mineralization to create a “switchback” ramp system that larger equipment cannot navigate efficiently. Slashing out to the 4 m x 4.5 m sizing of these drifts is planned for execution in the first 2 years of operation. This is further discussed in Section 16.

Figure 16-1 Qualitative Assessment of La Negra Geotechnical Conditions (Britton et al., 2022)



Source: Hoek and Marinos (2001)

Table 16-1 Geotechnical and Mechanical Properties by Mineral Zone (Britton et al., 2022)

Zone	Lithology	Min	Max	Avg	Min	Max	Avg	RMR
Valeria	Skarn	108.3	108.3	108.3	4.6	43.5	24.1	Fair - Good
	Diorite	103	182.2	142.6				
Lupita	Skarn	108.3	108.3	108.3	4.6	43.5	24.1	Fair - Good
Trinidad	Skarn	80.2	102.2	91.2	4.9	34.6	19.8	Fair - Good
Gaby	Sulfide skarn	50.7	108.3	79.5	3.4	27.9	15.7	Fair - Good
	Limestone	54.7	54.7	54.7				
Brecha	Skarn	50.7	108.3	79.5	3.4	27.9	15.7	Fair - Good
La Negra	Skarn	16.5	161.6	89.1	5.7	24.8	15.3	Fair - Good
	Diorite	103	103	103				
	Limestone	7.7	54.7	31.2				
Monica	Sulfide skarn	111.8	125.7	118.7	4.5	25	14.7	Fair - Good
	Limestone	55	55	55				
	Felsic dike	66.1	133	90.5				
Bicentenario	Sulfide skarn	111.8	125.7	118.7	3.5	24.1	13.8	Fair - Good
	Limestone	55	55	55				
	Felsic dike	66.1	133	99.5				
	Diorite	103	182.2	142.6				
San Pedro	Skarn	16.5	161.6	89.1	1.9	21.3	11.6	Fair - Good
	Limestone	40.8	47.2	44				
Cobriza	Skarn	16.5	161.6	89.1	3.2	19.9	11..5	Fair - Good
	Diorite	103	182.2	142.6				
Avelina	Skarn	16.5	161.6	89.1	3.1	18.2	10.7	Fair - Good
	Diorite	103	182.2	142.6				
	Limestone	7.7	55	31.4				
Blanca	Skarn	16.5	161.6	89.1	1.1	10.8	6	Fair
	Limestone	7.7	55	31.4				
	Felsic dike	66.1	133	99.5				
	Diorite	103	182.2	142.6				
Natalia	Skarn	16.5	161.6	89.1	1.1	10.8	6	Fair
	Diorite	103	182.2	142.6				
	Limestone	7.7	54.7	31.2				
Virginia	Skarn	16.5	161.6	89.1	1.1	10.8	6	Fair
	Diorite	103	182.2	142.6				
	Limestone	7.7	54.7	31.2				
Dificultad	Skarn	16.5	161.6	89.1	1.2	9.6	5.4	Poor - Fair
	Diorite	103	182.2	142.6				
	Limestone	7.7	54.7	31.2				
Maravillas	Skarn	16.5	161.6	89.1	1	7.1	4.1	Poor - Fair
	Limestone	40.8	47.2	444				

Source: A-Geommining

16.2.2 Backfill

The mine does not utilize backfill in longhole stoping operations. Development waste rock is preferentially used at surface when required and otherwise disposed of in empty, inactive underground stopes. Given the favorable geotechnical conditions, systematic backfilling is not considered.

16.3 Hydrogeological Considerations

16.3.1 Groundwater Conditions

Small amounts of groundwater have been reported to flow at rates between 2 - 8 lps into the underground mine through fractures in the country rock and through geological structures, but the total groundwater inflow has been dealt with historically by localized in-mine pumping as described in the following section. Water inflows have historically never had an impact on mining activities. Although the mineralized material is potentially acid generating the buffering qualities of the carbonate country rock results in mine water that does not require further treatment (except for removing suspended solids) before discharge.

16.3.2 Dewatering and Mine Drainage

La Negra is a dry mine. Water throughout the lower levels of the mine drains by gravity and is channeled to a sump heading (5700 ramp) at the 1870 level (there is an active heading, the 5663 ramp which would be used for development at depth). There is currently one 15 hp pump with a capacity of 16 l/s which pumps the mine drain water to a settling sump located at the 1905 level. A second pump would be required for operations going deeper in depth. From the 1905 Level settling sump the water is pumped to the 2000 Level via a 3" pipe with a single 25 hp pump with a capacity of 5 l/s (replacing a smaller pump with insufficient capacity) and out to a settling pond at the main portal.

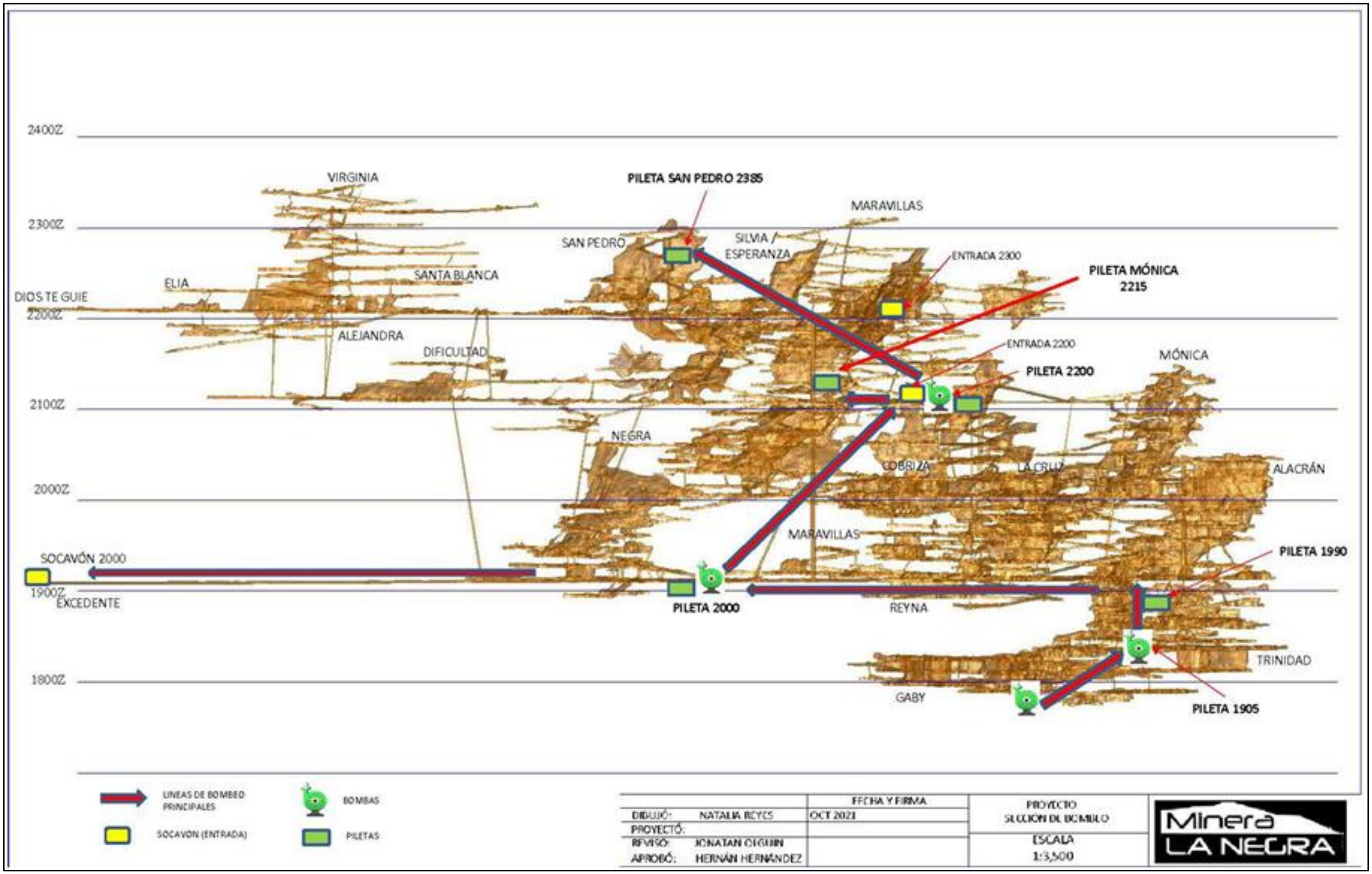
From there a 5 l/s pump takes a portion of the water to settling ponds at the 2200 and 2215 Levels, which are then pumped at up to 5 l/s to the 2300 and 2400 levels. The remainder of the water not pumped to the upper levels for use in operations flows by gravity to a series of two settling ponds 800 from the portal. The clarified water, suitable for agriculture, is pumped into an arroyo from which the communities draw water.

16.3.2.1 Pumps

As mentioned above, there is a 15 hp pump at the 1870 level, which will need to be supplemented with a second similar pump for operations. A 25 hp pump with greater vertical lift capacity located at the 1905 level transports water to the portal, as described above. The pumps in the upper levels of the mine are also rated at 25 hp. It is estimated that a third 25 hp pump will be required for normal operations.

The mine also utilizes two Wilden pneumatic pumps to assist dewatering during jumbo operations.

Figure 16-2 La Negra Existing Pumping Infrastructure (Looking North) (Britton et al., 2022)



Source: MLN

16.3.2.2 Pumping Rates and Projections

MLN does not have a comprehensive record of mine water pumping rates, but these have not exceeded the 5 l/s capacity of the main 25 hp pump at the 1905 level.

16.3.2.3 Water Treatment and Usage

As described above, water is clarified in settling sumps at the 1905 level before leaving the mine and again outside the mine before being drained into the arroyo.

16.3.2.4 Potable Water

Potable water is delivered in 20-liter containers for use in the underground facilities.

16.4 Mine Safety

16.4.1 Mine Rescue Equipment

The principal mine rescue equipment consists of Drager PSS BG4 and PSS BG4 Plus closed-circuit breathing apparatus used by the mine rescue team.

16.4.2 Refuge Chambers

Minera La Negra operates one MineARC MS-ND4-20-ELV-36 Refuge Chamber with capacity for up to 20 people and O2 capacity for 36 hours

16.4.3 Mine Ambulance

The mine has two mine ambulances, a Ford F-450 used in the lower mine (which has the larger headings) and a small profile diesel pickup that has been adapted to enter the smaller headings in the upper mine.

16.4.4 Fire Protection Systems

The mine does not operate with a fire suppression system, but the mine does have an operating stench gas system that can flood the mine in the event of a fire.

The scoops, jumbos, and simbas utilize the Ansul fire suppression system, in addition to carrying conventional hand-held fire extinguishers. There are also 31 Ansul 4.5, 6 and 9-kilo fire extinguishers for use throughout the mine and a 70 kilo Ansul extinguisher in the workshop/fuel depot area. The mining fleet and light vehicles are equipped with 6 kilo fire extinguishers.

16.4.5 Stope Design Criteria

Based on a review of work by A-Geommining, minimum stope dimensions up to 20 m high by 20 m long by 6 m wide are planned, with sill pillars of 6 m thick and rib or setoff (barrier) pillars of 4 m, resulting in a recovery loss of 38%, as shown in the table below.

Table 16-2 Stope Design Parameters (Britton et al., 2022)

	Stope Dimension (m)	Pillar Dimension (m)	Mining Loss (%)
Sill Pillar	26	6	23
Rib Pillar	20	4	20
Mining Loss to Pillars			38

16.4.6 Mining Methods

16.4.6.1 Historical Mining Methods

Historically, mining at La Negra was based on two principal mining methods, long hole open stoping (LHOS) and mechanized room and pillar. While mechanized mining has predominated, some non- mechanized (jackleg mining) methods have been employed, primarily in the upper sections of the mine (i.e., above the main 2000 haulage level). LHOS has been employed in areas where the mineralization is subvertical (but greater than 70 degrees to the horizontal) while room and pillar was the method of choice for subhorizontal (but less than 30 degrees to the horizontal) – and generally lower-grade – zones. Support pillars with dimensions of 8 by 8 m were generally utilized in these zones.

Development was achieved with electro-hydraulic single-boom jumbos taking 3.6 m rounds with 45 mm diameter holes. The holes were loaded with ANFO-based explosive and the blasting initiated with non-electric detonators. A smooth perimeter drilling and blasting technique was utilized to reduce damage to the walls and back. Historically, minimal ground support has been employed at most locations in the mine due to the nature of the underground rock quality, as described in Section 16.2.

Sublevels were developed at 4 m height in mineralization. Raises with dimensions of 1.8 by 1.8 m connect each sublevel and were used for ventilation and services; some are equipped with ladders and platforms and used as manways to provide secondary egress from the mine in emergency situations. Down-hole production drilling in long-hole stopes, 64 mm in diameter, was accomplished by an Atlas Copco Simba drill rig or a PLH pneumatic rig. Lateral drilling for development and mining was performed by Atlas Copco Boomer electric-hydraulic jumbos and, in certain areas, with pneumatic jack legs. Broken mineralized material was mucked with a fleet of 2.5, 3.0, 4.0 and 6.0 cuyd scoop trams which loaded a fleet of contractor-operating 20 t dump trucks which would haul mineralized material out at the 2000 level to the surface stockpile outside the main portal.

Historically the mine generated very little waste, and the mine has no surface waste dumps. Small amounts of waste were used strategically to provide access for mineralized material production (e.g., raising the floor where a back has been slashed) but generally the small amount of waste generated was disposed of in empty inactive, stopes. Some underground waste has also been crushed for road repair, maintenance, and other construction needs. Starting in 2019 waste rock was hauled to surface for use in the construction of the TSF5A buttress.

16.4.6.2 Current Mining Methods

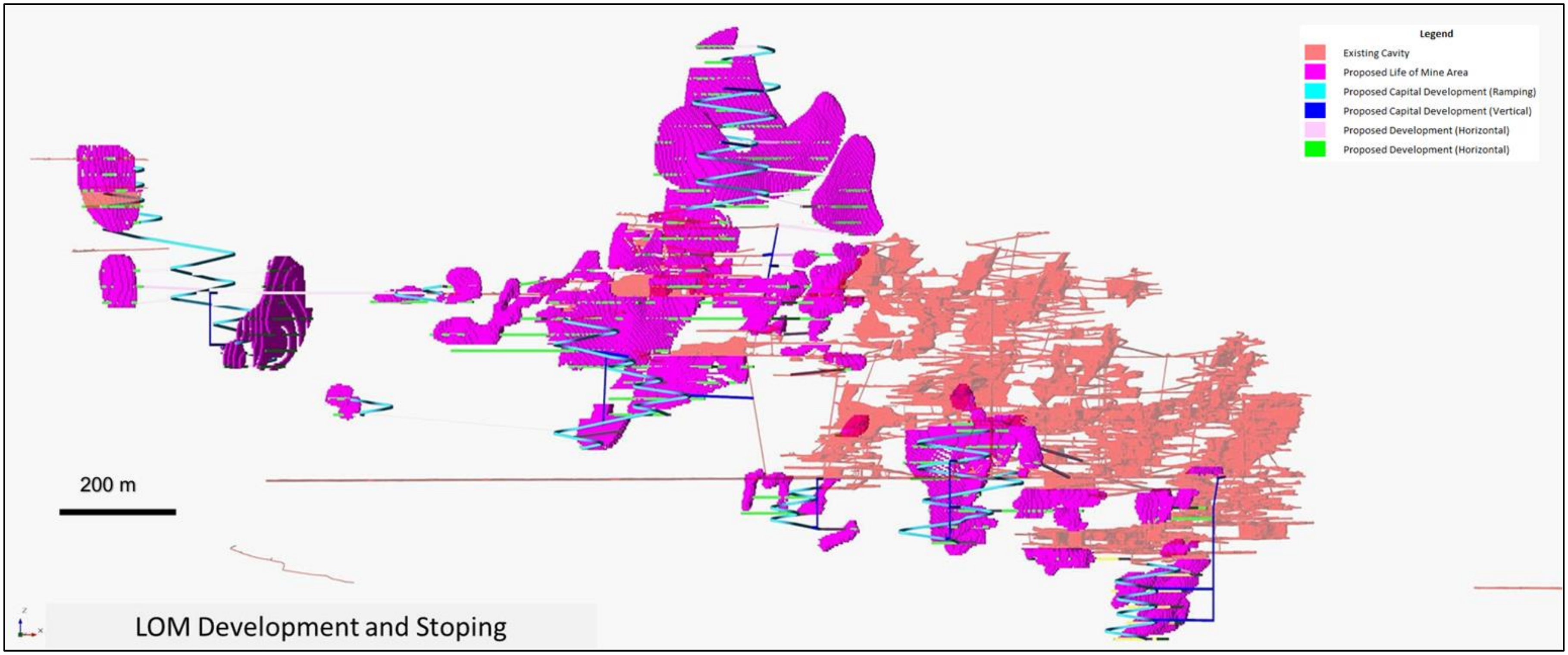
LHOS is used as the primary mining method, for the following reasons:

- Ground conditions and rock quality allow for the use of this method
- The geometry of the mineralization is suitable for the use of this method
- The mine staff are familiar with this method given its use over almost 50 years
- The mine fleet is suitable for this extraction method
- It allows for low-cost extraction

Other mining methods are considered in areas with poorer ground conditions, but only if these zones have a materially higher NSR, allowing for profitable extraction.

Figure 16-3 shows a vertical long section of the overall required development and stopes that are scheduled under the current LOM plan for La Negra. Essentially working off the level 2000 haulageway, the mine will progress both downward and upward (after slashing is complete) to stopes based on a declining NSR value calculated for each resource block. In the figure below, mined-out areas are shown in the shaded salmon color, while new stoping areas are shown in bright pink. Ramps and drifts are shown in green and aqua.

Figure 16-3 Schematic Long Section of Development and Extraction (Looking North) (Britton et al., 2022)



16.4.7 Resource Extraction

16.4.7.1 Mine Workings

Some of the existing workings, particularly in the upper mine, were developed using small headings (2.0 m by 2.5m and 2.5 m by 3.0 m) and created a “switchback” ramp system that prevents most large equipment from navigating the drifts efficiently. These areas were typically developed using jacklegs and 2.5 cuyd and 3.0 cuyd scoops. All new underground development are driven to 4.5 x 4.0 m headings compatible with larger equipment.

16.4.7.2 Pillars

Based on a review of the geotechnical work carried out by A-Geommining in 2018 the QP has concluded that supporting pillars (crown, sill, setback, and barrier) with dimensions of 6 m by 4 m by stope height are adequate. This would provide an estimated factor of safety > 2.0. A review of the data suggests that reasonably sized stopes not exceeding 40 m in length and 30 m in height are stable.

16.5 Mine Equipment

16.5.1 Introduction

The underground mining activities at La Negra are carried out with conventional equipment typical of smaller-scale underground mines, including jumbos for drift and ramp access, production drills for stope preparation, and scoop trams for mineralized material mucking. This equipment is all diesel fueled. The existing fleet is detailed in Section 16.5.7.

16.5.2 Ground Support

Ground support design takes into consideration industry standard empirical guidelines and La Negra’s experience with varying ground conditions within the mine. Historically very little in the way of mechanical ground support, such as, 1.8 m point anchor rebar bolts (gr 60), bearing plates, and wire mesh has been required given the competence of the country rock, although rock bolts and mesh have been utilized occasionally in areas with poorer ground conditions that display “slabbing” potential or a high degree of fracturing. The use of mechanical arches or beams, shotcreting of hanging wall rock, or spot cribbing has not been used in the history of the mine and is not anticipated going forward. Further evaluation of ground support techniques and systems will be performed going forward as new or updated geotech information and mining plans are advanced.

16.5.3 Drilling and Blasting

16.5.3.1 Explosives

ANFO and non-electric detonators and boosters have historically been used for development and production blasting. Explosives and detonation supplies (detonators, electrical caps, detonating cords, etc.) will be each stored in separate magazines underground. Underground explosive and detonator magazines are located on 2000 Level. The suppliers of each of these blasting materials will deliver them separately to the mine portal from where mine workers will transport these materials by truck directly to one of two underground magazines.

All underground personnel will be evacuated from the mine prior to blasting; sometimes and depending on the area to be blasted, personnel will remain in the 2000 level shop, a designated Safe Work Area, during blasting. All loaded development headings and production stopes will be initiated at the end of the shift.

16.5.4 Mucking

La Negra historically relied on small, 2.5 and 3.5 cuyd scoop trams for mucking, but as the operation grew the smaller equipment was replaced with 4.0 and 6.0 cuyd scoops. Until the shutdown the smaller scoops were used in those areas with smaller headings. New underground developments are driven to wider dimensions compatible with larger equipment. The smaller scoops are used only on a limited basis to slash existing narrow headings and will then be retired from service.

16.5.5 Haulage

Haulage from the loading pockets to the surface stockpile area outside the 2000 Level portal has historically been carried out by a community-based contractor utilizing 23 tonne trucks. This study assumes that this arrangement will continue. The cost of contractor haulage is included in mining costs albeit shown as a separate line item.

16.5.6 Support and Auxiliary Equipment

In addition to the main development and production fleet, the mine utilizes a 16-tonne low profile haul truck, a Deere 310 for surface work and a fleet of light vehicles.

16.5.7 Equipment Summary

The following table shows the summary of the existing equipment that MLN intends to use.

Table 16-3 Minera La Negra Existing Mine Equipment List (Britton et al., 2022)

Equipment	Type	Area	Brand	Model	Yd³	Capacity Tonnes	Drill Length (ft)	Serial #	Motor Brand	Model
ST-13	SCOOP TRAM	UG	WAGNER	LH-307	3.5	-	-	AV006X163/ 8997077100	DEUTZ	F8L 413FW
ST-15	SCOOP TRAM	UG	SANDVIK	LH-307	4	-	-	L807D218	MERCEDES	OM906LA
ST-19	SCOOP TRAM	UG	MTI	LT-650	4	-	-	S/N: 11-4129	DEUTZ	BF6M1013EC
ST-21	SCOOP TRAM	UG	SANDVIK	LH-410	6	-	-	L210D779	MERCEDES	OM926LA
ST-24	SCOOP TRAM	UG	JOY	LT-650	6	-	-	4570	MERCEDES	OM906LA
ST-26	SCOOP TRAM	UG	JOY	LT-1051	6	-	-	4669	MERCEDES	OM926LA
ST-27	SCOOP TRAM	UG	JOY	LT-1051	6	-	-	4700	MERCEDES	OM926LA
BOOMER	JUMBO	UG	ATLAS COPCO	281	-	-	14	AVO07A038	DEUTZ	F5L912W
DD311-40	JUMBO	UG	SANDVIK	DD311-40	-	-	16	L11D5607	MERCEDES	OM904LA
SIMBA #1	LONG HOLE DRILL	UG	ATLAS COPCO	H-157	-	-	12	AVO06A411	DEUTZ	F4L904W
SIMBA #2	LONG HOLE DRILL	UG	ATLAS COPCO	S7D	-	-	12	AVO13A092/ 8999085700	DEUTZ	F4L912W
TRACK DRILL	LONG HOLE DRILL	UG	INGERSOLL RAND	ECM-350	-	-	4	242883	-	-
PLH 1	LONG HOLE DRILL	UG	CMAC	PLH 146	-	-	4	SFR-4464	-	-
PLH 2	LONG HOLE DRILL	UG	CMAC	PLH 146	-	-	4	2018-162	-	-
JOHN DEERE 310J	LOADER	SURFACE	JOHN DEERE	310J	1	-	-	TO310JX152899	JOHN DEERE	4045D
CAT 950H	LOADER	SURFACE	CATERPILLAR	950H	3	-	-	HJK5K01123	CATERPILLAR	C7
LOW PROFILE	TRUCK	SURFACE	MTI	DT-1604	-	10	-	11 4192	DEUTZ	BF6M1013EC

16.6 Power and Ventilation

16.6.1 Cabling

Historically, the mine had cabling only in the lower levels of the mine (i.e., below the 2000 Level). As part of the investment in the mine exploration in 2021, additional cable was purchased to service the drill rigs operating in the upper levels of the mine.

16.6.2 Substations and Transformers

Power arrives at site via a 30,000 kVA line and is stepped down to 6,000 kVA at the main substation near the processing plant. From there a line delivers power to the substation and transformer at the Negra zone at 2000 Level, where it is split and stepped down further, to 500 kVA. The first line travels to the substation at Alacrán at 2000 Level, and then up to the 2141 Level, also in the Alacrán area, where it provides power to one of the exhaust fans. The lower line travels to the Diana substation at 1900 Level, where the power is stepped up to 1,000 kVA.

Power from the substation at La Negra 2000 also feeds the substation at Maravillas 2200 Level, which is used for operations at 2100 and 2200 Levels, and to power the exhaust fan at 2200 Level, also in the Maravillas area.

A surface substation at 2300 Level at La Blanca provides power at 500 kVA for powering pumps and compressors.

A line running from surface enters thought a vent raise at San Onésimo and feeds a substation location at the Virginia 2300 Level and which provides power for this area of the upper mine, including Virginia, Dificultad, and Santa Blanca Levels 2200 to 2350.

The eight substations throughout the mine are shown in the following table.

Table 16-4 La Negra Electrical Substations

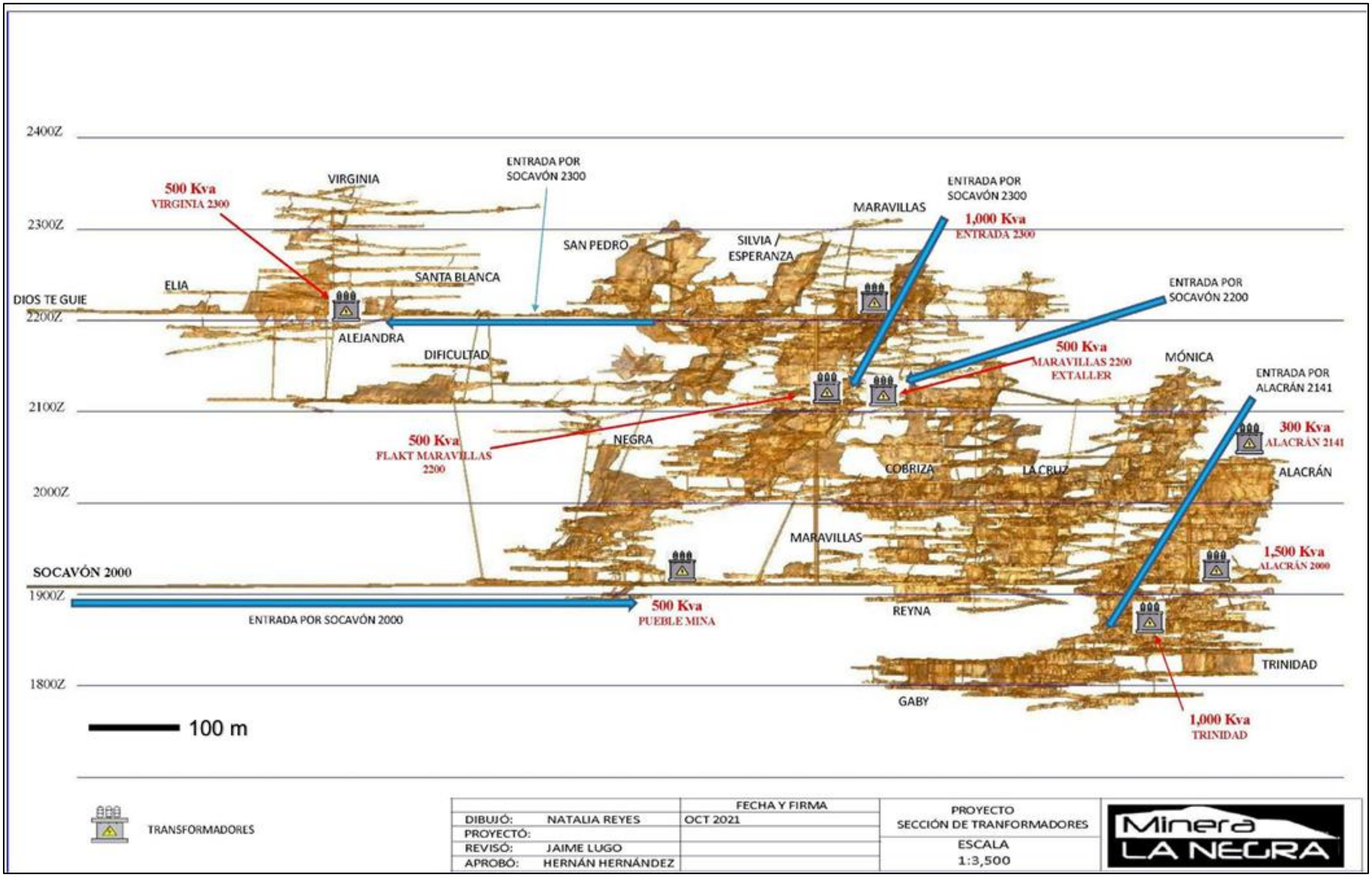
Location	Capacity	Delivers power to:
Negra 2000 Level	500 KVA	Level 2000 and 2200 Level Pumping
Alacrán 2000	1500 KVA	Alacrán and Maravillas 2000 Level
Alacrán 2141	300 KVA	Zitron Exhaust Fan
Diana 1900	1000 KVA	1800 to 1950 Levels
Maravillas 2200	500 KVA	Feeds 2100 to 2200 Levels
Maravillas 2200	500 KVA	Flakt Exhaust Fan
La Blanca 2300	500 KVA	2300 Level Compressors and Pumping
Virginia 2300	500 KVA	Dificultad 2200 to Santa Blanca 2300

Source: MLN

These substations feed a series of 5kVA and 10 kVA transformers used to power the workshops, compressors, dining mess, lighting, and provide electric power for mine operations.

The power distribution throughout the mine is shown in Figure 16-4.

Figure 16-4 La Negra Existing Power Distribution and Mine Substations (Looking North) (Britton et al., 2022)



Source: MLN

16.6.3 Ventilation

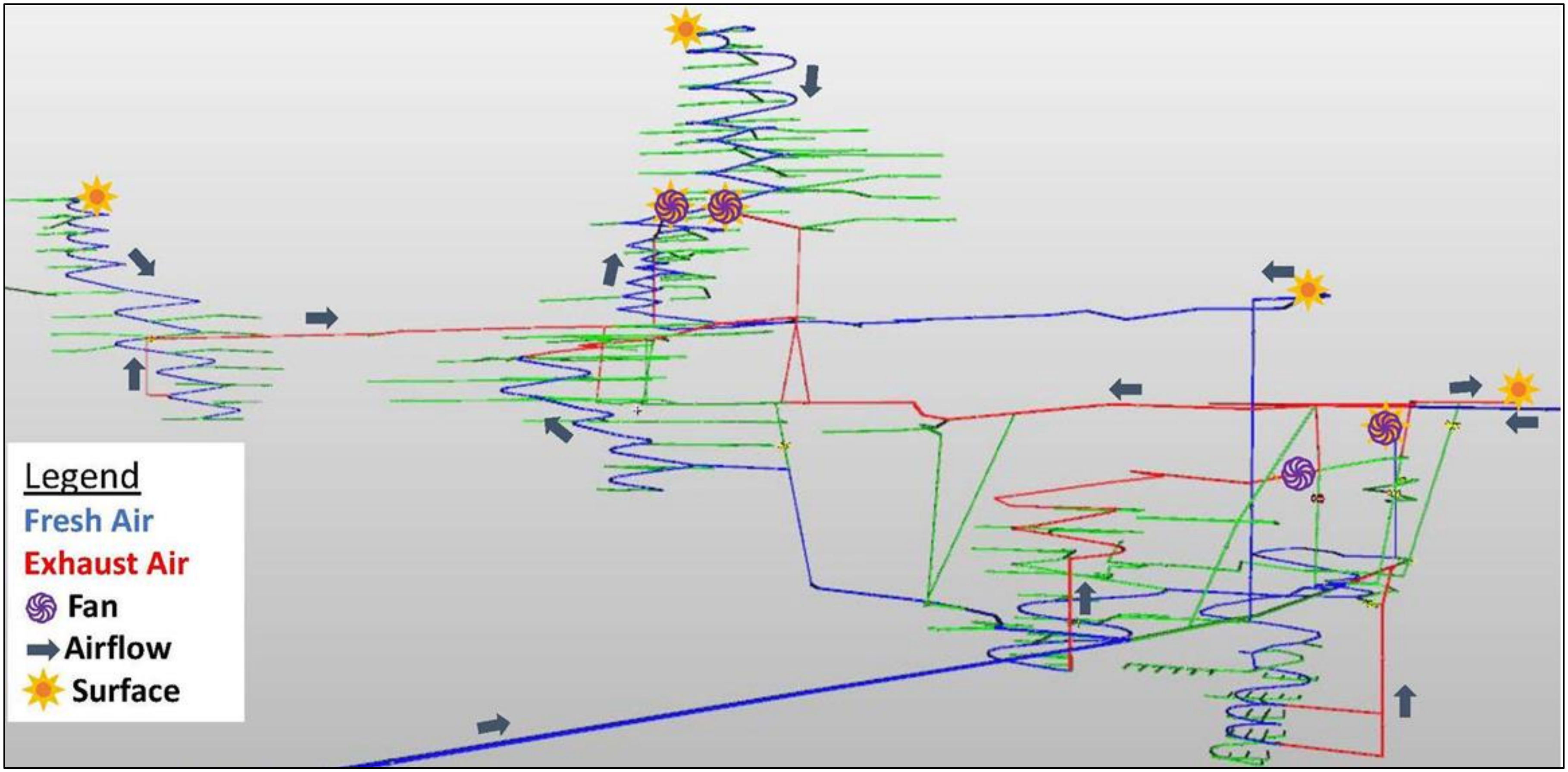
The La Negra mine has largely relied on natural airflow to provide ventilation for mining activities, with three main intake airways at 2000, 2200, and 2300 levels and return airways at 2140 and 2200. Mexican mining regulations require a minimum ventilation rate of 2.13 m^3/min/HP (0.048 m^3/s/kW or 75.6 cfm/bhp) and 1.50 m^3/min/person (0.034 m^3/s/person or 53.2 cfm/person). Current international best practice requires 0.06 m^3/s/kW engine power to effectively mitigate the hazard from diesel particulate matter (DPM). The target production rate of 2,500 tonnes/day requires 180-233 m^3/s of airflow circulating within the mine. This will account for diluting, rendering harmless, and carrying away all dusts, mists, and DPM generated from the mining and hauling processes.

The mine currently has 10 fans of various sizes with total rated capacity of 1025 hp (764 kW), ranging from 20 hp to 300 hp, with a capacity to deliver approximately 368 kcfm, which is based on a recent analysis. Based on a requirement of (0.06 m^3/s/kW) 108 – 135 m^3/s (229 – 286 kcfm) this amount would be required to adequately ventilate the mine at a production rate of 2,500 tpd. However, over time, the ventilation system would require two additional 250 kW fans, one additional 100 kW fan and one additional 75 kW fan. While most of the fans were historically located in the lower mine, these will be repositioned as needed to provide better ventilation in the upper mine. For the life-of-mine it is estimated that six vent raises will be required, servicing the Valeria, Negra, Maravillas, Northwest and Valenciana zones (noted in red in Figure 16.). Although further study is needed to determine the mine's ventilation needs with greater precision, the use of more efficient equipment, eliminating the jacklegs, and an optimized workforce should reduce the mine's overall ventilation requirements.

The following schematics show the current air flow within the mine and the proposed location of the fans.

Additionally, detailed ventilation modeling will be required prior to production to account for airflow to specific mining areas, ensuring that drifts and raises are free of obstructions, the impact of leakage from historic workings and open stopes, and the need to install brattices, bulkheads, and vehicle doors.

Figure 16-5 La Negra Proposed Ventilation Schematic (Britton et al., 2022)



Source: MLN

16.7 Underground Mine Infrastructure

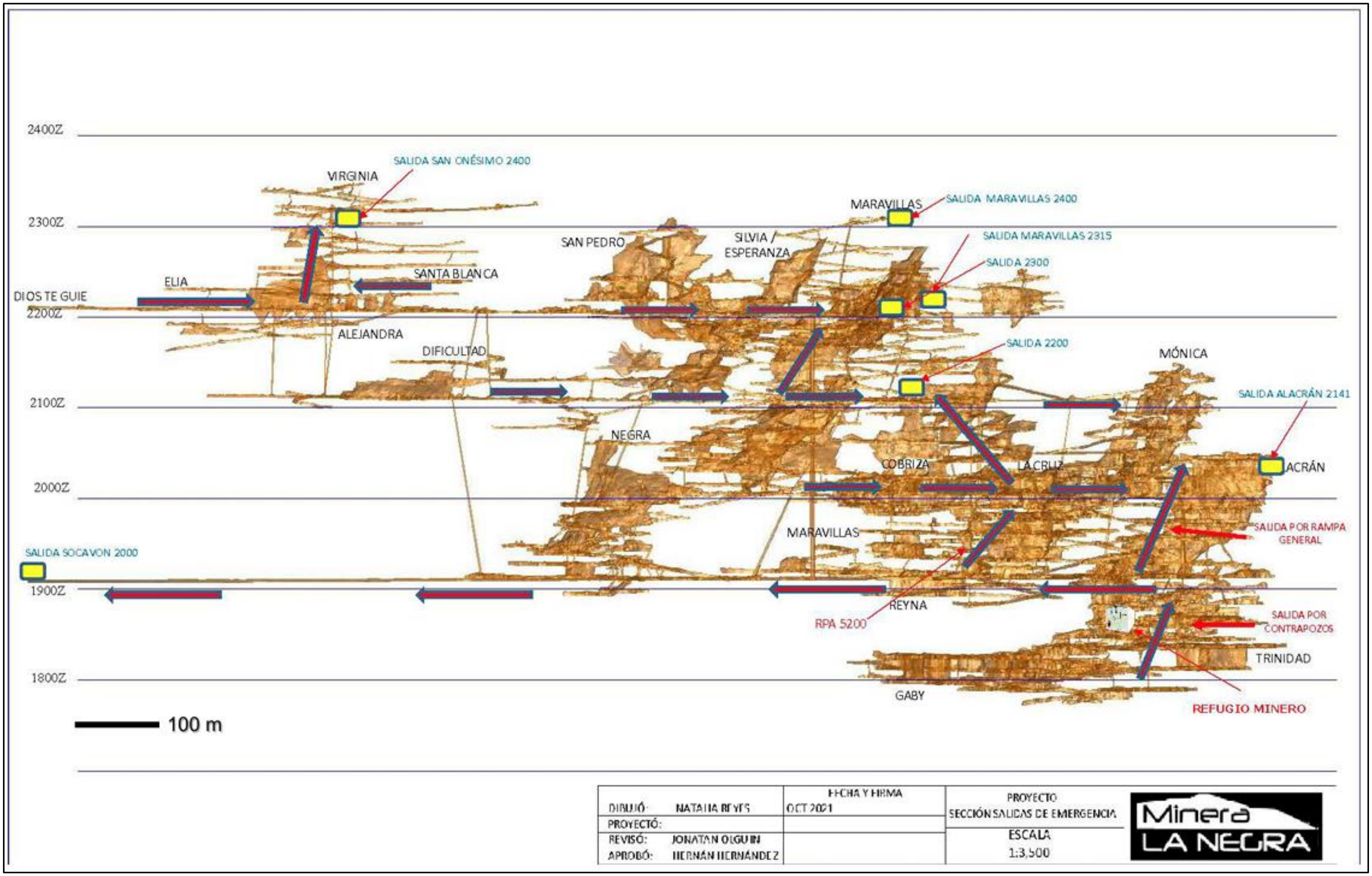
16.7.1 Underground Infrastructure

16.7.1.1 Access, Egress and Evacuation Routes

The main access at Minera La Negra is the 2000 level adit (located at 1906 masl). The portal is located near the processing plant on a level area which sits on top of the former TSF1. The 2000 Level access has a 4.5 x 4.0 m cross-section and runs NE in a straight line for approximately 2 km. There are in addition two minor access levels at 2200 level and 2300 level with a 2.5 x 2.5 m profile. The 2400 Level access has a 3.5 x 3.5 m profile.

The mine has several egress points. Vent raises equipped with ladders provide access from the lower mine to the main 2000 Level, which is the main ingress/egress level. There is, if needed, access from 2000 Level, also via raises and ladders to exits at the 2100, 2140, 2200, 2300, 2315, and 2400 Levels. As part of the development of San Onésimo, Mina Valenciana, and Valenciana, additional ramps to surface will be developed, providing additional point of egress when those zones are mined.

Figure 16-6 La Negra Existing Evacuation Routes (Looking North) (Britton et al., 2022)

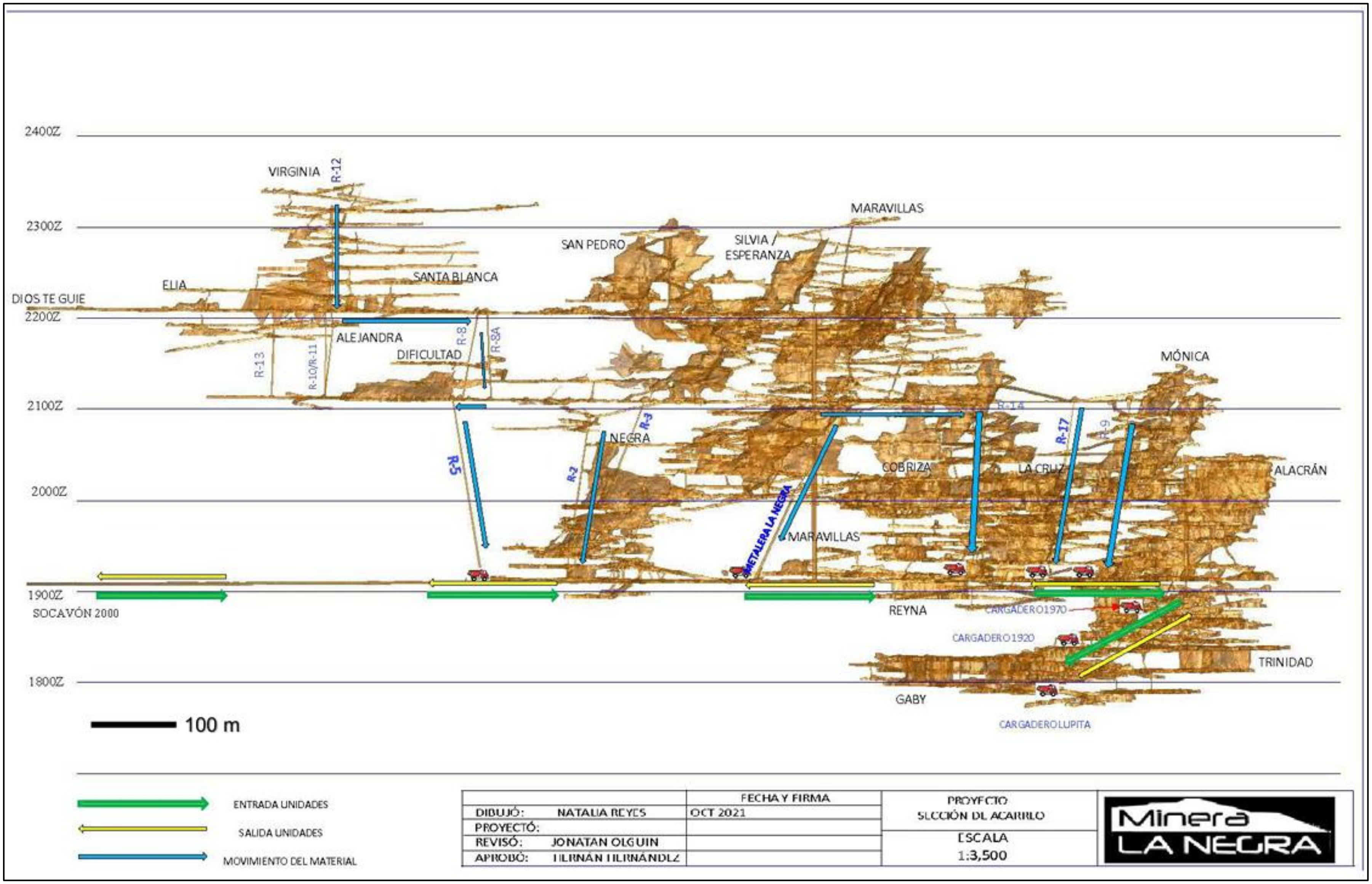


Source: MLN

16.7.1.2 Muck Passes

The following long section shows the current location of muck passes and loading stations throughout the mine. There are six muck passes on the 2100 Level that drop mineralized material to the 2000 Level, which is the main haulage level. There is a single muck pass at 2300 Level in the Virginia area that drops to the 2100 Level and requires rehandling to get to the 2200 Level muck pass. Mineralized material that is extracted from levels below the 2000 Level is hauled to the 2000 Level and out the main portal.

Figure 16-7 La Negra Existing Muck Passes and Loading Stations (Looking North) (Britton et al., 2022)



Source: MLN

16.7.1.3 Magazines and Warehouses

The main storage for mine spares is located at surface. Explosives are stored in two magazines on the 2000 Level.

16.7.1.4 Workshops

The mine has two workshops, both located on the 2000 Level. One is used for electrical and mechanical maintenance of the mine fleet, and the other used for soldering activities.

16.7.1.5 Fuel Supply and Storage

Diesel fuel is stored in a 5,000-liter tank located on 2000 Level next to the maintenance workshops.

16.7.1.6 Compressed Air

Compressed air was historically used to operate jacklegs, which were used for development of 2.5 x 3.0 m headings in the upper (northwest) section of the mine. With all new development based on 4.5 x 4.0 m headings throughout the mine, jacklegs are only utilized for slashing and the need for compressed air has become largely unnecessary, and only a few compressors remain in service to provide compressed air for the PLH production drills.

16.7.1.7 Active Workings/Pathways

The active pathways include the four main access levels, 2000, 2200, 2300, and 2400, with the remaining pathways only used for emergency egress. T

he main operating ramps are the 5200, 5448, 5530, 5663, 5700, Maravillas 2000, 7604, San Onésimo, 5368 and 5401.

16.7.1.8 Closed Workings/Pathways

The La Negra 2000 to 2200, the 5-1/2 ramp, and the ramps at Alacrán, San Pedro and San Buenaventura are no longer operative.

16.7.2 Surface Infrastructure

The main surface infrastructure consists of the offices and contractor workshop outside the main portal, the scale, two guard shacks, and the truck scale.

At the 2200 Level there is a guard shack and a settling pond, while at the 2300 Level there is a guard shack, the compressor enclosure, and a workshop.

16.8 Mine Personnel

16.8.1 Basis

The mine is operated on a 24-hour/day, 6-days per week schedule, implying approximately 310 operating days per year when holidays are taken into account. Salaried staff will operate on a 12- hour, two shifts per day schedule. The hourly (unionized) workforce will operate on both three, daily eight-hour shifts and two daily ten-hour shifts, depending on the job description.

The labor complement for equipment operation is based on the mine plan operating requirements and the number of units needed to meet the plan, adjusted for shift rotations. The maintenance complement is based on the number of units to be maintained, estimates of mechanical availability, and historic experience of the ratio of personnel to the number of units for each type of underground equipment.

Mine operations will be responsible for development, stope preparation and blasting, mucking, and dewatering. A separate team will be responsible for mechanical and electrical maintenance. All mining and maintenance activities will be carried out by Minera La Negra personnel except material haulage, which will be carried out by a community-based contractor.

16.8.2 Hourly (Union) Workforce

The total unionized workforce for the mine consists of 67 employees, responsible for development drilling, production drilling, blasting and mucking, and electrical and mechanical maintenance. The union workforce operates under a collective bargaining agreement (Contrato Colectivo de Trabajo) which was last updated by agreement (Convenio) in April of 2021. This agreement provides for an hourly wage based on the work performed, in addition to certain additional benefits, the year-end aguinaldo (thirteenth month) and contributions to a savings fund (Fondo de Ahorro). In addition, Minera La Negra agreed to implement productivity-linked bonuses.

The current mine plan assumes that the hourly workforce will total 67 employees, of which 43 will be responsible for mining activities, 14 will be responsible for mechanical maintenance, and 10 for electrical maintenance. The production workforce will consist of 14 scoop tram operators, 6 production drill operators, 4 jumbo operators and support staff. The mechanical maintenance workforce consists of 7 mechanics and 7 support staff. The electrical maintenance staff consists of 5 electricians and 5 support employees. There are in addition 14 hourly employees dedicated to assisting the Technical Services Group.

16.8.3 Salaried (Staff) Workforce

Mining operations are headed by the Mine Superintendent, reporting to the mine General Manager, and will consist of a team of 18, including 10 devoted to mine operations, 5 dedicated to mechanical maintenance, and 3 for electrical maintenance.

The mine operations and maintenance staff will be supported by the Technical Services group, consisting of 4 geologists responsible for grade control and updating the resource/reserve models and 5 engineers responsible for short, medium and long-term planning.

The following table details the mine's annual personnel requirements.

Table 16-5 Annual Personnel Requirements (Britton et al., 2022)

		Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10
Union	Scoop Tram Operator	14	14	14	14	14	14	14	14	14	14
	Jumbo Operator	4	4	4	4	4	4	4	4	4	4
	Production Drill Operator	4	4	4	4	4	4	4	4	4	4
	PLH Operator	3	3	3	3	3	3	3	3	3	3
	Services	5	5	5	5	5	5	5	5	5	5
	Blasting	2	2	2	2	2	2	2	2	2	2
	Mine Support	11	11	11	11	11	11	11	11	11	11
	Maintenance Mechanic	7	7	7	7	7	7	7	7	7	7
	Mechanic Support	7	7	7	7	7	7	7	7	7	7
	Maintenance Electrical	5	5	5	5	5	5	5	5	5	5
	Electrical Support	5	5	5	5	5	5	5	5	5	5
	Tech Services Support	17	17	17	17	17	17	17	17	17	17
Staff	Mine Operations	10	10	10	10	10	10	10	10	10	10
	Mechanical Maintenance	5	5	5	5	5	5	5	5	5	5
	Electrical Maintenance	3	3	3	3	3	3	3	3	3	3
	Tech Services Manager	1	1	1	1	1	1	1	1	1	1
	Geologist	4	4	4	4	4	4	4	4	4	4
	Engineer	4	4	4	4	4	4	4	4	4	4

17 RECOVERY METHODS

17.1 Introduction

The concentrator at Minera La Negra has an operating capacity of 3,000 tonnes per day and is based on a conventional crushing, grinding and differential flotation process to produce lead-silver, copper- silver, and zinc concentrates, in that order. Historically, the processing facility has operated on the basis of three, eight-hour shifts for 336 calendar days per year, while the reopening plan assumes three, eight-hour shifts for 337 operating days per year. The present technical study is based on the assumption that the processing plant will treat 2,500 tonnes per day, or 842,500 tonnes per annum.

17.2 Flowsheet Diagram

Figure 17-1 shows the flowsheet for the processing plant at Minera La Negra.

17.3 Process Description

17.3.1 Mobile Crusher

The processing section features a 200 tph, 150 hp 30” x 42” mobile jaw crusher for bespoke jobs, including batch processing for certain material types as required by the geology team, and producing construction material, including crushed rock for the TSF buttress. The product of this crusher ranges between 4” and 7” but also produces finer material that is fed to an Allis Chalmers vibrating grizzly that produces material less than 1” and greater than 3/8”.

17.3.2 Primary Crushing

Product is delivered to the plant site in 23 tonne trucks operated by a community-based contractor. After blending to control for head grade and arsenic content, the mineralized material is tipped into a 60 tonne coarse hopper with a 25” x 25” grate; oversize material is broken with a BT200 hydraulic breaker. A new breaker has been included in the start-up capital estimate. This material is fed into a Gator 30” x 42” primary jaw crusher with a 150 hp motor which produces a product with P_{80} of -4 inches. The primary crusher has an availability of 88% and is projected to operate 3334 hours per annum and crush at a rate of 220 tonnes per hour.

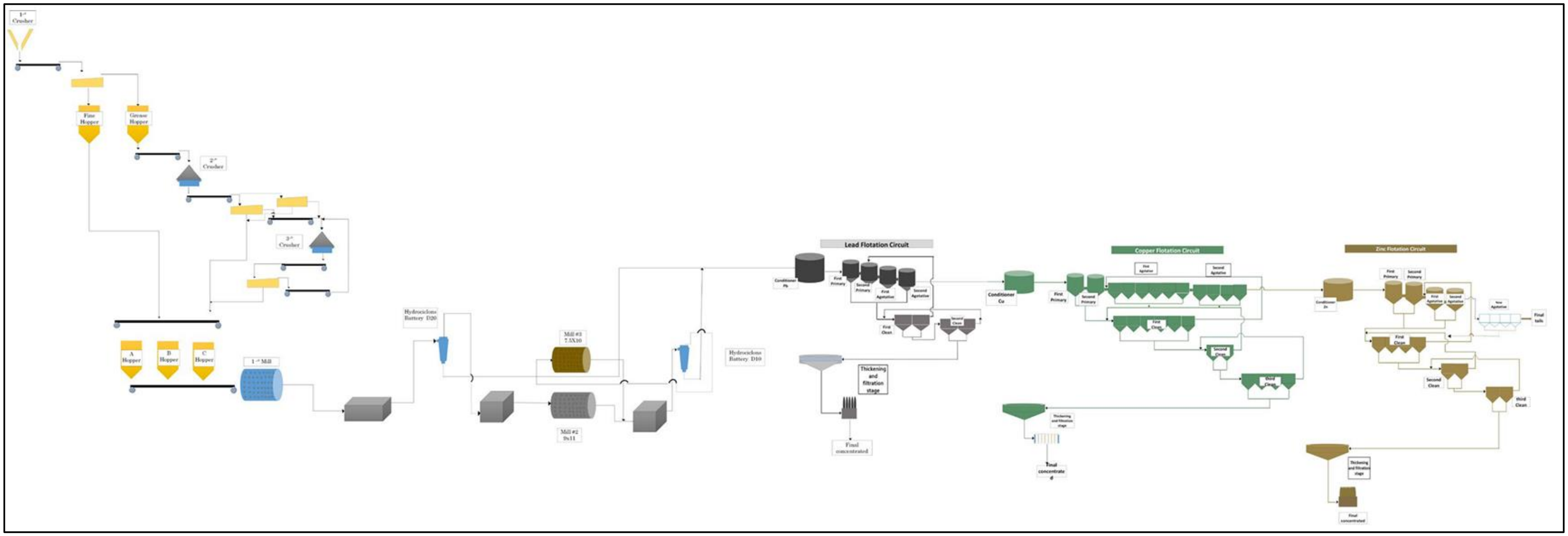
17.3.3 Screening Area

The product from the primary crusher is fed by a series of belts to a 25 hp grizzly in closed circuit that produces material ranging from 5/16” to 4”. Material greater than 4” and less than 7” is fed to a 400 tonne coarse feed material bin, while material less than 5/16” goes to a 100-tonne capacity fine feed material hopper.

17.3.4 Secondary Crushing

The secondary crusher consists of a 5 ½ ft Symons standard head cone crusher with a 200 hp motor that has a historical availability of 86% and is projected to operate at an average of 4350 hours per annum. The crushing is estimated at a rate of 300 - 340 tonnes per hour to produce a product with a P_{80} of 1½ inches. The crushed material is fed to two, parallel 6” x 12” vibrating grizzlies, with material greater than 5/16” fed to the tertiary crusher and material finer than 5/16” fed to the fine feed material bin.

Figure 17-1 La Negra Processing Plant Flowsheet (Britton et al., 2022)



Source: MLN

17.4 Plant Operating Design Criteria

Table 17-1 Plant Operating Design Criteria (Britton et al., 2022)

Operating Schedule		Unit	Balance	Design
Mine Life		years		7.5
Crushing Availability		%	86-88	
Crushing Hours per Year		days	337	
Crushing Hours per Day		h	24	
Mill Availability		%	90-99	
Milling Operating Days per Year		days	337	
Milling Operating Days per Year		h	24	
Mineralized Material Characteristics				
Mineralized Material % Moisture		%	1.5-2.0	
Mineralized Material Specific Gravity		g/cm^3	3.1-3.5	
Feed Particle Size				
Primary Crusher Feed P80		mm	635	
Secondary Crusher Feed P80		mm	102	
Tertiary Crusher Feed P80		mm	38	
Bond Work Index		KWh/t	13	
Abrasion Index		g	0.41	
Ball Mill Feed P80		mm	8	
Ball Mill Product P80		µ	75	
Production Rates				
Annual (balance)		tpa	842,500	
Crushing Daily		tpa	2,500	3,000
Crushing Hourly		tph	150-190	200
Mill Daily		tpa	2,500	2,500
Mill Hourly		tph	105	105
Silver				
Grade (LOM Average)		g/t	76.3	
Recovery (LOM Average)		%	82.1	
Lead				
Feed Grade (LOM Average)		%	0.5	
Recovery (LOM Average)		%	73.9	
Concentrate Grade (LOM Average)		%	60.2	
Silver in Lead Concentrate		g/t	8,362	
Zinc				
Grade (LOM Average)		%	1.51	
Recovery (LOM Average)		%	84.4	
Concentrate Grade (LOM Average)		%	44.1	
Silver in Zinc Concentrate		g/t	70	
Copper				

Operating Schedule		Unit	Balance	Design
Grade (LOM Average)		%	0.35	
Recovery (LOM Average)		%	68.3	
Concentrate Grade (LOM Average)		%	23.9	
Silver in Copper Concentrate		g/t	1,740	

Source: MLN

17.4.1 Tertiary Crushing

The tertiary crusher consists of a 300 hp 5½ ft Symons short head cone crusher which produces a product with a P_{80} of 3/8" inches. The tertiary crushing has an availability of 86% and is projected to operate 4349 hours per annum and crush at a rate of 150 – 190 tonnes per hour.

17.4.2 Feed Material Storage

Crushed material is stored in three fine material silos each with a capacity of 450 tonnes.

17.4.3 Milling

Mineralized material is fed from the fine feed material bins to the milling circuit. The grinding circuit consists of two parallel ball milling lines each in closed-circuit with a bank of hydrocyclones to deliver a P_{80} of approximately 75 µm. The first line includes a Marcy 10' x 10' ball mill with an 800 hp motor and having 46 tph capacity in a single grinding stage arrangement in closed circuit with two D20 hydrocyclones. The second line includes two ball mills: an Allis Chalmers 9' x 11' mill with 36 tph capacity and a Taylor 7½' x 11' regrind mill with 22 tph capacity in a two-stage milling arrangement, with motors of 500 hp and 450 hp, respectively. The ground material is fed to a bank of six D10 hydrocyclones. The overflow from both the ball milling circuits pass to the differential flotation circuit. Zinc sulfate and sodium cyanide are added at a 2:1 ratio during the milling stage to activate lead and to depress zinc, copper, pyrite, arsenic and iron.

17.4.4 Flotation

The flotation circuit consists of three stages of flotation to recover lead, copper, and zinc concentrates, in that order. A variety of conventional reagents are added throughout the process to maximize the recovery of the targeted minerals, while suppressing unwanted materials such as iron and arsenic. The lead recovery circuit consists of a 12' x 12' conditioning tank with a retention time of 12 minutes; Aero 404 is added as a promoter and the pulp fed to four 350 ft^3 Outotec BC-10 flotation cells with CC-1064 as a frother in the first lead flotation cell. Four Denver 50 ft^3 flotation cells are used for two stages of cleaning.

Tails from the lead flotation circuit are fed to a 10' x 10' conditioning tank ahead of the copper flotation circuit. Retention time is 10 minutes and ammonium bisulfite is added as a pH modifier and to depress zinc and iron. S-7583 is added as a promoter to activate copper. The copper recovery circuit consists of two Wemco 300 ft^3 flotation cells and the rougher concentrate can be sent to the concentrate thickener or, at the operator's discretion, to the cleaner flotation circuit. The scavenger flotation consists of ten Denver 160 ft^3 flotation cells followed by three stages of cleaning in Denver 50 ft^3 cells, which can be used to produce the final product or recycled back to the circuit.

The tails of the copper circuit are fed to a 12' x 12' conditioning tank; milk of lime is added to increase the pH to 9.0 – 10.0 and also as an iron depressant. Copper sulfate is added to activate zinc. The zinc recovery circuit consists of four Denver 160 ft^3 cells followed by three stages of cleaning in Denver 50 ft^3 cells.

Table 17-2 describes the reagents utilized in the flotation circuit at La Negra and their estimated consumption.

Table 17-2 La Negra Processing Plant Reagents and Consumption (Britton et al., 2022)

Reagent Addition Point	Reagent	Consumption (kg/t milled)	Application
Grinding Circuit	Sodium Cyanide	300	Depression of pyrite, Cu, and Zn minerals
	Zinc Sulfate	400	
	Sodium Hydroxide	280	pH modifier
Lead Flotation Circuit	AERO 404	20	Lead mineral collector
	CC1064	13	Frother
Copper Flotation Circuit	S-7583	25	Copper minerals collector
	Ammonium Bisulfite	2764	Depression of Zn and Fe minerals and pH modifier
	CC1064	13	Frother
	Xanthate	10	Collector
Zinc Flotation Circuit	Lime	520	pH modifier
	Aero5160	10	Zinc minerals promotor
	Copper Sulfate	410	Zinc minerals activator
	CC1064	13	Frother

Source: MLN

17.4.5 Thickening and Filtration

Each of the three concentrate streams is pumped to its respective thickener. The lead thickener consists of an 18' x 6' thickener which increases the concentrate solids concentration to 30 - 40% by weightsolids. The pulp is dosed with flocculant (Zetag 4125) depending on the level of sedimentation. The material is fed to two (one operating, one standby) PIPSA 5' x 4' disc filters that operate in a vacuum to produce material with a humidity range of 18 - 20%. Subsequent aeration reduces the moisture content to a nominal 10.8%.

The copper thickener consists of a 30' x 10' thickener which increases the concentrate slurry density to 65 - 70% solids; Zetag flocculant is added to aid in sedimentation. The thickener underflow is fed to a Clever 1000 x 1000 plate filter which produces copper concentrate filter cake with a moisture of 15 - 20%, with a nominal moisture of 10.9% after airblow and rehandling.

The zinc concentrate is fed to a 12' x 12' thickener. Zetag 4125 is added as a flocculant and the thickener underflow is fed to two, PIPSA 6' x 5' disc filters which produces the final zinc concentrate filter cake with 80 - 82% solids, or a nominal moisture of 10% after aeration.

Each of the concentrates is stored in a compartmentalized shed awaiting shipment (by truck) to the concentrate offtaker. Concentrates were historically shipped in 35 tonne trucks to the port of Manzanillo on the Pacific Coast by a local contractor. It is assumed that concentrate from La Negra will be shipped to Manzanillo once the mine is restarted, given that this is where the major offtakers have their warehousing and overseas shipping facilities.

17.5 Tailings

The status of the existing tailings impoundment facilities and the preferred alternative for tailings disposal following a restart are discussed in Section 18.5.

17.6 Laboratory

Minera La Negra has an onsite laboratory that is used to assay samples from exploration sampling and drilling, definition drilling, mill samples, and to verify concentrate specifications. Although the lab is owned by MLN, for operational purposes it is treated the same as an offsite lab and is required to meet the same standards as an independent certified facility. The lab follows the same procedures as an independent lab requiring the use of blanks, reference material and duplicates.

There are detailed procedures for each step in the assaying process, including procedures for receiving and logging the samples, sample prep, and assaying. The samples are received at the lab and logged and ordered for preparation. The samples are then weighed with an Ohaus Adventurer Pro scale and dried in a GRIEVA SB-550 oven. The prep area has two draw bells to remove any dust from the work area. The dried samples are crushed in a Terminator jaw crusher and the material is split in a Jones riffle splitter to produce a ~600 g sample which is then ground in an ESSA (FLSmidth) pulverizer. The ground material is quartered with a spatula and passed through a 200- mesh sieve. All the equipment is cleaned between each sample to prevent cross-contamination. The final particle size fraction is determined in a Ro-Tap® sieve shaker.

To prepare for either AA or ICP analysis, the samples are then subject to acid digestion. A 0.5 g sample is weighed and then combined with 2.5 ml of nitric acid, which is then heated for 15 minutes at 150oC ±5oC. 7.5 ml of hydrochloric acid is then added and heated for an additional 30 minutes, after which an additional 10 ml of HCl is added. The flask is covered and agitated to ensure full dissolution of the material.

The laboratory at La Negra can conduct both atomic absorption and ICP analyses, with one Agilent atomic absorption spectrometer (AA240FS) and one Varian atomic absorption spectrometer (AA240). The induced coupled plasma machine is an Agilent 4210 MP-AES atomic emission spectrometer.

The lab can also conduct traditional fire assays for Au and Ag. The samples are then prepared for assay by weighing a 30 g sample with a Mettler Toledo XS104 analytical balance and then combined with 120 g of flux in a crucible, which is then placed in a muffle furnace for 45 minutes at 1050oC. The metals are separated from the slag and placed in a cupel, which is then heated at 920oC in the muffle furnace for 45 to 60 minutes.

18 PROJECT INFRASTRUCTURE

18.1 Introduction

The infrastructure in and around Minera La Negra is fairly conventional. The highway which connects Querétaro to Maconí is fully paved and in excellent condition; only the last 3.4 km from Maconí to the mine site is unpaved. There are high voltage power lines to site, high-speed internet, and year- round water.

Figure 18-1 shows access road and the location of the main haulage adit (2,000 level), process plant, stockpile and waste dumps areas and the currently active tailings storage facility (TSF) No 5A.

Figure 18-1 MLN Project Infrastructure (Britton et al., 2022)

18.2 Existing Infrastructure and Services

18.2.1 Road and Site Access

The mine is accessible from the state capital city of Querétaro through a paved road to the town of Maconí. The last stretch to the plant site is via a well-maintained, year-round, 3.4 km-long gravel road. Although it narrows to one lane locally, it can handle all heavy equipment. The road to the mine from Maconí is a local access road only, and there is little traffic outside of the mine-related activities.

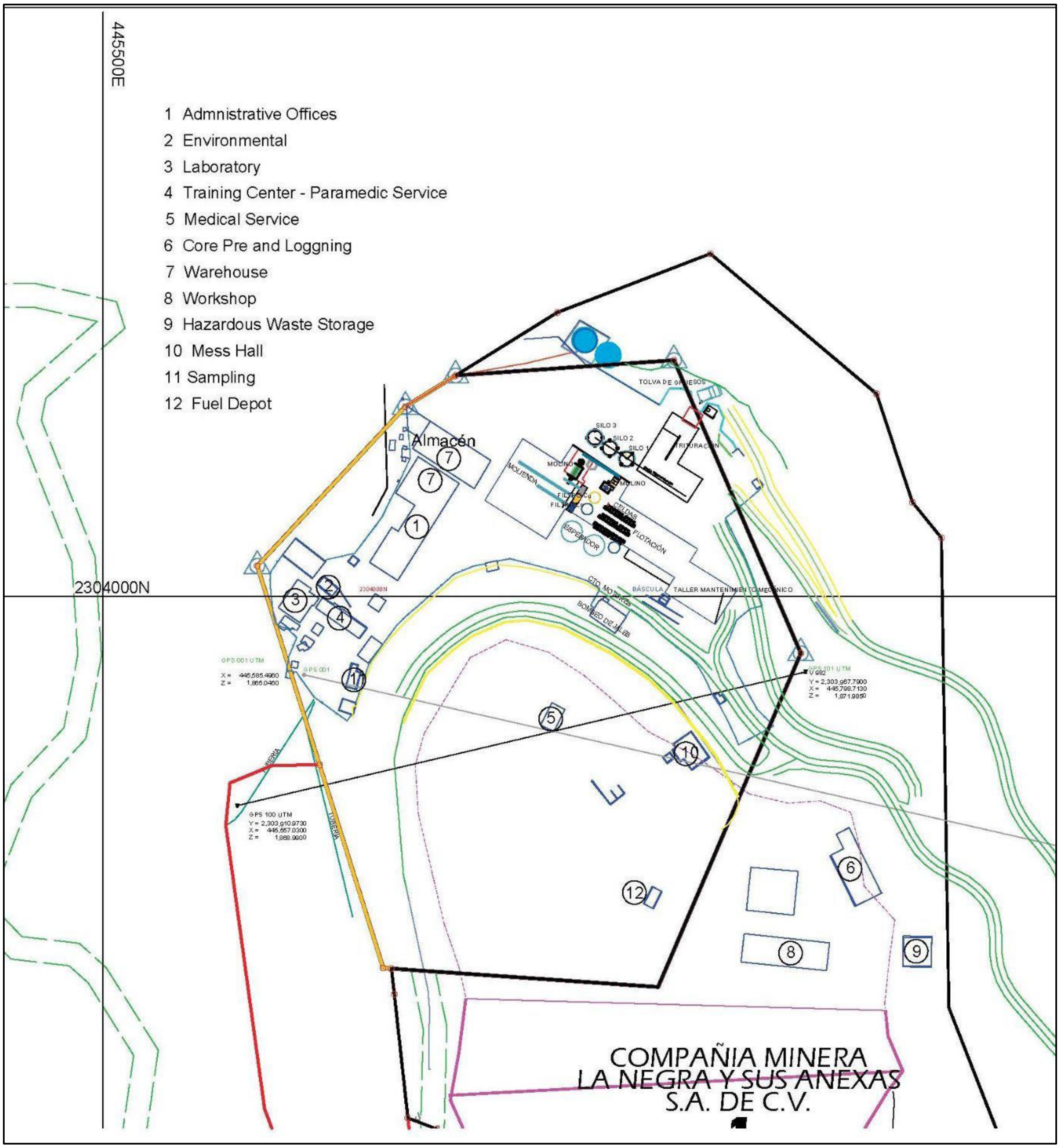
San Joaquín is the largest town close to Maconí, located 21 km to the north, with better services than Maconí. Local schooling is provided at Maconí through primary basic level, while San Joaquin provides secondary and high school equivalent levels. For technical and higher-level education, local people attend schools at Cadereyta, Ezequiel Montes or Querétaro.

Public transportation is limited to a private bus service from San Joaquín to Querétaro and other localities. Transportation to San Joaquín is privately arranged.

18.2.2 Buildings

As shown in the Figure 18-2, the main building and structures at La Negra consist of the administration building and adjacent warehouses, and the nearby assay laboratory, medical facilities, and training center. The buildings are located to one side of the processing facilities. The mess hall (canteen) is located on the other side of the process facility, and is located before the main entrance gate. And slightly further away is the location of the core prep and logging area, hazardous waste storage and (surface) maintenance workshop buildings are sited slightly further away from the main gate.

Figure 18-2 Minera La Negra Surface Infrastructure (Britton et al., 2022)



18.2.3 Power Supply and Distribution

Electrical power is obtained from the national grid through a 34 kilovolt (kV) line to the process plant and mine facilities. Occasionally, power is delivered directly from the Ezequiel Montes sub-station. Electrical power is transformed at MLN's substation to 6.9 kV to be distributed to the process plant and mine facilities at 440 volts.

18.2.4 Communications

The La Negra mine site and the staff accommodations (hacienda) both have fixed land lines as well as satellite internet, the latter providing hi-speed Wi-Fi. Cell phone service outside the site and the hacienda is limited.

18.3 Site-Wide Water Management

18.3.1 Potable Water Supply

Water for domestic sources comes from the Maconí River and is the source for the water consumed in the staff housing area (hacienda).

18.3.2 Operations Phase Water Management

Water for industrial purposes is obtained from several sources:

- Water used within the mine is obtained from the small amount of surface rain and run-off water that infiltrates the mine; this water is recirculated from the lower levels using pumps to lift it to where it is needed.
- Historically, approximately 70% of the water used in the mill operation is recirculated from the tailings storage facility, and
- The remaining 30% makeup water was obtained from the San Nicolás water well. With the introduction of filtered tailings, it is estimated that a greater portion of the mill's needs will come from recycled water.

Water use and consumption are regulated by the national water authority, CONAGUA, and Minera La Negra operates under a take-or-pay contract with CONAGUA. Most of the water consumed by the mine is makeup water required for plant operations, estimated at 0.4 m^3 per tonne milled, and is included in the processing plant operating cost estimate.

18.4 Waste Disposal

Non-hazardous waste is removed from the site by the municipality of Cadereyta de Montes, while hazardous waste is removed by a licensed contractor. The cost of both these services is included in mine G&A costs.

18.5 Tailings Disposal

The following information was documented in a Scoping Level Design and Preliminary Economic Assessment, prepared by Wood EIS in December 2021 (Wood, 2021).

The following sections describe the existing tailings storage facilities and summarize the findings of a tailings alternatives study that was commissioned to determine the preferred outcome for future tailings storage. It is understood from MLN that the tailings is non-acid generating, that it has significant acid mitigation potential and that there is little potential for metal leaching. The conceptual civil designs presented in this PEA study have made that assumption. This must be verified before any of the designs discussed or presented in this study are taken to the next stage of study.

18.5.1 Existing Tailings Facilities & Historical Operations

Until closure the zinc flotation tails were pumped to the only active tailings facility on site, tailings dam 5A, with reclaimed water pumped back to the process plant (the relative location of the mill and tailings facility can be seen in Figure 18-1. Tailings storage facilities 1, 2, and 4 are no longer in use; TSF1 and TSF4 are fully reclaimed and TSF 2 is undergoing reclamation with arid species plant cover. TSF5 reached its capacity in January 2018 and the expansion of this facility, known as TSF5A began in November 2016 and was operational in early 2018 when TSF5 ceased operations. The top of TSF No. 3 continues to be used as an emergency overflow pond for plant discharge.

Figure 18-3 View of TSF5A (Looking Southwest - June 2021) (Britton et al., 2022)

The tailings were transported 920 m via a 10” diameter pipe by four pipes, two BCH 8x10 and two BCH 8x6, of which one of each is on standby. The material consisted of 30% to 38% solids. A D20 hydrocyclone at the crest of the dam separated the coarser fraction at 85% solids that was used to build the dam’s berm, while finer material was sent to the interior of the dam. The dams at La Negra were built by the upstream method.

The 5A dam was designed with a built-in drainage system that collects seepage at the foot of the dam and stores it in a storage pond with capacity of 20,00 0 m^3. Water is recovered from the dam and recirculated to the plant via a series of four, 300 hp, 900 gpm pumps which are fed by a dedicated substation and equipped with a 2.5 x 48 diesel-powered backup pump. There are two additional water storage tanks at the mill site with 500 m^3 capacity each.

Tierra Group International (“TGI”) previously served as engineer of record (“EOR”) for TSF 5A. TGI had a representative on site that supervised the dam monitoring process. By mutual agreement conditions in the dam are now monitored daily by MLN personnel and this information was reviewed by Tierra Group. The dam is monitored with piezometers and flowmeters, and daily survey measurements are taken. TGI produced monthly reports on the status of the TSF for the management and owners of MLN.

TSF5A has a limited capacity, estimated at seven months of conventional cyclone tailings (without the need for additional buttressing). To increase capacity and stability, filtered tailings are proposed moving forward (see section 18.5.2).

18.5.2 Filtered Tailings Approach

To achieve sufficient storage at the steep La Negra site, a filtered tailings approach was chosen at existing facilities following Wood PLC's alternatives analysis (see Section 25 and TSF Siting Study, Scoping Level Design and Preliminary Economic Assessment, Wood EIS, December 2021). Wood considered several nearby locations for the development of a greenfields, conventional cyclone tailings facility with centerline or downstream construction, but all but one – known as Site 4 – were eliminated for logistical, cost, and/or environmental/social reasons. Site 4 is in a small valley below the mine's metallurgical lab and while technically suitable for cyclone tailings deposition was ultimately discarded as a repository for conventional tailings due its low capacity (2.3 million tonnes, or approximately three years of production). Site 4, however, could be a longer-term site for filtered tailings storage with a capacity of 5.3 million tonnes, or seven years of production. Site 4 was not considered in the short-term due to the permitting timeline required.

The preferred alternative for near-term storage at La Negra is the sequential deposition of filtered tailings at the mine's existing tailings facilities, TSF5/TSF5A and TSF3 and, if additional capacity is required, paste (to be deposited underground). MLNs tailings properties are suitable for filtered tailings stacking, with the filtered tailings being placed over the existing tailings facility. In the case of TSF5/TSF5A the filtered tails will complement the buttressing that has already taken place. Per the TSF Siting Study, TSF5/TSF5A could store 3.8 million tonnes of filtered tailings, sufficient to accommodate just over five years of production, while TSF3 could store an additional 2.3 million tonnes, sufficient for a further three years of production. This is sufficient storage for the LOM plan developed for the current resource. Should additional capacity become necessary, it was recommended to move to paste that would be placed underground.

Ultimately the decision as to whether to proceed with paste or to develop a greenfields facility at Site 4 does not need to be made for several years, and will depend on myriad factors, namely the expected mine life, capital and operating costs, and social, environmental, and permitting conditions at the time. Design criteria for the facilities are presented in Table 18-1.

Table 18-1 Tailings Storage Facility Design Criteria (Britton et al., 2022)

Criterion	Unit	Value	Reference
Filter TSFs			
Upstream Slope	Horizontal:Vertical	N/A - Filter TSF	Wood
Downstream Inter-Bench Slope	Horizontal:Vertical	2.5:1	Wood
Bench Width	m	8	Wood
Inter-Bench Height	m	10	Wood
Overall Downstream Slope	Horizontal:Vertical	3.0:1	Wood
Crest Width	m	N/A - Filter TSF	Wood
Factors of Safety			
Note: Only preliminary long term static stability assessments were performed for this scoping level study.			
No deformation assessments have been performed.			
During and Immediately Following Construction		1.3	
Downstream Slope	N/A	Downstream and upstream slopes *Not assessed for the Scoping Level Study*	CDA, 2019
Long Term: Steady state seepage, normal pond level	N/A	1.5	CDA, 2019
Downstream Slope		Downstream and upstream slopes	
Rapid Drawdown	N/A	1.3	CDA, 2019
Upstream Slope			
		Upstream slope	
		Not assessed for the Scoping Level Study	
Pseudo Static Condition	N/A	1.0	CDA, 2019
Downstream Slope		Downstream and upstream slopes	
		Not assessed for the Scoping Level Study	
Post-Earthquake	N/A	1.2	CDA, 2019
Downstream Slope		Downstream and upstream slopes	
		Not assessed for the Scoping Level Study	
Tailings and Beach Parameters			
Tailings Sub-Aerial Slope	%	0.7	Wood – assumed

Criterion	Unit	Value	Reference
Tailings Sub-Aqueous Slope	%	2.5	Wood – assumed
Tailings Specific Gravity	N/A	3.2	TGI Based on laboratory testing
Slurry Solids Content	%	35	MLN
Tailings In-Situ Density	Metric tonnes/m^3	1.7 for compacted tailings at filter TSFs 1.4 for average density at centerline TSFs	Wood
Freeboard Requirements			
Minimum Freeboard			
Freeboard for Centerline TSFs	m	3	Mexican regulation as the TSF is in an area impacted by hurricane generated precipitation

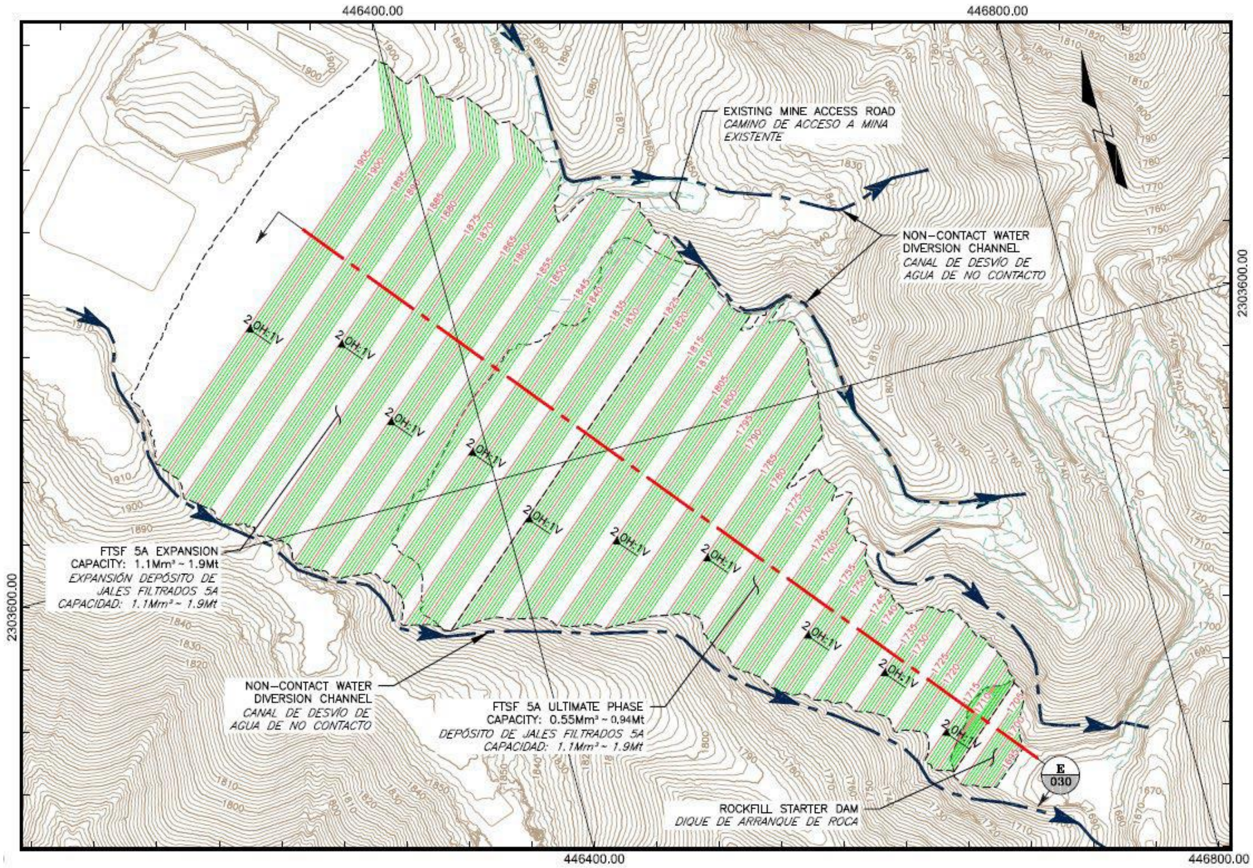
Source: Wood

The benefit of placing filtered tailings on the existing facility is the minimal additional disturbance required, as well as a shortened permitting timeline: the only permitting required will be a modification of the MIA required for the construction of the filtered tailings facility.

Figure 18-4 shows the preliminary design for the placement of filtered tailings on TSF5/TSF5A.

The bulk of the capital required to develop the filtered tailings facility is devoted to the filtration plant and the conveyor, with the remaining capital required for site preparation, starter embankment earthworks, underdrain system, seepage collection and pumpback, and instrumentation.

Figure 18-4 TSF5/TSF5A Filtered Tailings Layout (Britton et al., 2022)



The capital for TSF3 consists of similar infrastructure to that required for the development of filtered tailings of TSF5/TSF5A, namely site preparation, starter embankment earthworks, the installation of an underdrain, seepage collection pond and pumpback systems, and upstream stormwater channels. This capital, however, would be incremental, as the filter plant and part of the conveyor would have already been purchased. Development of the TSF3 filtered tailings facility would require moving the conveyor and extending it by approximately 600 m.

The ultimate development of Site 4, if warranted, would require significant more capital given that it is a greenfields site but, as in the case of TSF3, this capital would be incremental and consist of site preparation and infrastructure. The conveyor from the plant to Site 4 would have a length of 1785 m. Although Site 4 could also be developed as a site for cyclone tailings, this has several disadvantages, principally its lower capacity, 2.3 million tonnes vs 5.3 million tonnes for filtered tailings, higher capital for the development of the starter embankment, and higher remediation costs. Moreover, if the filter plant and conveyor have already been purchased for us at TSF5/TSF5A, it makes greater sense to develop Site 4 as a filtered tailings site.
Figure 18-5 is a schematic of the preliminary design for the placement of filtered tailings on TSF3.

Figure 18-5 TSF3 Filtered Tailings Layout (Britton et al., 2022)

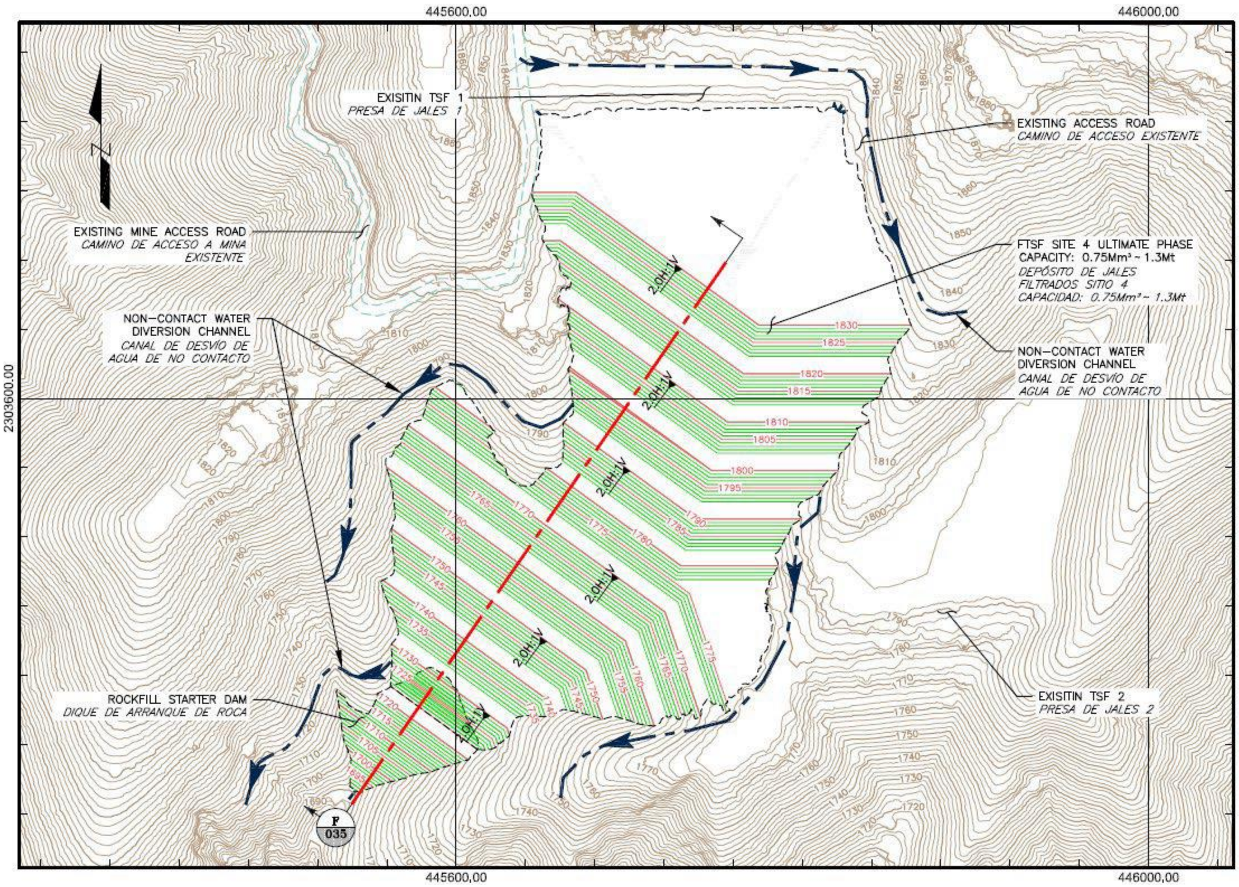


Figure 18-6 below shows the preliminary layout for the development of a potential filtered tailings storage facility at Site 4.

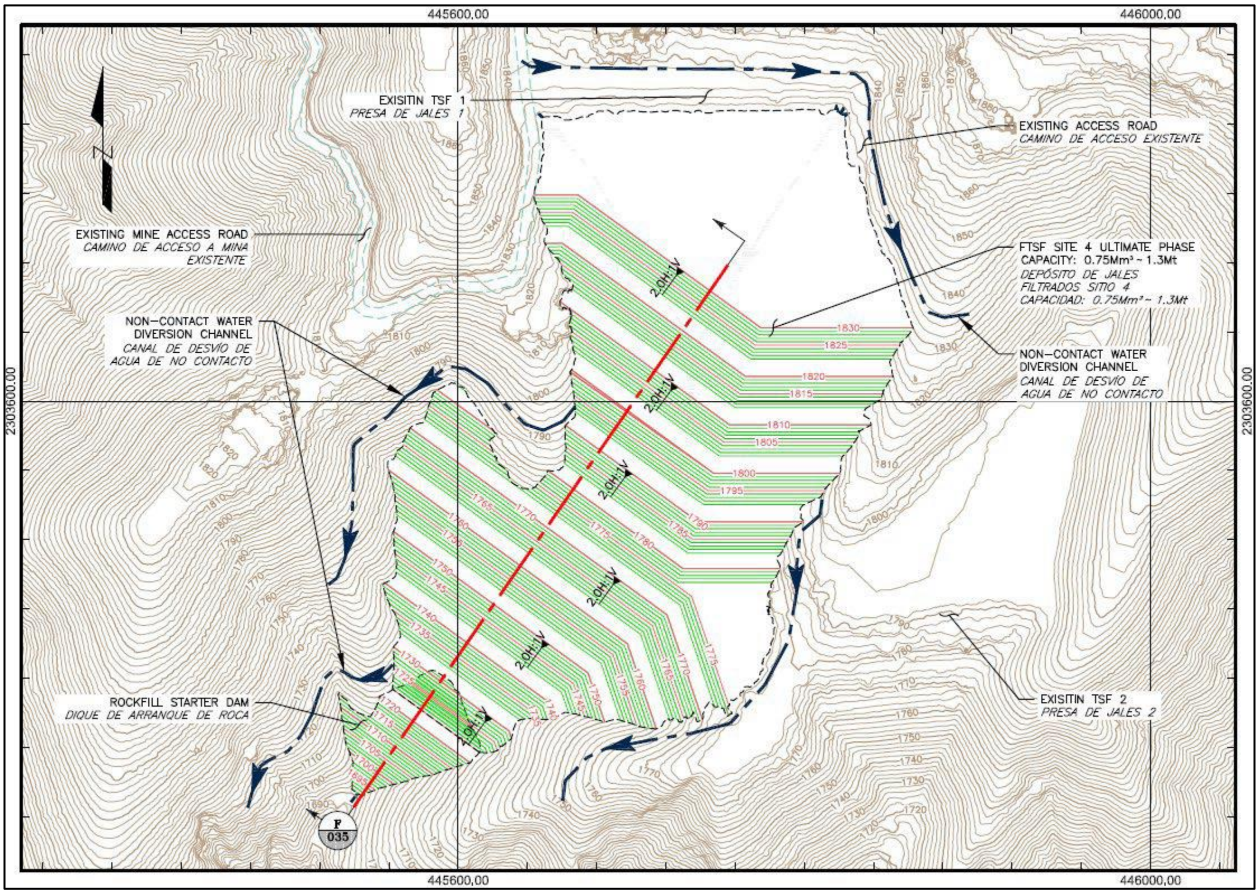
18.5.3 Filter Plant

The TSF Siting Study includes a PEA-level estimate for the cost of installing and operating a filter plant capable of producing filtered tailings with a moisture content suitable for deposition in the existing TSF5/TSF5A and TSF3 facilities.

MLN plans to filter tailings to a moisture content of approximately 11% (geotechnical basis) and the use of a conveyor to deliver the filtered tailings to the base of TSF5A.

The filtration facility would be built in the yard outside the main 2000 Level portal, a large flat area with plenty of space to accommodate the plant and close to the top of TSF5A. Tailings with approximately 35% solids will be pumped to the filter plant site using the equipment used to pump tailings to TSF5A, from which a conveyor of approximately 950 m will transport the dry tailings to the toe of TSF5A.

Figure 18-6 Site 4 Filtered Tailings Layout (Britton et al., 2022)



19 MARKET STUDIES AND CONTRACTS

This section does not apply to the Technical Report.

20 ENVIRONMENTAL STUDIES, PERMITTING AND SOCIAL OR COMMUNITY IMPACT

20.1 Corporate Governance

Minera La Negra is committed to carrying out all of its activities in compliance with sustainable development principles. The company has established a series of policies covering a range of environmental and community issues and which guide the company's activities.

- Code of Conduct
- Anti-bribery/Anti-corruption Policy
- Environmental Policy
- Human Resources Policy
- Occupational Health and Safety Policy
- Security Policy
- Social Policy, and
- Gender Equality Policy

These policies are currently being updated for review and approval by the owners.

20.2 Location, Environmental and Social Setting

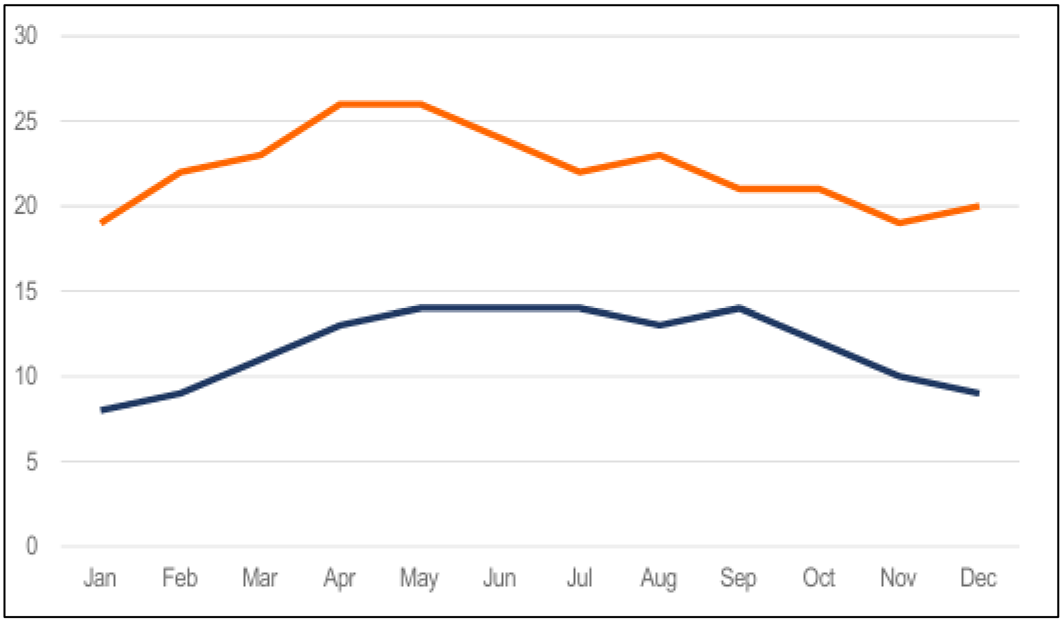
The La Negra mine is located in the state of Querétaro and is entirely within the municipality of Cadereyta de Montes. The mine's social footprint, however, extends into the adjacent municipality of San Joaquín, which is a source for part of the company's workforce. The Moctezuma River, which delimits the company's concessions to the east, is also the border between the state of Querétaro and the state of Hidalgo. The project area is open but characterized by very steep topography. The climate is semi-arid but temperate due to the altitude, with a period of heavier rainfall in May- September (Figure 20-1 and Figure 20-2). Figure 20-3 below shows a typical view of the project area.

The known mineral deposits identified at La Negra are located at an elevation of 1800 masl to 2400 masl, although the local peaks reach 2700 masl and mineralization is known to outcrop at surface. The area is steep, mountainous and contains a series of high peaks separated by narrow valleys and/or drainages. Surface water run-off from the slopes surrounding the project area flow south into the Maconí River. The land within the mine's footprint is characterized by cacti, scrubland and bush typical of a semi-arid environment, with more abundant vegetation in drainages and catchments. There is local subsistence grazing and farming in the area around the project.

The climate in the project area is generally mild, with little variation in temperature at different elevations and only slightly warmer temperature conditions during April and May and slightly cooler conditions during the winter. The yearly maximum temperate averages 22.2°C and the yearly minimum is 11.8°C. The average annual rainfall totals 463mm, of which an average of 362mm falls in the May to September period.

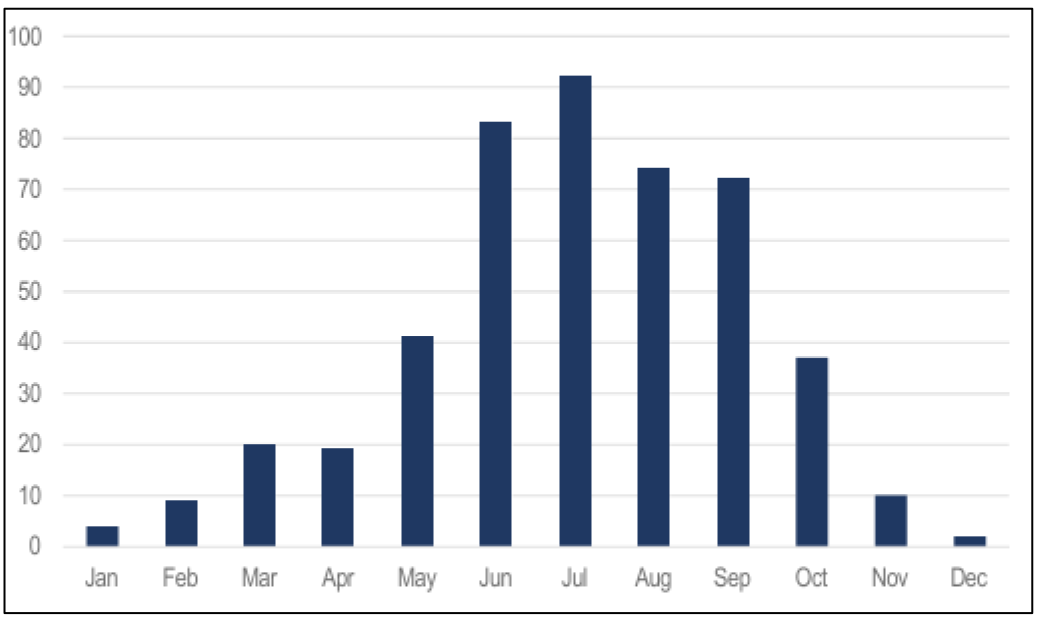
The closest town to the mine is Maconí which sits approximately 3.4 km west of the plant site and administrative offices, and 4.1 km from the main mine portal. Maconí has a population of approximately 900 inhabitants many of which depend on the mine. In addition, there are another 20 communities surrounding the mine site. Most of these are extremely small, consisting of just a handful of families.

Figure 20-1 Average Maximum and Minimum Temperature at La Negra (°C) (Britton et al., 2022)



Source: MLN

Figure 20-2 Average Monthly Rainfall at La Negra (mm) (Britton et al., 2022)



Source: MLN

Figure 20-3 Typical Landscape (Britton et al., 2022)

Source: MLN

The following table lists the 21 communities surrounding Minera La Negra and which together belong to the Comunidad Agraria Maconí. The largest of these is Maconí, with a population of over 900 inhabitants, but the majority as shown below consist of small communities with a population of less than 100 inhabitants.

Table 20-1 Minera La Negra Surrounding Communities (Britton et al., 2022)

Community	Population
Maconí	916
Los Piñones	195
Barrio Solares	143
Rancho la Honda (San Nicolás)	133
El Huizache	126
La Mora	125
El Divino Pastor	106
Rancho Viejo	88
Los Lirios	83
Santo Tomás	83
Cerro Colorado	62
La Blanca	48
La Mesa	36
El Hortelano	32
El Timbre	30
Las Joyas	30
El Torno	27
Los Martínez	20
Molinas	6
Rancho la Luz	5
Mezquital (Alamos)	N/A
Total	**2,294**

Source: INEGI

20.3 Permitting, MIA

The following sections detail Minera La Negra's existing permits and licenses and describe Mexico's environmental permitting regime.

20.3.1 Permits and Licensing

Table 20-2 lists the key operating and environmental permits issued to Minera La Negra, and which allow the mine to engage in mining, processing, and tailings storage.

Table 20-2 Minera La Negra Permits (Britton et al., 2022)

License/Permit	Agency	Document Number	Status
Operating License	SEMARNAT	No. 0168 / 130.25 I. SE469, 27	Valid
Environmental License	SEMARNAT	LAU-22 / 000004-2016	Valid
Environmental Impact Statement (MIA) Mine, Plant and Tailings	SEMARNAT	F.22.01.01.01/1882/17	Valid
Environmental Impact Statement (MIA) TSF5	SEMARNAT	D.O.O. - 04853	Expired*

License/Permit	Agency	Document Number	Status
Environmental Impact Statement (MIA) TSF5A	SEMARNAT	F.22.01.01.01/1533/16	Valid
Environmental Impact Statement (MIA) Settling Pond	SEMARNAT	F.22.01.01.01/0070/2020	Pending
Hazardous Waste Register	SEMARNAT, CONAGUA, STPS, SSC, SDS and municipal authorities	22/EV-0040/10/18	Valid
Land Rezoning	SEMARNAT, CONAGUA, STPS, SSA, SDS	SRN/280/98	Valid
Federal Water Use Permit	CONAGUA	QRO100564	Valid
Wastewater Discharge Permit	CONAGUA	09QRO106300/26EDDL12	Valid
Waste Use Permit	SEMARNAT, CONAGUA	2S.3.21/00051-2020	Valid
Organic Residue Permit	SEDESU	-	Valid
Hazardous Waste Management Plan	SEMARNAT	22-PMG-I-3478-2019	Valid
Special Waste Management Plan	SEDESU	-	Pending
TSF5A Closure Plan	SEMARNAT	-	Pending
Explosives Permit	SEDENA	3121-Qro.	Valid

Source: Minera La Negra. *Not required for operations

20.3.2 Mexican Republic MIA

Minera La Negra operates under three separate environmental impact statements (Manifestación de Impacto Ambiental – MIA), two of which are currently valid and in effect. The third is for the TSF5 facility which is no longer in use. The initial MIA was issued for the mine, mill, and the original tailings facility. A second MIA was issued for the development of TSF5 (Tailings Storage Facility 5), and the third was an amendment that allowed the expansion of TSF 5, known as TSF5A.

These studies considered the impact of the operation on the environment and the social impact of the project. The area affected by the project is located in a region that had experienced significant historical impact, including past mining operations dating back to the pre-Columbian era as well as other human activities stretching back for hundreds of years.

20.4 Significant Project Consumption and Releases

20.4.1 Project Footprint

The project footprint consists of approximately 51 ha and constitutes the areas that are directly disturbed by existing infrastructure and earthworks, in addition to those that are projected as part of the longer-term operation of the mine. Most of the area impacted by the mine had been subject to previous disturbance.

20.4.2 Particulate Matter (PM10 and PM 2.5) and Dust

Dust emissions are measured as Total Suspended Particulate matter (TSP). Of greatest concern for human health and the environment is the finer size fraction or suspended particulate matter (PM10 and PM2.5) as well as dust with a larger particle size. PM10 refers to material with an upper size of 10 µ that can lodge in the upper respiratory tract, while PM2.5 refers to material with an upper size of 2.5µ that can be inhaled deep into the lungs.

Minera La Negra's main sources of TSP will be the result of mining activities, including drilling, blasting, haulage, tipping, conveying (especially transfer points), crushing, as well as vehicular traffic. As most of these activities take place underground, they do not represent a risk to nearby communities, but measures are in place to reduce the risk to the workforce, particularly that segment of the workforce engaged in underground activities or in activities with a potential for exposure to particulate matter, such as the assay lab.

TSP measurements are taken by an independent contractor every six months from both point sources within the mine and from randomly chosen community locations in the vicinity of the mine. The former must comply with the requirements of SEMARNAT rule NOM-043-SEMARNAT-1993, while the latter must comply with the requirements of NOM-25-SSAI-2014.

La Negra operates under an annual atmospheric conservation plan (Plan Anual de Protección y onservación de la Atmósfera).

20.4.3 Greenhouse Gas Emissions

Minera La Negra will generate greenhouse gas (GHG) emissions, which are emitted as a result of the direct or indirect use of fossil fuels in the process of mining and processing. For corporate reporting purposes GHG emissions are divided into three categories, or scopes. Scope 1 emissions are those that are owned or controlled by the company. Such activities include the operation of scoops and haulage vehicles, the vehicles used to transport employees, explosives utilized in mining, and the diesel consumed by backup electrical generation. Scope 2 emissions are those that result from the purchase of electricity, primarily used in the processing plant and to power the jumbos and production drills, fans, compressors, and pumps. The power consumed at La Negra (other than during blackouts) is provided by the hydroelectric facility at the Fernando Hiriart Valderrama Dam. Scope 3 emissions are not emitted or controlled by the company but result indirectly from inputs and material that the company purchases. The GHG emitted in the production of processing plant reagents would be an example of Scope 3 emissions.

The company is required to report its annual emissions of GHG as part of its Cédula de Operación Anual. Mineral La Negra reported GHG of 12.79 t of CO2eq in 2019 and 2.83 t of CO2eq in 2020, both years with limited operations. These figures include Scope 1 and Scope 2 emissions.

It is estimated that a total of 11,000 tonnes of CO2eq will be emitted on an annual basis during normal operations, based on historical operating experience. Further opportunities to reduce the emissions of GHG will be considered.

20.5 Environmental Context

20.5.1 Geology and Soils

As noted in Section 7, the geology of the area of La Negra is characterized by thick sequences of near shore to deep water calcareous rocks of predominantly late Cretaceous age which were subsequently folded and intruded by Eocene magmas of mostly granodioritic composition. These underlying rocks directly impact the composition of the soils in the area.

In the project area the main soil type is a poorly developed and poorly stratified calcaric regosol, reflecting the composition of the underlying rocks. In addition to the calcaric regosol, the central and southern extensions of the Maconí micro watershed also contains lithosol and rendzina. The northern and western reaches of the Maconí micro watershed consists of chromic luvisol, chromic cambisol and ferric acrisol.

20.5.2 Earthquakes and Seismic Hazard

Mexico is located within the North American Plate near the boundary of the Pacific and Cocos Plates. Most seismic activity takes place along the southern coast of the country where the Cocos Plate and the associated Rivera microplate are in contact with the North American Plate.

According to Mexico's Geological Survey (Servicio Geológico Mexicano) the northeastern part of the state of Querétaro, where La Negra is located, has a low seismic risk profile. The country's national disaster prevention agency, Cenapred (Centro Nacional de Prevención de Desastres) rates the seismic risk as medium.

The SGM has recorded only three noteworthy earthquakes in the period 1902 to the present in the area. The most recent of these took place on 23 September 2020, with a magnitude of 3.9. The epicenter was 8 km NE of Zimapán and occurred at a depth of 2 km. On 3 October,1996 a 3.8 magnitude earthquake was recorded 9 km W of Zimapán at a depth of 57 km. Also in 1996, on 22 September, a 4.2 magnitude earthquake occurred 8 km N of Zimapán at a depth of 20 km.
The last seismic survey carried out on the property was completed in August of 2019 by Tierra Group International.

20.5.3 Water Resources

Minera La Negra operates under an annual plan for the protection of surficial water (Plan Anual de Protección de Agua Superficial). The plan requires routine water sampling in the Maconí River and its tributaries, effluent from the bioreactors in the processing plant and San Ignacio Hacienda, and from random points adjacent to the mine. This sampling is carried out by a certified, independent contractor in compliance with regulation NOM-001-SEMARNAT-1996. The company's surficial water plan also requires the installation and maintenance of diversion channels to keep water out of the tailings dam.

20.5.3.1 Groundwater

The Maconí micro watershed belongs to the Moctezuma Aquifer which extends for 240 km^2 and partially underlies the municipality of Cadereyta de Montes and a small portion of the municipality of San Joaquín. It is hosted by fractured and/or karstic limestone and is considered highly permeable. The aquifer is considered largely untapped, with only minimal water drawn primarily for domestic use.

The groundwater in the area around La Negra displays a typical high-elevation pattern with deep water levels at the mountain tops and discharge zones in the valleys below. At lower elevations, seeps and springs indicate that much of the area is a groundwater discharge area, with an annual discharge estimated by CONAGUA at 6.5 million m3. There are both ephemeral and perennial springs in the region.

20.5.3.2 Surface Water

Minera La Negra is located within the Río Pánuco watershed (Región Hidrológica No. 26), which is Mexico's fourth largest by surface area and fifth largest by flow volume. The Moctezuma River watershed encompasses over 6,500 km^2 and is the largest in the state of Querétaro. The Maconí micro watershed has a surface area of just under 7,000 ha and drains into the Moctezuma River and consists mostly of the Maconí River and seasonal arroyos.

The main source of surface water is the Maconí River, which flows to the south of La Negra and through the town of Maconí and which drains to the east into the Moctezuma River which divides the state of Querétaro from the state of Hidalgo. These rivers flow year-round, although the flow rate is significantly higher during the rainy season, which peaks from June to September (see Table 20-3).

20.5.3.3 Community Water Supplies

The source of domestic and municipal water in the town of Maconí is the Maconí River, which runs through the town. In the furthermost communities, especially those that are at higher elevations, water is sourced from springs that is then pumped to each community. MLN has agreements in place to pump water to communities at high elevation from springs within the mine.

20.5.4 Biodiversity

The Mexican government's biodiversity agency CONABIO classifies the area around La Negra as primarily scrubland (matorral submontano), which encompasses a variety of different types of vegetation which are generally less than 4 m in altitude and thrive in arid to semi-arid conditions (Table 20-3). There are also stands of deciduous and evergreen arboreal vegetation in areas of higher rainfall, dominated by pine and oak. The following table outlines the various types of vegetation encountered in the Maconí micro watershed.

Table 20-3 Maconí Micro Watershed Vegetation Types

Vegetation Type	Surface (ha)	%
Annual rainfed agriculture	565.13	8.18
Permanent and semi-permanent rainfed agriculture	22.13	0.32
Oak forest	476.13	6.89
Oak and pine forest	456.28	6.6
Pine and oak forest	167.26	2.42
Submontane scrub	2226.13	32.21
Pasture land	525.09	7.6
Secondary oak forest scrub	1437.84	20.8
Secondary oak and pine forest scrub	571.63	8.27
Secondary pine and oak forest scrub	263.33	3.81
Secondary juniper forest scrub	200.9	2.91
Total Surface Area	**6911.85**	**100**

Source: INEGI

The following table describes the principal plants species belonging to the submontane scrub classification (matorral submontano) identified in the Maconí micro watershed. The only protected plant species in the area is the biznaga guamichera (echinocactus platyacanthus) or giant barrel cactus, which is subject to a strict rescue and relocation program when identified.

Table 20-4 Submontane Scrub Species in the Maconí Micro Watershed

Family/Subfamily	Scientific Name	Common Name	SEMARNAT Status
Agavaceae	Agave lechugilla	Lechuguilla	NA
	Agave Salmiana	Maguey	NA
	Agave striata	Estoquillo	NA
	Yucca filifera	Palma	NA
Aspargaceae	Dasylirion acrotriche	Chucharilla	Threatened, endemic
	Dasylirion longissimum	Junquillo	Threatened, non-endemic
Asteraceae	Porophylum linaria	Venadita	NA
	Stevia sp	Yerva	NA
Cactaceae	Cylindropuntia imbricata	Cardón	NA
	Echinocactus platyacanthus	Biznaga guamichera	Protected, endemic
	Mammillaria elongata	Biznaga	NA
	Mammilaria sp	Biznaga	NA
	Opuntia gosseliniana	Nopal	NA
	Opuntia lasiacantha	Nopal	NA

Family/Subfamily	Scientific Name	Common Name	SEMARNAT Status
Convulvaceae	Ipomoea arborescens	Cazahuate	NA
	Ipomoea purpurea	Quiebraplatos	NA
Euphorbiaceae	Jatropha dioica	Sangregado	NA
Lamiaceae	Salvia sp		NA
Leguminosae	Acacia farnesiana	Huizache	NA
	Eysenhardtia polystachya	Palo azul	NA
	Mimosa sp	Uña de gato	NA
	Castilleja arvensis		NA
Poaceae	Muhlenberghia sp	Zacatón	NA
Rhamnaceae	Condalia velutina	Granjeno	NA
	Karwinskia humboldtiana	Sangoi	NA
Scrophulariaceae	Leucophyllum ambiguum	Poleo blanco	NA
Selaginellaceae	Selaginella lepidophylla	Doradilla	NA

Source: SEMARNAT

While the area around La Negra presents a varied flora, the fauna in the region is not diverse. A series of transects was carried out to identify the predominant megafauna in the area as well as to count the number of individuals of a given species. This work identified a total of 41 bird species, among which the most common was the white-throated swift (Aeronautes saxatalis), with other sighted species including mockingbirds, robins, orioles, hummingbirds, swallows, flycatchers, doves, roadrunners, hawks, eagles, crows, and turkey vultures. Based on this data, a Shannon-Wiener index of bird diversity of 2.71 was calculated, indicating medium diversity. For mammal species the predominant species is the gray fox (Urocyon cinereoargentus), but other species identified in the region include field mice, weasels, squirrels, rabbits, hares, opossums, badgers, ringtails and bats. Based on the results of the transect, a low diversity index for mammals of 0.68 was calculated.

The diversity of reptiles and amphibians was even lower, at 0.22 and 0.10 respectively. The most common reptile species identified in the transect was the crevice swift (Sceloporus torquatus), but other known reptiles include tortoises, chameleons, and several species of snakes, including coral snakes, whipsnakes, and rattlesnakes. The predominant amphibian species is the spadefoot toad (Spea multiplicata) although the small-eared treefrog (Ecnomiohyla miotympanum) has also been recognized.

The list of Mexico's protected species is contained in regulation NOM-059-SEMARNAT-2010 and guides the company's policy for the rescue and relocation of endangered vegetation.

20.5.5 Ecosystems Services

The project does not significantly impact any ecosystems which provide important ecosystem services to the local communities. There are no pastures, meadows or grasslands within the project footprint, or areas of native vegetation which are a source of herbs or medicinal plants. Soils are poorly developed and the area is semiarid, which makes it unsuitable for anything other than subsistence agriculture.

20.5.6 Air Quality

There are no significant sources of urban or industrial sources of emissions in the project area, and existing levels of related gases (SO_2, NO_x) and particulates are generally low.

The most significant impact from the project are the emissions from the concentrate haul trucks and the potential dust generated by their activity.

Given that Minera La Negra's overall emissions of GHGs are below the 25,000 t CO2eq threshold mandated by law, the company is not required to break out its specific emissions of SO2 and NOx (see Section 20.4.3).

20.5.7 Noise and Vibration

There are no significant industrial activities or major urban areas in the region that would lead to meaningful levels of noise. The baseline noise environment is typical of a rural setting, with low background levels throughout day and night.

The regulation of noise is established by rules NOM-081-SEMARNAT-1994, which sets the maximum permissible noise limits for fixed sources and their measurement, and NOM-080- SEMARNAT-1994 for maximum permissible noise limits for mobile vehicles. Minera La Negra employs an independent environmental consultant to take noise measurements at several locations in the vicinity of the operation to ensure compliance with maximum allowable noise levels.

The company's plan for managing noise is included in the annual atmospheric conservation plan (Plan Anual de Protección y Conservación de la Atmósfera).

20.5.8 Archeology and Cultural Heritage

The Toluquilla Archeological Zone (Zona Arqueológica de Toluquilla) is located approximately 10km NE of the La Negra operations and is an active outdoor museum site open to the public (Figure 20-4). It is surrounded by the company's concessions but is, however, off limits to any mining activity. The site consists of a series of 120 prehispanic monuments and habitations dating to two periods, 300BC to 500-600AD and 650AD to 1350AD, of which the construction from the second period is in an excellent state of preservation. The area includes ceremonial and administrative buildings, as well as four ball game courts. It is believed that this was predominantly a mining center which controlled the production of pigments made of cinnabar, garnet, and iron oxides, but also had an important ceremonial/religious role (unlike a similar mining oriented-settlement, Las Ranas, which is 6 km NW of Toluquilla and which is believed to have had an important political/administrative function).

Figure 20-4 Toluquilla Archeological Zone (Britton et al., 2022)

Source: Instituto Nacional de Antropología e Historia (INAH)

20.5.9 Visual and Landscape

The closest settlement to Minera La Negra is Maconí, located 3.4 km to the west of the operation. Given the distance and the topography, the surface mine infrastructure is not visible from the town. There are isolated hamlets near to the operations which have a direct visual to either the processing plant and/or the tailings facility.

20.5.10 Reagent Management

Minera La Negra employs a number of potentially hazardous substances, primarily in the processing plant and laboratory, that include reagents such as sodium cyanide, sodium hydroxide, hydrochloric acid, and nitric acid, among others. To properly mitigate the potential hazards that these chemicals present, Minera La Negra has developed management plans for hazardous substances (Plan Específico de Seguridad e Higiene para el Manejo, Transporte y Almacenamiento de Sustancias Químicas Peligrosas) as well as a separate plan for the safe transportation and handling of cyanide (Procedimiento para el Manejo de Cianuro), even though the consumption of the latter is limited. Minera La Negra only purchases cyanide from a certified distributor that is a signatory of the International Cyanide Management Code.

20.5.11 Waste Management

Minera La Negra has enacted a plan for the management and disposal of hazardous waste, in accordance with rule NOM-157-SEMARNAT-2009 which establishes the procedures for the management, storage and disposal of mining waste (Plan de Manejo de Residuos Peligrosos). The plan includes both solid and liquid wastes, such as used lubricants, expired chemicals and reagents, batteries, aerosol containers, filters, fluorescent lamps, biological waste, empty bags which were in contact with reagents or other mineral products, impregnated solids, and used PPE. Each year in October/November the company prepares a budget with the expected amounts of each waste category, how it is to be handled, labelled and stored, and how it will be disposed of.

20.6 Social Context and Baseline

20.6.1 Demographic, Family Structure and Migration Patterns

La Negra is located in the municipality of Cadereyta de Montes in the northeastern part of the state of Querétaro, bordering with the state of Hidalgo, and has a population of approximately 69,100 inhabitants, based on the 2020 census, with a median age of 26. Some of the mine's workforce also hails from the municipality of San Joaquín, directly to the north of Cadereyta, and has a population of some 8,400 inhabitants with a median age of 25.

Migration levels in the area are low. Based on data from the 2020 census, only 3.4% of the population of San Joaquín migrated in the period 2015-2020, mostly for work or family reasons. For the municipality of Cadereyta, the equivalent figure is 3.6%, with work and family also being the main drivers.

Based on data from INEGI (Instituto Nacional de Estadística y Geografía), the education index in the two municipalities is 6.1 years, equivalent to a primary education, although there are regional and local differences (the equivalent figure for the state of Querétaro is 9.6). In the municipality of San Joaquín, only 7.2% of the population has a university degree, and only 17.9% have a high school education. Some 59.8% of the population only have a primary or secondary education (grade and middle school equivalent) and 14.8% have no schooling. In the municipality of Cadereyta, 8.2% have no schooling but 9.2% have a university degree, with a majority having a primary education or middle school education (64.9%). Significantly, in the area around Maconí, the town closest to the mine (population 900), 19% have a primary education and 48% have completed middle school, with 5% each with a high school and university education.

Internet penetration is also low, with 41.3% of the households in San Joaquín connected to the internet, and only 26.4% in the municipality of Cadereyta. This compares to internet penetration of 64.4% for the state of Querétaro as a whole and 83.1% for the city of Querétaro.

Although there has been some improvement, both the municipalities of Cadereyta and San Joaquín rank in the middle of the UNDP's Human Development Index, and in the area of the mine suffer due to the lack of access to education and health care. The nearest hospital to the mine is in the town of Cadereyta, over an hour and half from the mine site. Based on the 2020 census, over 99% of the population of both Cadereyta and San Joaquín depend on government-provided healthcare. In the municipality of San Joaquín, only 49% of the population is connected to a water main, although 96.8% are connected to power. The figures for the municipality of Cadereyta were slightly better, at 55.7% and 97.7%, respectively.

A 2018 study by UN Habitat, Mexico's Secretaría de Desarrollo Agrario, Territorial y Urbano (SEDATU), and the Instituto del Fondo Nacional de la Vivienda para los Trabajadores (INFONAVIT) ranked the municipality of Cadereyta at 51.1 on a scale of 0 to 100, or middle-weak, in its City Prosperity Ranking. The CPI is a blended score taking into account productivity, urban legislation and governance, development infrastructure, environmental sustainability, equity and social inclusion, and quality of life. Significantly, the area suffers from a high level of poverty, ranked by the percentage of the population living on less than US$1.25 per day, ranking only 18.2 on that score, and equivalent to a poverty level of 40.6%. The adjacent municipality of San Joaquín was not part of the UN habitat study, but according to 2015 data by Coneval (Consejo Nacional de Evaluación de la Política de Desarrollo Social) the poverty rate in San Joaquín was 40.8%.

In the area around Maconí, the principal concern is a lack of employment (30% of respondents), followed by a lack of public services (25%), access to water (20%), and 10% each concern about lack of government support and poor telecommunications. This is in stark contrast to the overall municipality of Cadereyta, where the primary concern is security (21%). When asked what areas the municipal government should focus its expenditures on, the residents of Maconí ranked the need for schools first, followed by employment creation, hospitals, sewage, housing, and fighting corruption. Overall, concerns over security were only highlighted as an issue by a small minority of the residents of Maconí, although a plurality believes that the security situation has deteriorated.

20.6.2 Household Income

The socioeconomic evaluation of the region is based on the 7 levels outlined by the Asociación Mexicana de Agencias de Inteligencia de Mercado y Opinión Pública, which ranges from A/B for households with professional degrees (82%) and a low percentage of disposable income dedicated to foodstuffs (28%), to E for households where some 95% of the breadwinners have only a primary education and a majority (63%) of disposable income is dedicated to foodstuffs, transportation, and communications. For the state of Querétaro as a whole, 9% of the inhabitants are in the highest A/B socioeconomic category, 15% are in C+, 18% in the C category, 16% in the C-, 13% in the D+, 22% in the D category, and 6% in the lowest E category. For the municipalities of Cadereyta and San Joaquín the socioeconomic rating averages C-, with most of the population in the areas near the mine at D or E.

In the vicinity of the mine, 70% of those surveyed indicated that they can barely make ends meet and a further 5% indicated they face great financial issues. Only 25% indicated that they live well.

20.6.3 Land Use

The region in which the mine is located is semiarid, and agricultural activity is primarily limited to subsistence farming of corn, beans, sorghum, and legumes. There is some livestock grazing, primarily caprine and porcine. The main industries, aside from mining, consist of cement works and marble quarrying.

20.6.4 Social Impact Assessment

The communities in the vicinity of La Negra have become highly dependent on the mine and are generally very supportive of the operation, but while the potential benefits and employment are welcome, community expectations remain high, and there is often resentment because the company is unable to satisfy the many needs of the communities.

The principal positive impact relates to the direct employment opportunities that the mine offers, followed by the knock-on effects provided by local procurement, land use agreement payments and projects (usufructo), taxation, and the multiplier effect.

20.7 Cumulative Impacts

Cumulative impacts are those that result from the incremental impact of a project when combined with other existing projects and/or other developments that are the planning stages or can be reasonably projected to take place. This also includes the potential impacts of climate change.

20.8 Environmental and Social Management

20.8.1 Environmental and Social Management System

Minera La Negra has developed a series of plans which outline its commitment to environmental and social management, monitoring and mitigation, and includes health and safety, security, environmental plans, and stakeholder engagement. These plans are reviewed and updated periodically, and routinely take into account the internal and external comments, stakeholder feedback, and third-party reviews, and regulatory changes.

The following management plans have been developed and implemented:

- Stakeholder Engagement Plan (Plan de Recuperación del Tejido Social)
- Occupational Health and Safety Plan (Programa de Seguridad e Higiene Industrial)
- Emergency Preparedness Plan (Programa Interno de Protección Civil)

- Emergency Preparedness and Spill Response Plan (Plan de Contingencias por Residuos Peligrosos)
- Transport Management Plan (Plan Interno de Seguridad Vial)
- Cyanide Management Plan (Procedimiento para el Manejo de Cianuro)
- Reagent Management Plan (Plan Específico de Seguridad e Higiene para el Manejo, Transporte y Almacenamiento de Sustancias Químicas Peligrosas)
- Solid Waste Management Plan (Plan de Manejo de Residuos Peligrosos)
- Air Quality and Noise Management Plan (Plan Anual de Protección y Conservación Atmosférica)
- Dust Management Program (included in Plan Anual de Protección y Conservación Atmosférica)
- Surface Water Management Plan (Plan Anual de Protección de Agua Superficial)
- Soil and Tailings Management Plan (Plan Anual para la Protección y Conservación de Suelos)
- Biodiversity Management Plan (Programa para el Rescate y Reubicación de Vegetación Forestal and Programa de Acciones para la Protección de la Fauna)
- Cultural and Archeological Protection Plan (Plan de Protección al Patrimonio Cultural, Paleontológico y Prehispánico
- Physical and Property Security Plan (Plan de Seguridad Patrimonial)
- Mine Closure Plan (Guía para la Elaboración del Plan de Cierre de Mina y Planta de Beneficio)
- TSF5 Closure Plan (Plan de Obra Cierre del Depósito de Jales No. 5)
- TSF5A Closure Plan (Plan de Cierre de Depósito de Jales Proyecto Ampliación del Depósito de Jales no. 5)
- TSF Emergency Management Plan (Plan de Atención a Emergencias Depósito de Jales)

20.8.2 Stakeholder Engagement Plan

Minera La Negra's Stakeholder Engagement Plan (Plan de Recuperación del Tejido Social) governs the stakeholder engagement for the project and includes all interactions between the mine and the 21 communities in the vicinity of the project, the local and national mineworker's union, community contractors, the municipalities of Cadereyta de Montes and San Joaquín, and the State and Federal governments.

Community engagement is carried out directly and formally through the twice weekly and ad hoc meetings between the company and the leadership of the Comunidad Agraria Maconí. Any issues or grievances from the community are filtered through the leadership so that these can then be formally presented to the company, and solutions and action plans agreed.
Similarly, the company holds weekly meetings with the local union leadership to discuss matters pertaining to the relationship between the company and the union, and any issues regarding work practices, schedules, or other are discussed directly between the company and the union. If needed, discussions are also held with the national union leadership, but in practice this generally only takes place pertaining to the collective bargaining agreement.

The company also liaises on a regular basis with representatives of the municipal, State and Federal government, as sometimes their intervention is required to address issues brought up by the communities and other stakeholders.

The fact that union employees and community contractors are also part of the community requires having an integrated Stakeholder Engagement Plan that deals with the multifaceted relationships in the region.

20.8.3 Environmental Monitoring Plan

Minera La Negra has a robust environmental and social baseline monitoring program, which is designed to outline and evaluate the environmental and social performance of the project. The overall objectives of the plan are to ensure that regulatory requirements are met; to ensure that impacts do not exceed project, national and international standards; to obtain real time measurements and to verify that mitigation measures are being implemented correctly and are effective; to identify, track and provide early warning of potential environmental impacts; and to provide feedback for the implementation of continuous improvement of the project's environmental and social management.

Minera La Negra carries out routine sampling of the soils in the vicinity of the mine, in accordance with the company's annual soil conservation plan (Plan Anual para la Protección y Conservación de Suelos) (Table 20-5). This sampling is conducted by an independent, third-party contractor, and the results provided in the company's reports to SEMARNAT. Sampling is carried out routinely in both the tailings dams and in other locations throughout the property, and the samples are tested for inter alia pH, oils, suspended solids, potentially toxic metals, inorganic parameters, cyanide and microbiology in accordance with rules NOM-141-SEMARNAT-2003 and NOM -147-SEMARNAT/SSA1-2004 for the management of tailings facilities, and NOM-004-SEMARNAT-2002 and NOM-052-SEMARNAT- 2005 for the disposal of organic solids and hazardous substances, respectively.

The Company also carries out a comprehensive water sampling program in accordance with the company's Surface Water Management Plan (Plan Anual de Protección de Agua Superficial) (Table 20-6). Sampling is carried out routinely in both the tailings dams and in other locations throughout the property in accordance with rule NOM-001-SEMARNAT-1996.

Table 20-5 Soil Sampling Parameters

Item	Sampling	Parameters	Units	Regulation	Sampling Point
SOILS AND TAILINGS	CHARACTERIZACION OF WET AND DRY TAILINGS	Arsenic	mg/l	NOM-052-SEMARNAT-2005	TSF3, TSF5 and TSF5A
		Barium	mg/l		
		Cadmium	mg/l		
		Mercury	mg/l		
		Silver	mg/l		
		Lead	mg/l		
		Selenium	mg/l		
		Chrome	mg/l		
		Ph	Units	NOM-141-SEMARNAT-2003	
		Neutralization Potential (NP)	Kg CaCO3/t		
		Acid Potential (AP)	Kg CaCO3/t		
		Acid Drainage NP/AP			
	SOILS	Corrosiveness	Positive or Negative	NOM-052-SEMARNAT-2005	Streams and TSF underdrainage.
		Reactivity	mg/kg		
		Flammability	mg/kg		
		Atmospheric Toxicity	mg/kg		
	STREAM SOILS AND TSF UNDERDRAINAGE	Arsenic	mg/kg	NOM-147-SEMARNAT/SSA1-2004	TSF supernatant waters and underdrainage
		Barium	mg/kg		
		Beryllium	mg/kg		
		Cadmium	mg/kg		
		Chrome	mg/kg		
		Mercury	mg/kg		
		Nickel	mg/kg		
		Silver	mg/kg		
		Lead	mg/kg		
		Selenium	mg/kg		
		Thallium	mg/kg		
		Vanadium	mg/kg		
		pH	mg/kg		

Source: MLN

Table 20-6 Water Sampling Parameters

Item	Sampling	Parameters	Units	Regulation	Sampling
WATER	SURFACE WATER	Temperature		NOM-001-SEMARNAT-1996	Residual water discharge. TSF supernatant water and underdrainage. TSF5A drainage, settling ponds, and industrial water storage.
		pH			
		Electric conductivity	µmho/cm		
		Suspended Material	Presence/Absence		
		Lubricants	mL/liter		
		Sediment	mL/liter		
		Total Suspended Solids	mL/liter		
		Biochemical Oxygen Demand	mL/liter		
		Chemical Oxygen Demand	mL/liter		
		Total Nitrogen	mL/liter		
		Total Phosphorous	mL/liter		
		Arsenic	mL/liter		
		Cadmium	mL/liter		
		Cyanide	mL/liter		
		Copper	mL/liter		
		Chrome	mL/liter		
		Mercury	mL/liter		
		Nickel	mL/liter		
		Lead	mL/liter		
		Zinc	mL/liter		
		Fecal coliform	MPN/100 ml		
		Helminth Eggs	HE/L		

Source: MLN

Minera La Negra's atmospheric sampling program is carried out according to its Plan Anual de Protección y Conservación Atmosférica and is guided by the regulations detailed in Table 20-7.

Table 20-7 Atmospheric Sampling Parameters

Item	Sampling	Parameters	Units	Regulation	Sampling Point
ATMOSPHERE	FIXED AND NON-FIXED PARTICULATE SOURCES	Perimeter Study of TSS	Ug/m^3	NOM-035-SEMARNAT- 1993 NOM-025-SSA1-1993	4 points near the mill and TSF
		Collector emissions	kg/hr	NOM-043-SEMARNAT- 1993	Dust collector and gas scrubber
		Collector emissions	mg/m^3		
		Scrubber emissions	kg/hr		
		Scrubber emissions	mg/m^3		
		Diurnal perimeter noise	dB	NOM-081-SEMARNAT- 1994	4 points on the mill perimeter
		Nocturnal perimeter noise	dB		

20.8.4 Community Land Use Agreement (Usufructo)

Minera La Negra is located on land belonging to an agrarian community named Comunidad Agraria Maconí. This is not to be confused with a more common form of communal land ownership common (and unique to) Mexico known as the ejido. While ejidos and, to a lesser extent, agrarian communities are the product of agrarian reforms that took place in 1934 and 1992, agrarian communities as such date back to the colonial period, when the king of Spain would issue a royal charter granting certain towns legal status and allowing them to own land communally (and confusingly known as exidos). Most of the original agrarian communities were forced to become ejidos during the agrarian reform of 1934, which is why agrarian communities are rare today.

In practice, there are minimal differences between an ejido and an agrarian community, with the principal difference being that in an agrarian community title cannot be issued to an individual even if the land is worked individually and members of the community cannot sell their land (allowing ejidatarios to take title and sell parcels was only signed into law in 1992). However, a majority of the community can vote to become an ejido, which would then allow for title to be issued and for a sale to take place if the assembly approved it by a 2/3 majority.

Based on the latest agrarian census by Mexico's statistics agency, INEGI, completed in 2020 there are 29,793 ejidos in Mexico covering an area of just over 82.2 million ha, compared with 2,354 agrarian communities covering just over 17.5 million ha. For the state of Querétaro que comparative figure is 364 ejidos covering 0.48 million ha and 16 agrarian communities covering 58,288 ha.

While the law does not allow the sale of parcels of land held by the Comunidad Agraria, there are certain instances where the community can enter into an agreement with an outside party to carry out certain activities, such as mining, on land owned by the community in exchange for compensation. The benefits and/or payments that the third party provides to the community is known as the usufructo, and the agreement between the Comunidad Agraria and the third party is known as the Contrato de Usufructo por la Ocupación Temporal de Tierras Comunales. Following Peñoles' sale of the property, a new 15-year usufructo was entered into between the community and Minera La Negra on the 18th of July 2006, covering an area of 42.5 ha. This agreement was later amended the 16th of February of 2016 following a series of negotiations that commenced in late 2014 designed to address certain grievances by the community with respect to the original agreement. The area covered by the usufructo was increased to 51.0 ha to allow for the construction of TSF 5A.

The latest amendment to the usufructo amends the terms of the agreement that expired on 18 July 2021. The new agreement is valid for 15 years (July 2036) and covers the same 51.0 ha. In addition to the annual land payment, Minera La Negra has agreed to carry out certain, minor infrastructure projects of importance to the community once production commences.

20.8.5 Government Inspections and Audits

The company is subject to inspections and audits by several government agencies. At the Federal level the water agency CONAGUA inspects the site one to two times per year, while Profepa (Procuraduría Federal de Protección al Ambiente) which is the enforcement agency of SEMARNAT, inspects the mine three to four times per year.

At the State level Minera La Negra is subject to inspections by the sustainable development agency SEDESU (Secretaría de Desarrollo Sustentable) and by the State water commission CEA (Comisíon Estatal del Agua). Each of these agencies inspects the company on average once per year.

The municipality of Cadereyta de Montes also inspects the mine once to twice per year.

20.8.6 Review, Audit and Continuous Improvement

20.9 Reclamation, Closure and Rehabilitation

Proper closure preparation is important to ensure that a mining project will have a positive impact on a community or region. Minera La Negra's closure and reclamation goals are as follows:

- Future public health and safety are not compromised
- Environmental impacts are minimized and environmental resources in the region are not subject to additional deterioration over time
- Post-closure use of the site is beneficial and sustainable and acceptable to the community and regulators • Adverse impacts on the local community is minimized
- Socioeconomic benefits are maximized
- Closure and rehabilitation are funded by MLN

In accordance with Mexico's regulatory requirements, a series of closure plans for La Negra were developed for each of the company's MIAs. The closure plan for TSF5 was developed in July 2019 by MLN in accordance with Mexico's mining law (Ley Minera) and in accordance with SEMARNAT regulations NOM-141-SEMARNAT-2003 and NOM-147-SEMARNAT/SSA1-2004. That same year the company developed the closure plan for TSF5A. Preliminary closure and rehabilitation costs including engineering planning and environmental monitoring were developed by Minera La Negra.

21 CAPITAL AND OPERATING COSTS

This section does not apply to the Technical Report.

22 ECONOMIC ANALYSIS

This section does not apply to the Technical Report.

23 ADJACENT PROPERTIES

There is no information on properties adjacent to the Property necessary to make the technical report understandable and not misleading.

24 OTHER RELEVANT DATA AND INFORMATION

There is no other relevant data or information available that is necessary to make the technical report understandable and not misleading. To the Authors' knowledge, there are no significant risks and uncertainties that could reasonably be expected to affect the reliability or confidence in the exploration information or MRE.

25 INTERPRETATION AND CONCLUSIONS

25.1 Introduction

SGS was contracted by Silverco to prepare a NI 43-101 Technical Report for the La Negra Ag-Cu-Pb-Zn Mine in Querétaro, Mexico. La Negra is a producing mine.

Silverco entered into a binding letter (the "Binding Letter") dated January 19, 2026, providing for the acquisition by the Company of an arm's length party, Nuevo Silver Inc. ("Nuevo Silver"). Pursuant to the Binding Letter, existing shareholders of Nuevo Silver will be issued common shares of Silverco (each, a "Silverco Share") in consideration for common shares of Nuevo Silver (each, a "Nuevo Silver Share") presently held (the "Acquisition"). Nuevo Silver recently acquired the La Negra mine.

Closing of the Acquisition is subject to a number of customary conditions, including all necessary consents, approvals, and other authorizations of any regulatory authorities or third parties being obtained.

This Technical Report will be used by Silverco in partial fulfillment of the requirements for the closing of the Acquisition, and has been prepared pursuant to National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101").

The current report is authored by Allan Armitage, Ph.D., P. Geo., ("Armitage"), Olivier Vadnais-Leblanc, P.Geo. ("Vadnais-Leblanc"), Johnny Canosa, P.Eng., and Henri Gouin, P.Eng. ("Gouin") of SGS and Shaohai Yu, PE of SGS – Bateman (collectively, the "Authors"). The Authors are independent Qualified Persons as defined by NI 43-101 and are responsible for all sections of this report.

25.2 Exploration

There have been several phases of modern exploration at La Negra during its more than 50-year history, starting with the work carried out by in the 1950s by Compañía Minera La Campaña and then by Peñoles prior to initial production until they closed the operation in 2001. Subsequently, Aurcana conducted some work in the period when they held ownership from 2006 to 2016, although minimal work was completed from 2006 through 2020. The 2021 program signals the first meaningful and methodical exploration on this project since it was held by Peñoles. This program consisted of field mapping encompassing an area of 4,480 ha primarily to the northwest and east of the current mine site, soil sampling of the mapped area on a 200 m sampling grid, and surface channel sampling along the intrusive-skarn contact.

25.3 Diamond Drilling

The project database contains 2,851 diamond drill holes drilled from 1950's to 2025 with a total length of 230,585.8 m. MLN has conducted underground drilling since the acquisition of the Property in 2006 from Peñoles, both to find extensions of known mineralization, and to discover new zones but primarily drilling after 2006 has been near existing development.

During the 2024-2025 drilling campaign, a series of grade control and near development definition holes were completed with an average hole length of 73 m. A total of 48 diamond drill holes were drilled for 3521.8 m of core. A total of 1500 assays were obtained from 2,314.35 m of sampled core.

25.4 Risks and Opportunities

Risks

The following lists some risks that can have an impact on the development of the project. The list does not include the external risks that apply to all mining projects (e.g., changes in metal prices, exchange rates, availability of investment capital, changes in government regulations, etc.):

- The possibility of armed violence;
- The risk of corruption in the local administration and business relations;
- Uncertainty regarding future grades of the mineralized unit may pose a risk to the economic justification for continued project development;
- The continuity of the geological unit may not be consistent. Inclusion of bare geological units could lower the expected tonnage;
- The geotechnical conditions observed to date may not be representative of future conditions, which could deteriorate with increasing mine depth or as mining voids progress.
- Overall plant recovery is relatively low, and the future metallurgical performance of the mineralized material needs to be confirmed with testwork;
- Environmental and social challenges include water scarcity, tailings management, chemical use, and the impact of mining on local communities.

Opportunities

The following list some opportunities relevant to La Negra Project:

- The long history of mining in the region can provide experienced workers;
- A refined 3D interpretation would enhance the precision and efficiency of mine planning;
- Presence of drilling areas with strong possibilities of expanding known mineralized zones;
- Inclusion of channel samples in the interpolation procedure to potentially improve the block classification in certain areas;
- Because the site is already operational, social acceptability–related risks are mitigated;
- Current operational parameters can be further optimized to improve the recovery through testwork;
- Innovations such as automation, digital monitoring, and renewable energy adoption are shaping the future of silver mining, improving efficiency, safety, and environmental sustainability.

26 RECOMMENDATIONS

The La Negra property contains significant historical underground mineral resources that are associated with well-defined mineralized trends and geological models. The mine is currently in production and has been operated privately under fully consolidated ownership since 2024.

Additional work is recommended to upgrade historical mineral resources to current NI 43-101 compliant mineral resources, and to optimize the operation and improve margins:

26.1 Mining

- Review the current drill hole and underground channel sampling data and QA/QC data completed to date, revise geologic models, mineral resource models and structural models, and estimate mineral resources using the updated data, models and updated metal prices, recoveries and economic parameters, such as current mining and processing costs and G&A costs.
- Complete infill drilling plans to convert Inferred resources to Indicated or Measured and possibly add new areas to the mining inventory.
- Complete a life of mine (LOM) plan that includes updated cut-off values, rock sorting benefits, paste backfill, and incorporates geotechnical parameters developed in the ground control management.

26.2 Metallurgy and Processing

- Complete an economic analysis of the rock sorting concept to upgrade mill head grade.
- Perform multi-element analyses on each vein system to fully understand the mineralization.
- Update the existing tailing facility design and operating parameters to align with international standards, ensure stability and maximize tailing storage volume using the current facility. Bring on an independent EOR for the tailings

The total cost of the planned exploration and development work program by Silverco is estimated at US$5.345 to 6.83 million (Table 26-1).

Table 26-1 Cost Summary for Recommended Future Work

2025-2026		
Item	**Unit**	**Cost**
Data compilation and review, geology and resource modeling, resource estimation, NI 43-101 Technical Report	1	$80,000 - $100,000
Infill Diamond Drilling	20,000 m	$2,400,000
Infill Drilling Assays	7,000	$315,000
Geological Compilation and Resource Estimation	1	$250,000 - $300,000
LOM Plan	1	$200,000 - $300,000
Ground Control Management Plan	1	$300,000 - $350,000
Rock Sorting Economic Analysis	1	$80,000 - $120,000
Multi-Element Analyses	1	$100,000 - $150,000
Updated Tailing Facility Design	1	$400,000 - $600-000
Total		**$5,345,000 - $6,830,000**

27 REFERENCES

AMC Mining Consultants (Canada) ltd., January 16, 2015 Technical Report Minera La Negra Property For: Aurcana Corporation R
Barboza-Gudiño, José Rafael (2012). In: Sedimentary Tectonics and Stratigraphy: The Early Mesozoic Record in Central to Northeastern Mexico, Stratigraphic Analysis of Layered Deposits, Dr. Ömer Elitok (Ed.)

Britton, Scott G., Kirkland, Kim, Zamudio, Glenn and Truby, Steven, 2022. Technical Report – Preliminary Economic Analysis Study, La Negra Mine, with an Effective Date: March 31, 2022, Report Date: June 29, 2022, prepared for Minera La Negra S.A. de C.V, 272 p.

Chang, Z. and Meinert, L.D., 2008. Zonation in Skarns – Complexities and Controlling Factors. PACRIM Congress 2008.

English, Joseph M., and Johnston, Stephen T., 2004 The Laramide Orogeny: What Were the Driving Forces? International Geological Review, Vol. 46, pp 833-838.

Fitz-Díaz, Elisa, 2010. Progressive deformation, fluid flow and water-rock interaction in the Mexican Fold-Thrust Belt, Central Mexico, PhD Dissertation, University of Minnesota.

Fitz-Díaz, Elisa et al, 2014. Progressive, episodic deformation in the Mexican Fold-Thrust Belt (central Mexico): evidence from isotopic dating of folds and faults, International Geology Review.

Gaytán Rueda, J.E., 1975. Exploration and Development at the La Negra Mine, Maconí, Querétaro, Mexico. The University of Arizona Master's Thesis.

Lang, J.R., Baker, T., Lewis, P.D., 1998. Intrusive, Stratigraphic, Geochemical and Structural Controls on Skarn and Massive Sulphide Manto and Chimney Ores in the La Negra and Zimapán Districts, Central Mexico, The Gangue Issue, 59.

Le Couteur, P.C., 2009. Petrographic Report on Seven Samples from the La Negra Mine, Querétaro, Mexico. Report for Aurcana Corporation by Micron Geological Ltd, Vancouver.

Henry, Christopher D. and Aranda-Gomez, J. Jorge, 1992. The real southern Basin and Range: Mid- to late Cenozoic extension in Mexico, Geology, August 1992, pp 701-704

Meinert, L.D. Workshop on Exploration for Skarn Deposits.

Meinert, L.D., 1997. Application of Skarn Deposit Zonation Models to Mineral Exploration. Explor. Mining Geol., Vol. 6, No.2, pp. 185-208/

Morrison, G., 1982. Geology of the La Negra Mine Vicinity, State of Querétaro, Mexico. Colorado School of Mines Master's Thesis.

Randall, Juan, 1980. Descripción petrográfica de seis muestras de Minera La Negra. Reporte interno para Peñoles, Guanajuato, diciembre 1980.

Ray, G.E., 1995. Pb-Zn Skarns, in Selected British Columbia Mineral Deposit Profiles, Volume 1 - Metallics and Coal, Lefebure, D.V. and Ray, G.E., Editors, British Columbia Ministry of Employment and Investment, Open File 1995-20, pp 61-62.

Robb, Laurence, 2005. Introduction to Ore Forming Processes, Blackwell Publishing.

Saldaña Reyes, Eugenia, 2016. EXPLORACIÓN Y ESTUDIO GEOLÓGICO DE LA UNIDAD MINERA GUADALUPE, ZIMAPÁN, HIDALGO, Estudio para obtener el título de Ingeniero Geólogo, IPN Unidad Tecomán. 270

Suter, Max, 1980. Tectonics of the external part of the Sierra Madre Oriental Foreland Thrust-and- Fold Belt Between Xilitla and the Mocetezuma River (Hidalgo and San Luis Potosi States)Univ. Nat. Autón. México Inst. Geologia. Revista Vol V, Number 1, pp 19-31

Suter, Max, 1984. Cordilleran deformation along the eastern edge of the Valles-San Luis Potosi carbonate platform Sierra Madre Oriental fold-thrust belt, east-central Mexico. Geological Society of America Bulletin v. 95, pp 1387-1397

Vassallo, L.F., Arkhipova, N.A., Shatagin, N.N., Sousa, J.E., Solorio, J.G., Ortega, M.A., 2001. Mineralogy, Age, and Control Setting of La Negra and Zimapán Skarn Ore Deposits, Central Part of Mexico. GEOS, Unión Geofísica Mexicana, A.C. Boletín Informativo, vol. 21 No.3. p. 192. Reunión Annual 2001, Puerto Vallarta, Jal., México.

Wood PLC, 2021. TSF Siting Study, Scoping Level Design and Preliminary Economic Assessment, Minera La Negra. Project # 3270GTK037.

28 DATE AND SIGNATURE PAGE

This report titled "Technical Report on the Updated Mineral Resource Estimate for the La Negra Ag-Au-Pb-Zn Mine, Querétaro State, Mexico" dated May 5, 2026 (the "Technical Report") for Silverco Mining Ltd. was prepared and signed by the following authors:

The effective date of the report is March 25, 2026.
The date of the report is May 5, 2026.

Signed by:

"Original Signed and Sealed"

Qualified Persons	**Company**
Olivier Vadnais-Leblanc, P.Geo.	SGS Geological Services ("SGS")
Allan Armitage, Ph. D., P. Geo.,	SGS Geological Services ("SGS")
Johnny Canosa, P.Eng.	SGS Geological Services ("SGS")
Henri Gouin, P.Eng.	SGS Geological Services ("SGS")
Shaohai Yu, PE	SGS – Bateman

May 5, 2026

29 CERTIFICATES OF QUALIFIED PERSONS

QP CERTIFICATE – OLIVIER VADNAIS-LEBLANC

To accompany the technical report titled "La Negra Ag-Au-Pb-Zn Mine, Querétaro, Mexico" with an effective date of March 25, 2026 (the "Technical Report") prepared for Silverco Mining Ltd. (the "Company").

I, Olivier Vadnais-Leblanc, P.Geo. (OGQ No. 01082) do hereby certify that:

1. I am a Resource Geologist with SGS Canada Inc. 2150 Cyrille-Duquet St., Unit 150, Quebec, QC, G1N 2G3, Canada.
2. I graduated with a bachelor's degree in Geology (B.Sc.) from Université du Québec à Montréal (Montreal, Quebec) in 2006.
3. I am a member of the Ordre des Géologues du Québec (OGQ, No. 01082).
4. My relevant experience includes a total of 19 years since graduating from university. I acquired my mining expertise in the Goldcorp Eleonore Mine and my exploration experience at Goldcorp's Eleonore project. I have been a consulting geologist for SGS from 2017 to 2022, a consulting geologist for InnovExplo from February 2022 to September 2024 and a consulting geologist for SGS since September 2024.
5. I have read the definition of a qualified person ("QP") set out in Regulation 43-101/National Instrument 43-101 ("NI 43-101") and certify that by reason of my education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience, I fulfill the requirements to be a QP for the purposes of NI 43-101.
6. I have not visited the property.
7. I am an author of the Technical Report and responsible for Sections 1.4, 1.6, 1.7, 9, 10, 11, 12.1 of the report. I have reviewed these sections and accept professional responsibility for these sections of the Technical Report.
8. I am independent of the issuer applying all the tests in section 1.5 of NI 43-101 Standards of Disclosure for Mineral Projects.
9. I have not had prior involvement with the property that is the subject of the Technical Report.
10. I have read NI 43-101 and the items of the Technical Report for which I am responsible have been prepared in compliance with that instrument.
11. As of the effective date of the Technical Report, to the best of my knowledge, information and belief, the sections of the Technical Report for which I am responsible contain all scientific and technical information that is required to be disclosed to make the Technical Report not misleading.

Signed this 5th day of May 2026 in Montréal, Québec, Canada.

"Original Signed and Sealed"

Olivier Vadnais-Leblanc, P.Geo., OGQ No.01082,
SGS Canada Inc.

QP CERTIFICATE – ALLAN ARMITAGE

To accompany the technical report titled "La Negra Ag-Au-Pb-Zn Mine, Querétaro, Mexico" with an effective date of March 25, 2026 (the "Technical Report") prepared for Silverco Mining Ltd. (the "Company").

I, Allan E. Armitage, Ph. D., P. Geol. of 62 River Front Way, Fredericton, New Brunswick, hereby certify that:

1. I am a Senior Resource Geologist and Technical Manager with SGS Canada Inc., 2150 Cyrille-Duquet St., Unit 150, Quebec, QC, G1N 2G3, Canada.

2. I am a graduate of Acadia University having obtained the degree of Bachelor of Science - Honours in Geology in 1989, a graduate of Laurentian University having obtained the degree of Master of Science in Geology in 1992 and a graduate of the University of Western Ontario having obtained a Doctor of Philosophy in Geology in 1998.

3. I have been employed as a geologist for every field season (May - October) from 1987 to 1996. I have been continuously employed as a geologist since March of 1997.

4. I have been involved in mineral exploration and resource modeling at the early-stage exploration property to the advanced property, including producing mines, since 1991, including mineral resource estimation and mineral resource and mineral reserve auditing since 2006 in Canada and internationally. I have extensive experience in Archean and Proterozoic load gold deposits, volcanic and sediment hosted base metal massive sulphide deposits, porphyry copper-gold-silver deposits, low and intermediate sulphidation epithermal gold and silver deposits, magmatic Ni-Cu-PGE deposits, and unconformity- and sandstone-hosted uranium deposits. I have extensive experience in the preparation of NI 43-101 Technical Reports, including PEA, PFS and FS Technical Reports, and I have conducted numerous site visits to early-stage exploration and advanced projects, and operating mines (open pit and underground).

5. I am a member of the following: the Association of Professional Engineers, Geologists and Geophysicists of Alberta (P.Geol.) (License No. 64456; 1999), the Association of Professional Engineers and Geoscientists of British Columbia (P.Geo.) (Licence No. 38144; 2012), and the Professional Geoscientists Ontario (P.Geo.) (Licence No. 2829; 2017).

6. I have read the definition of "Qualified Person" set out in National Instrument 43-101 – Standards of Disclosure for Mineral Projects – ("NI 43-101") and certify that by reason of my education, affiliation with a professional association (as defined in NI 43 101) and past relevant work experience, I fulfill the requirements to be a "Qualified Person" for the purposes of NI 43 101.

7. I am an author of the Technical Report and responsible for Sections 1.1 to 1.3, 1.8, 1.13, 2 to 6, 7, 8, 12.2, 12.3, 18.5, 25, and 27. I have reviewed these sections and accept professional responsibility for these sections of the Technical Report.

8. I have conducted a site visit to the Property on March 23-24, 2026.

9. I have had no prior involvement with the Property.

10. I am independent of the Company as described in Section 1.5 of NI 43-101.

11. As of the effective date of the Technical Report, to the best of my knowledge, information and belief, the Technical Report contains all scientific and technical information that is required to be disclosed to make the Technical Report not misleading.

12. I have read NI 43-101 and Form 43-101F1 (the "Form"), and the Technical Report has been prepared in compliance with NI 43-101 and the Form.

Signed and dated May 5, 2026 at Fredericton, New Brunswick.

"Original Signed and Sealed"

Allan Armitage, Ph. D., P. Geo., SGS Canada Inc.

QP CERTIFICATE – JOHNNY CANOSA

To accompany the technical report titled "La Negra Ag-Au-Pb-Zn Mine, Querétaro, Mexico" with an effective date of March 25, 2026 (the "Technical Report") prepared for Silverco Mining Ltd. (the "Company").

I, Johnny Canosa, P. Eng. of Surrey, British Columbia, Canada, hereby certify that:

1. I am a Senior Mine Engineer for SGS Canada Inc. with an office at 2150 rue Cyrille-Duquet St., Unit 150, Quebec, QC, G1N 2G3 Canada. (www.sgs.com).
2. I am a graduate of Bachelor of Science in Mining Engineering from Saint Louis University, Baguio City, Benguet, Philippines, with a diploma issued on March 23, 1980.
3. I am a member of good standing of the Association of Professional Engineers of Ontario (licence # 100509964) and the Association of Professional and Geoscientists of Alberta (licence #93946).
4. My relevant experience includes more than 20 years of experience in mine engineering, mine planning, and mining operations, including mine optimization, projects, open pit planning and scheduling, and mining consultancy.
5. I am a "Qualified Person" for purposes of National Instrument 43-101 (the "Instrument").
6. I have not personally inspected the Property.
7. I am the author of this report and am responsible for the listed Sections 1.11, 1.12, 2.2, 18, excluding 18.5, and 20. I have reviewed these sections and accept professional responsibility for these sections of this technical report.
8. I am independent of Silverco Mining Ltd. (the issuer) as defined in Section 1.5 of National Instrument 43-101.
9. I have had no prior involvement with the subject property.
10. I have read the definition of a qualified person set out in National Instrument 43-101 and certify that by virtue of my education, affiliation to a professional association, and past relevant work experience, I fulfill the requirements to be a qualified person for the purposes of National Instrument 43-101.
11. As of the effective date of the technical report, to the best of my knowledge, information, and belief, this technical report contains all scientific and technical information that is required to be disclosed to make the technical report not misleading.
12. I have read National Instrument 43-101, Form 43-101F1, and confirm that this technical report has been prepared in accordance therewith.
13. I consent to the filing of the Technical Report with any stock exchange and other regulatory authority and any publication by them for regulatory purposes, including electronic publication in the public company files on their websites accessible by the public, of the Technical Report.

Signed and dated this 5th day of May 2026 at Surrey, British Columbia, Canada.

"Original Signed and Sealed"

Johnny Canosa, P.Eng., SGS Canada Inc.

QP CERTIFICATE – HENRI GOUIN, P.Eng.

To accompany the technical report titled "La Negra Ag-Au-Pb-Zn Mine, Querétaro, Mexico" with an effective date of March 25, 2026 (the "Technical Report") prepared for Silverco Mining Ltd. (the "Company").

I, Henri Gouin, P.Eng. of Moncton, New Brunswick, hereby certify that:

1. I am a Mining Engineer with SGS Canada Inc., 2150 Cyrille-Duquet St., Unit 150, Quebec, QC, G1N 2G3, Canada.
2. I graduated from Laval University, Quebec City, in 2011 with a Bachelor's degree in Mining Engineering.
3. I am a member in good standing of the Order of Engineers of Quebec (OIQ No. 5032633).
4. My relevant experience includes fourteen years in mining engineering, in operational mines and as a mining engineering consultant. My roles have included mine design, short- and long-range planning, ventilation, ground control, budgeting, and Technical Services management.
5. I have read the definition of "Qualified Person" set out in National Instrument 43-101 – Standards of Disclosure for Mineral Projects – ("NI 43-101") and certify that by reason of my education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience, I fulfill the requirements to be a "Qualified Person" for the purposes of NI 43-101.
6. I am an author of the Technical Report and responsible for Sections 1.9, 16, and 26.1. I have reviewed these sections and accept professional responsibility for these sections of the Technical Report.
7. I have not personally conducted a site visit.
8. I have not had prior involvement with the Property.
9. I am independent of the Company as described in Section 1.5 of NI 43-101.
10. As of the effective date of the Technical Report, to the best of my knowledge, information and belief, the Technical Report contains all scientific and technical information that is required to be disclosed to make the Technical Report not misleading.
11. I have read NI 43-101 and Form 43-101F1 (the "Form"), and the Technical Report has been prepared in compliance with NI 43-101 and the Form.

Signed and dated May 5, 2026 at Moncton, New Brunswick.

"Original Signed and Sealed"

Henri Gouin, P.Eng., SGS Canada Inc.

QP CERTIFICATE – SHAOHAI YU

To accompany the technical report titled "La Negra Ag-Au-Pb-Zn Mine, Querétaro, Mexico" with an effective date of March 25, 2026 (the "Technical Report") prepared for Silverco Mining Ltd. (the "Company").

I, Shaohai Yu, Registered Professional Engineer in Arizona, United States hereby certify that:

1. I am a Principal Process Engineer for SGS North America Inc., with an office located at 3845 N Business Center Drive, Suite 115, Tucson AZ 85705.
2. I am a graduate of China University of Mining & Technology (CUMT) and University of Alaska Fairbanks (UAF), with a Bachelor of Science in Mineral Processing Engineering (1994, CUMT), a Master of Science in Metallurgical Engineering (2003, UAF).
3. I am a member of good standing of the Association of Professional Engineers of Arizona (license #82422), a Registered Member of Society for Mining, Metallurgy & Exploration (license# 4134109), and a Canadian National Instrument 43-101 Qualified Metallurgical Engineer.
4. My relevant experience includes more than +20 years of experience in metallurgical engineering and mineral processing.
5. I am a "Qualified Person" for purposes of National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* (the "Instrument").
6. I am the author of this Technical Report and am responsible for Sections 1.5, 1.10, 13, 17, and 26.2. I have reviewed these sections and accept professional responsibility for these sections of this Technical Report.
7. I have had no prior involvement with the Project.
8. I have not conducted a site visit of the property.
9. I am independent of Silverco Mining Ltd. (the issuer) as defined in Section 1.5 of National Instrument 43-101.
10. I have read the definition of a qualified person set out in the Instrument and certify that by my education, affiliation to a professional association, and past relevant work experience, I fulfill the requirements to be a qualified person for the Instrument.
11. As of the effective date of this Technical Report, to the best of my knowledge, information, and belief, this Technical Report contains all scientific and technical information that must be disclosed to make this Technical Report not misleading.
12. I have read the Instrument, Form 43-101F1, and confirm that this Technical Report has been prepared in compliance with the Instrument.
13. I consent to the filing of the Technical Report with any stock exchange and other regulatory authority and any publication by them for regulatory purposes, including electronic publication in the public company files on their websites accessible by the public, of the Technical Report.

Signed and dated this 5th day of May 2026 at Tucson, Arizona, USA.

"Original Signed and Sealed"

Shaohai Yu, PE., QP, SGS North America Inc.