



Management's Discussion and Analysis

For the Six Months Ended March 31, 2025

CAPITAN SILVER CORP.

Management Discussion and Analysis
For the Six Months Ended March 31, 2025

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is an overview of the activities of Capitan Silver Corp. (the "Company" or "Capitan") for the six months ended March 31, 2025. The MD&A is intended to help the reader understand the Company's operations, financial performance and present and future business environment. The MD&A should be read in conjunction with the condensed interim consolidated financial statements and related notes thereto of the Company for the six months ended March 31, 2025, the audited consolidated financial statements and related notes thereto of the Company for the year ended September 30, 2024, which were prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and the annual Management Discussion and Analysis ("MD&A") for the year ended September 30, 2024 of the Company. All amounts are stated in Canadian dollars.

The date of this MD&A is May 28, 2025.

The Company's management is responsible for presentation and preparation of the financial statements and the MD&A. The condensed interim consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

The MD&A has been prepared in accordance with the requirements of securities regulators, including National Instrument 51-102 of the Canadian Securities Administrators.

The Company's shares trade on the TSX Venture Exchange ("TSX-V") under the symbol CAPT.

Forward-Looking Statements

Information set forth in this MD&A may involve forward-looking statements under applicable securities laws. Forward-looking statements are statements that relate to future, not past, events. In this context, forward-looking statements often address expected future business and financial performance, and often contain words such as "anticipate", "believe", "plan", "estimate", "expect", and "intend", statements that an action or event "may", "might", "could", "should", or "will" be taken or occur, or other similar expressions. All statements, other than statements of historical fact, included herein including, without limitation; statements about the size and timing of future exploration on and the development of the Company's properties are forward-looking statements. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Company's actual results, performance or achievements, or other future events, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following risks: the need for additional financing; operational risks associated with mineral exploration; fluctuations in commodity prices; title matters; environmental liability claims and insurance; reliance on key personnel; the volatility of our common share price and volume and other reports and filings with the TSX Venture Exchange and applicable Canadian securities regulations. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date that statements are made and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as required by applicable securities laws. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from our expectations are disclosed in the Company's documents filed from time to time via SEDAR+ with the Canadian regulatory agencies to whose policies the Company is bound. Investors are cautioned against attributing undue certainty to forward-looking statements.

The users of this information, including but not limited to investors and prospective investors, should read it in conjunction with all other disclosure documents provided including but not limited to all documents filed on SEDAR+ (www.sedarplus.ca).

DESCRIPTION OF BUSINESS AND OVERVIEW

Capitan was incorporated on October 30, 2019 to focus on the exploration and development of gold-silver projects with an emphasis on projects throughout Mexico. The head office and principal address of the Company is suite 550 - 800 West Pender Street, Vancouver, British Columbia, Canada V6C 2V6.

CAPITAN SILVER CORP.

Management Discussion and Analysis
For the Six Months Ended March 31, 2025

Capitan was as part of a plan of arrangement (the "Arrangement") to reorganize Riverside Resources Inc ("Riverside"). On April 1, 2020, Riverside received shareholder approval for a strategic reorganization of its exploration business. In connection with the reorganization, the Company completed the acquisition of its interest in the Cruz de Plata Property (previously known as the Peñoles Property) for \$3,500,000 to be paid by issuing 17,500,000 common shares to Riverside. Riverside would then complete a share capital reorganization whereby it will spin-out the Company's shares to Riverside's shareholders.

On August 14, 2020, Riverside completed the Arrangement to spin out the shares of Capitan to the shareholders of Riverside. Capitan and its shareholders hold 100% interest of the gold-silver resource at the Cruz de Plata Property. Pursuant to the Arrangement, holders of common shares of Riverside received one new common share of Riverside (each, a "Riverside Share") and 0.2594 of a Capitan share (each, a "Capitan Share") for each common share held. The fair value of consideration paid pursuant to the Plan of Arrangement consisted of 17,500,000 Capitan's common shares with a value of \$3,500,000 and was allocated to the Cruz de Plata Property.

On August 21, 2020, the Company was listed on the TSX Venture Exchange under the symbol CAPT.

With respect to the exploration property, management of Capitan considers the Cruz de Plata property to be material for the purposes of National Instrument 43-101 – Standards for Disclosure of Mineral Projects. Further information about the Cruz de Plata property can be found in the 43-101 Technical Report for the Cruz de Plata property, which is available under Capitan Silver Corp. on www.sedarplus.ca.

HIGHLIGHTS OF EVENTS OCCURING DURING AND SUBSEQUENT TO MARCH 31, 2025

- On October 31, 2024, the Company announced the appointment of Mr. Fernando Alanís Ortega to the company's Board of Directors, effective immediately. The Company granted a total of 400,000 stock options to the new director of the Company. These options are exercisable at \$0.30 per share and are valid until October 31, 2029. The options vest over 24 months with 1/3 available upon issuance and 1/3 every 12 months thereafter.
- As of November 4, 2024, a new amendment agreement was executed with Altiplano. This agreement replaced the second payment of US\$100,000 with 3 separate payments. Please refer to the Mineral Properties and Exploration section for more details.
- On November 14, 2024, the Company issued 101,166 common shares pursuant to the exercise of 101,166 stock options at a price of \$0.10 per share for gross proceed \$10,116.
- On February 24, 2025, the Company closed a private placement, issuing 13,250,000 units at a price of \$0.40 per unit for gross proceeds of \$5,300,000. Each Unit is comprised of one common share in the Company and one common share purchase warrant. Each warrant will be exercisable for a period of 12 months from the Closing Date at an exercise price of \$0.50 per share. No finder's fees were disbursed in relation to this private placement.

MINERAL PROPERTIES AND EXPLORATION

Cruz de Plata Property, Durango

The Cruz de Plata Property (previously known as the Peñoles Property), 100% owned by the Company, comprises a land package of approximately 2,551 hectares located in north-central Durango State within the globally important Central Mexico Silver Belt. The Company recently consolidated the high-grade silver trend by signing an agreement with Minera Fresnillo S.A. de C.V. for a portion of the trend between the zones of Jesus Maria and San Rafael referred to as El Refugio. With this agreement, the Cruz de Plata project properties now cover a high-grade silver trend of over 2.5Km in strike length. The project also contains a disseminated, gold deposit in an area called Capitan Hill, immediately adjacent to the south to the Jesus María mine.

Cruz de Plata is an advanced project having an NI43-101-compliant inferred gold and silver resource based on 81 drill-holes (approx. 10,470 metres total) completed by previous operators. The resource included the Capitan gold deposit and the Jesus

CAPITAN SILVER CORP.

Management Discussion and Analysis
For the Six Months Ended March 31, 2025

María, polymetallic silver deposit. Drilling by previous operators within the Cruz de Plata Property also targeted the historical San Rafael zone, where five diamond holes were completed (approx. 1,021.6 metres total). While said holes intersected mineralization, they are not part of the current inferred resource. The reader is referred to the Company's website and SEDAR+ filings for detailed information on the resource estimates and on the various previous pre-Capitan exploration programs that were completed on the Property.

Altiplano purchase agreement

On January 10, 2022 and as amended on March 1, 2022, the Company entered into an option agreement to acquire all outstanding net smelter royalties (NSR's) on mining claims in the Cruz de Plata Property (previously known as the Peñoles Property) from Exploraciones del Altiplano ("Altiplano"), a private Mexican exploration company (the "Royalty Purchasers"). The royalties covered several targets including the current gold-silver resource areas of Capitan and Jesús María. This included a 2% NSR on the Capitan Hill claims, 0.75% on claims covering the Jesús María, San Rafael, Pinchazo and Capitan 2 targets and 0.5% on third-party claims surrounding these targets. The total consideration for the transaction is US\$1,000,000, of which US\$550,000 will be paid in cash and US\$450,000 in common shares of the Company to be issued over 2 years. The Company would also retain a right of first refusal ("ROFR") on any shares distributed to Altiplano as consideration.

The Altiplano transaction details as below:

Due date	Cash	Common shares in value
Upon the closing date (January 11, 2022)	US\$100,000 (paid)	-
On or before the first anniversary of the closing date (January 11, 2023)	US\$150,000 (paid)	US\$150,000(issued)
On or before the second anniversary of the closing date (January 11, 2024)*	US\$300,000	US\$300,000

*On April 1, 2024, an amendment agreement has been made with Altiplano, wherein the third payment and share issuance is replaced by the following:

Due date	Cash	Common shares in value
Within five business days of the execution and delivery of the agreement	US\$87,500 (paid)	-
On or before 6 months following the effective date (October 1, 2024)*	US\$100,000	US\$100,000(issued)
On or before 12 months following the effective date (April 1, 2025) ***	US\$150,000 (paid)	US\$150,000

*On November 4, 2024, an amendment agreement has been made with Altiplano, wherein the second payment is replaced by the following:

Due date	Cash
As of November 4, 2024	US\$34,000 (paid)
On or before December 2, 2024	US\$33,000 (paid)
On or before January 2, 2025**	US\$33,000 (paid)

** During the period, Altiplano approved the extension of the payment date. The Company settled this payment upon the closing of the most recent private placement.

*** The Company is in the process of issuing the shares to the vendor in accordance with the terms of the agreement.

In addition to the royalties held by Altiplano, the Cruz de Plata Property has a 1% royalty owned by Riverside which was created as part of the asset spinout in 2020. Capitan has the contractual option to purchase and retire the Riverside royalty for \$250,000 at any time.

CAPITAN SILVER CORP.

Management Discussion and Analysis
For the Six Months Ended March 31, 2025

Minera Fresnillo option agreement

On November 28, 2022, the Company executed an option agreement with Minera Fresnillo S. A. de C. V. (a wholly owned subsidiary of Fresnillo plc) (“Minera”), to acquire a 100% interest for certain mineral concessions at the Cruz de Plata Project.

The terms of the option agreement include the right to explore and an option to acquire 100% interest in the mineral concessions for total payable amount of US\$1,000,000 over the three-year period. In the event the Company acquires 100% interest, Minera will maintain a 1% NSR which the Company can buy-back for US\$1,000,000.

The transaction details as below:

Due date	Cash
Upon the closing date (November 28, 2022)	US\$50,000 (paid)
18 months from the date of signing (May 28, 2024)*	US\$156,300 (paid)
On or before the second anniversary of the closing date (November 28, 2024)	US\$150,000 (paid)
30 months from the date of signing (May 28, 2025)	US\$150,000
On or before the third anniversary of the closing date (November 28, 2025)	US\$500,000

*On November 29, 2023, an amendment agreement was established with Minera, extending the second payment date from November 28, 2023, to May 28, 2024, with a total payment due of US\$156,300.

Initial Drill Program: Capitan Hill Gold Zone

The initial program was focused exclusively on the Capitan gold deposit with the objective of expanding mineralization from that outlined in the inferred gold resource through on-strike and step-out drilling, as well as strategic infill holes that targeted high-grade mineralization, nested in the main Capitan gold zone. Phase I and II programs totalled 12,209m in 49 drill holes and was completed in September 2021. Results for these drill programs were released in a number of press releases issued by Capitan between November 20, 2020 and January 24, 2022. Overall, the program led to the expansion of the Capitan Gold zone along strike to the west, south-east and down-dip from the previously defined mineralized envelope, with the majority of drillholes returning Au-Ag tenors in-line with historical results. The drill program was also successful in delineating and establishing the continuity of what is now referred to as the “Hanging wall” mineralization, located immediately above the main Capitan Zone.

Jesus Maria Silver Zone Drill Program

On January 24, 2022, the company announced a 5,000 m drill program at the Jesus Maria Silver deposit, with the objectives of 1) confirming the continuity of high-grade mineralization, 2) testing the continuity of the Jesus Maria zone down-dip to the south and along strike to the east and west of the current drill defined limits and 3) gaining further understanding on the mineralization of the Ag-Au Gully Fault zone. Results have been reported since February 16, 2022, showing continuity of the high grade mineralization at the Jesus Maria and Gully Fault zones. Drilling by Capitan had expanded mineralization to about 800m of strike length; however, after consolidating the silver trend, 5 drill holes by Minera Fresnillo contained within that package, expanded mineralization to a 1,300m strike length. The zone remains open to the East towards the San Rafael zone and at depth along the entire silver trend. Additionally, a number of other silver targets remain to be drill tested such as JM North and JM South (underneath of the Capitan gold zone). Results have also confirmed the Gully Fault Ag-Au zone to be a NE-strike broad structure that contains narrower intercepts of high grade silver with gold. The zone, which could be an earlier pulse relative to Jesus Maria polymetallic mineralization (Ag, Au, Pb, Zn), also remains open on strike and at depth.

During the period, the company issued press releases to provide updates and results of the drill program as summarized below:

- On December 06, 2022, Capitan announced the consolidation of the Cruz de Plata silver trend, covering an estimated strike length of 2.5Km. Such consolidation was achieved by signing an option agreement with Minera Fresnillo, S.A. de C.V. to acquire a property covering a key part of this trend between the areas of Jesus María and San Rafael. The property contained 5 diamond drill holes which immediately extended the strike length of silver mineralization 500m

CAPITAN SILVER CORP.

Management Discussion and Analysis
For the Six Months Ended March 31, 2025

to the East for a total drilled length of 1.3Km, open to the East towards San Rafael and at depth. Previous Fresnillo drilling included 29m of 95.39 g/t AgEq in drill hole JEMA-02, including 1.3m of 572.48 g/t AgEq. Terms of the option agreement included payments over a 3-year period to acquire 100% interest in the property for a total payable of USD\$1.0 million and a 1% NSR that can be bought for \$1.0M up to 10 years after acquiring 100% of the rights. The Company also announced continuing drilling on several silver targets at the project.

- On January 17, 2023 the Company announced drill results from five (5) reverse circulation drill holes from the Jesus Maria – Gully Fault zones. All five drill holes intersected mineralization showing further high-grade continuity for the Gully Fault zone and down-dip extension for the Jesus María vein. Highlights include hole 22-JMRC-22 which intersected 16.8m of 224.3 g/t AgEq including 3.0m of 978.7 g/t AgEq (which included 1.5m of 1,532.8 g/t AgEq) at the Gully Fault zone. Hole 22-JMRC-15 intersected 15.2m of 101.46 g/t AgEq at the Jesus María vein.
- On March 20, 2023 the Company announced its name change from Capitan Mining Inc. to Capitan Silver Corp. to reflect its primary focus on the Cruz de Plata project after the consolidation of the silver trend announced on December 06, 2022.
- On May 24, 2023 Capitan gave an exploration update on the Cruz de Plata project which included both historical and new surface rock samples and drill data. The exploration update offered a re-interpretation of the geology of the project, as well as a new definition and characterization of exploration targets. Current main targets defined include Jesus María, Santa Teresa, San Rafael North, Gully Fault zone, Capitan, Escondida, JM South and Providencia. The latter is a newly defined target north of the diorite-granodiorite intrusive located in the central-northern part of the project.
- On March 3, 2025, the Company announced its Phase 1 exploration program for the year which included a 10,000m drill program on the Jesus María and Gully fault zones, including both definition and step out drilling of previously-defined high-grade silver mineralization. Additionally, the Company announced it would continue surface work on additional high-grade silver targets, mainly to the north and subparallel to Jesus María, to advance them to a drill-ready stage. In addition, the Company also announced it would work on an update of the resource estimate at the Capitan oxide gold deposit. Capitan Hill currently has an inferred, NI-43-101 compliant resource of 305,000 oz at 0.46 g/t gold, based on 6,717m of historic drilling (See the Technical Report: Strickland and Sim (2020), Penoles Gold-Silver Project, Durango Mexico).
- On March 31, 2025, the Company announced it had begun drilling at the Cruz de Plata project with 1 reverse-circulation rig, following up on previously announced Phase 1 exploration plans.

In addition, the exploration team maintains the evaluation of results and update of 3D geological model including gold and silver mineralization models, lithologies, alterations and oxidation boundaries on a continuing basis. The company has continued evaluating historical exploration information and additional targets within the property and has been conducting field work for surface evaluation at multiple targets to define drill targets in these zones.

Additionally, community relations activities, and efforts to maintain long-term access agreements continue to be progressed. Other community efforts include helping with local social programs and hiring local people for work and special projects in the community.

CAPITAN SILVER CORP.

Management Discussion and Analysis
For the Six Months Ended March 31, 2025

SELECTED ANNUAL INFORMATION

The following table sets forth selected consolidated information of the Company as at September 30, 2024, 2023 and 2022 prepared in accordance with IFRS. The selected consolidated financial information should be read in conjunction with the audited consolidated financial statements of the Company.

Canadian Dollars	2024	2023	2022
Net loss	\$ (1,313,556)	\$ (746,411)	\$ (660,430)
Comprehensive loss	(2,356,605)	(14,428)	(350,980)
Loss per share, basic and fully diluted	(0.02)	(0.01)	(0.01)
Cash	568,421	521,614	78,882
Total assets	11,949,400	11,747,888	8,581,197

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

As at March 31, 2025, total assets were \$16,861,037 (September 30, 2024 - \$11,949,400), exploration and evaluation assets totaled \$11,932,407 (September 30, 2024 - \$10,538,248). The details of the cost breakdown are contained in the schedule of Exploration and Evaluation Assets in the notes to the condensed interim consolidated financial statements for the period ended March 31, 2025 (Note 8).

Three-month period ended March 31, 2025 and 2024

The Company had a net loss of \$692,439 for the three months ended March 31, 2025 ("Q2-2025") (\$0.01 per share) as compared to the three months ended March 31, 2024 ("Q2-2024") of \$179,514 (\$0.00 per share).

Consulting fees increased by \$241,140 in comparison to Q2-2024. The increase in current period is mainly due to Company increased the business consulting activities.

Filing fees increased by \$34,618 in comparison to Q2-2024, primarily due to filing activities related to the private placement during the current period.

Investor relations and marketing expenses increased by \$146,888 compared to Q2-2024, primarily due to more IR consulting activities and more marketing and other promotional activities during the period.

Professional fees increased by \$68,710 in comparison to Q2-2024, primarily due to higher legal fees incurred as the Company prepared for the private placement during the quarter.

Six-month period ended March 31, 2025 and 2024

The Company had a net loss of \$873,190 for the six months ended March 31, 2025 ("YTD-2025") (\$0.01 per share) as compared to the six months ended March 31, 2024 (YTD-2024") of \$318,865 (\$0.00 per share).

Consulting fees increased by \$241,583 in comparison to YTD-2024. The increase in current period is mainly due to Company increased the business consulting activities.

Investor relations and marketing expenses increased by \$164,353 compared to YTD-2024, primarily due to more IR consulting activities and more marketing and other promotional activities during the period.

Professional fees increased by \$95,037 in comparison to YTD-2024, primarily due to higher legal fees incurred as the Company prepared for the private placement during the quarter.

CAPITAN SILVER CORP.

Management Discussion and Analysis
For the Six Months Ended March 31, 2025

Share-based compensation increased \$43,768 in comparison to YTD-2024 driven by the vesting of options granted during the period.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth selected quarterly consolidated financial information for each of the last eight quarters in Canadian dollar.

Quarter end	Professional fees	Investor relations & Marketing	Net loss	(Loss) per share (basic & fully diluted)
Mar-31-2025	102,379	207,969	(692,439)	(0.01)
Dec-31-2024	55,428	27,965	(180,751)	(0.00)
Sep-30-2024	28,596	25,500	(174,881)	(0.00)
Jun-30-2024	45,491	54,030	(819,810)	(0.01)
Mar-31-2024	33,669	61,081	(179,514)	(0.00)
Dec-31-2023	29,101	10,500	(139,351)	(0.00)
Sep-30-2023	19,798	15,065	(101,446)	(0.00)
Jun-30- 2023	30,756	27,635	(220,054)	(0.00)

LIQUIDITY AND CAPITAL RESOURCES

The Company will rely on equity financings and exploration alliances for its working capital requirements and to fund its planned exploration and development activities. Management ensures the Company has sufficient cash in its treasury to maintain underlying option payments and keep claims in good standing. Increase in cash and cash equivalents from the year ended September 30, 2024 to the period ended March 31, 2025 was \$3,306,096. As of March 31, 2025, the Company has a working capital of \$3,960,728.

Cash used in operating activities

Net cash used in operating activities during the six months ended March 31, 2025 was \$798,531 (2024 - \$159,692). Cash was mostly spent on professional fees, management, consulting, investor relations and marketing expenses.

Cash provided by investing activities

Total cash used in investing activities during the six months ended March 31, 2025 was \$1,074,089 (2024 – \$354,579). Cash was mostly spent on exploration development works.

Cash generated by financing activities

Total net cash generated by financing activities during the six months ended March 31, 2025 was \$5,178,716 (2024 - \$685,725), resulting from net proceeds received from private placement and options exercised.

Exploration and evaluation asset

The Company capitalizes all exploration costs relating to its resource interests whereas pre-exploration costs are expensed as incurred.

CAPITAN SILVER CORP.

Management Discussion and Analysis

For the Six Months Ended March 31, 2025

The breakdown of exploration and evaluation assets is as follows:

	March 31, 2025	September 30, 2024
Acquisition costs	\$ 752,098	\$ 387,095
Exploration costs:		
Assaying	5,919	15,855
Data acquisition	28,365	-
Field & camp costs	15,038	15,956
Geological consulting	279,316	537,512
Drilling	30,662	-
Transport & support	84,609	103,111
Total current exploration costs	443,909	672,434
Professional fees:		
Legal fees	22,305	29,173
Community relations	4,787	46,178
Total current professional & other fees	27,092	75,351
Total costs incurred during the period	1,223,099	1,134,880
Balance, Opening	10,538,248	10,260,774
Foreign exchange movements	171,060	(857,406)
Balance, End of the period	\$ 11,932,407	\$ 10,538,248
Cumulative costs:		
Acquisition	\$ 5,379,697	\$ 4,627,599
Exploration	5,937,479	5,493,570
Professional & other fees	249,738	222,646
Foreign exchange movements	365,493	194,433
	\$ 11,932,407	\$ 10,538,248

RISKS AND UNCERTAINTIES

In conducting its business, the Company faces a number of risks and uncertainties related to the mineral exploration industry. Some of these risk factors include risks associated with land titles, exploration and development, government and environmental regulations, permits and licenses, competition, dependence on key personnel, fluctuating mineral and metal prices, the requirement and ability to raise additional capital through future financings and price volatility of publicly traded securities.

Property Risks

Title to exploration and evaluation asset interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history of many mineral claims. Upon completion to the Arrangement, the Company intends to investigate title to all of its exploration and evaluation asset interests. The exploration and evaluation asset interests in which the Company has committed to earn an interest are located in Mexico.

Title Risks

Although the Company will exercise due diligence with respect to determining title to the properties in which will earn a material interest, there is no guarantee that title to such properties will not be challenged or impugned. Third parties may have valid claims underlying portions of the Company's interests, and the permits or tenures may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects.

CAPITAN SILVER CORP.

Management Discussion and Analysis
For the Six Months Ended March 31, 2025

Exploration and Development

Resource exploration and development is a highly speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. Substantial expenses are required to establish reserves by drilling, sampling and other techniques and to design and construct mining and processing facilities. Whether a mineral deposit will be commercially viable depends on a number of factors, including the particular attributes of the deposit (i.e., size, grade, access and proximity to infrastructure), financing costs, the cyclical nature of commodity prices and government regulations (including those relating to prices, taxes, currency controls, royalties, land tenure, land use, importing and exporting of minerals, and environmental protection). The effect of these factors or a combination thereof cannot be accurately predicted but could have an adverse impact on the Company after the Company acquires the Cruz de Plata Property.

Environmental Regulations Permits and Licenses

The Company's operations may be subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas that would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner that means standards are stricter, and enforcement, fines and penalties for noncompliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. We intend to comply fully with all environmental regulations.

The future operations of the Company, including development activities and commencement of production on our properties, require permits from various federal, state or territorial and local governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labor standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. The Company intends to conduct exploration activities which are subject to substantial regulation under applicable laws by governmental agencies that may require that we obtain permits from various governmental agencies. There can be no assurance, however, that all permits that the Company may require for exploration activities will be obtainable on reasonable terms or on a timely basis or that such laws and regulations will not have an adverse effect on any mining project which the Company might undertake.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Competition

The mining industry is intensely competitive in all its phases, and the Company competes with other companies that have greater financial and technical resources. Competition could adversely affect the Company's ability to acquire suitable properties or prospects in the future.

Dependence on Key Personnel

The success of the Company will largely be dependent on the performance of the directors and officers. There is no assurance that the Company will be able to maintain the services of the directors and officers or other qualified personnel required to operate its business. The loss of the services of these persons could have a material adverse effect on the Company and the prospects.

CAPITAN SILVER CORP.

Management Discussion and Analysis

For the Six Months Ended March 31, 2025

Fluctuating Mineral and Metal Prices

Factors beyond our control may affect the marketability of metals discovered, if any. Metal prices have fluctuated widely, particularly in recent years. The effect of these factors on the exploration activities cannot be predicted. For example, gold prices are affected by numerous factors beyond the Company's control, including central bank sales, producer hedging activities, the relative exchange rate of the U.S. dollar with other major currencies, global and regional demand and political and economic conditions. Worldwide gold production levels also affect gold prices. In addition, the price of gold has on occasion been subject to rapid short-term changes due to speculative activities.

Future Financings

The Company's continued operation will be dependent upon the ability to generate operating revenues and to procure additional financing. There can be no assurance that any such revenues can be generated or that other financing can be obtained on acceptable terms. Failure to obtain additional financing on a timely basis may cause the Company to postpone development plans, forfeit rights in some or all of the properties or joint ventures or reduce or terminate some or all of the operations.

Price Volatility of Publicly Traded Securities

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price that have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any quoted market for the Common Shares will be subject to market trends and conditions generally, notwithstanding any potential success of the Corporation in creating revenues, cash flows or earnings. The value of securities distributed hereunder will be affected by market volatility.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no undisclosed off-balance sheet arrangements or off-balance sheet financing structures in place.

RELATED PARTY TRANSACTIONS

(a) Transactions:

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. The remuneration of directors and key management personnel during the period ended March 31, 2025 is as follows:

	March 31, 2025	March 31, 2024
Management and consulting fees (i)	\$ 141,000	\$ 141,000
Share-based compensation	44,119	-
	<u>\$ 185,119</u>	<u>\$ 141,000</u>

- (i) Management and consulting fees of the key management personnel for the period ended March 31, 2025 were allocated as follows: \$66,000 (2024 - \$66,000) expensed to management and consulting fees and \$75,000 (2024 - \$75,000) capitalized to exploration and evaluation assets.

CAPITAN SILVER CORP.

Management Discussion and Analysis
For the Six Months Ended March 31, 2025

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's accounting policies are described in Note 4 to the audited consolidated financial statements for the year ended September 30, 2024. Management considers the following to be the most critical in understanding the judgments that are involved in preparing the Company's financial statements and the uncertainties that could impact its results of operations, financial condition and future cash flow.

Exploration and Evaluation Assets

Pre-exploration costs are expensed as incurred. The Company records exploration and evaluation asset interests, which consist of the right to explore for mineral deposits, at cost. The Company records deferred exploration costs, which consist of costs attributable to the exploration of exploration and evaluation asset interests, at cost. All direct and indirect costs relating to the acquisition and exploration of these exploration and evaluation asset interests are capitalized on the basis of specific claim blocks until the exploration and evaluation asset interests to which they relate are placed into production, disposed of through sale, or where management has determined there to be an impairment. If an exploration and evaluation asset interest is abandoned, the exploration and evaluation asset interests and deferred exploration costs will be written off to operations in the period of abandonment.

On an on-going basis, the capitalized costs are reviewed on a property-by-property basis to consider if there is any impairment on the subject property. Management's determination for impairment is based on: 1) whether the Company's exploration programs have significantly changed, such that previously identified resource targets are no longer being pursued; 2) whether exploration results to date are promising and whether additional exploration work is being planned in the foreseeable future; or 3) whether remaining lease terms are insufficient to conduct necessary studies or exploration work.

The recorded cost of exploration and evaluation asset interests is based on cash paid and the assigned value of share consideration issued (where shares are issued) for exploration and evaluation asset interest acquisitions and exploration costs incurred. The recorded amount may not reflect the recoverable value, as this will be dependent on future development programs, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

Impairment of Long-Lived Assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Critical Accounting Estimates, Judgments, and Assumptions

The preparation of these financial statements requires the use of certain significant accounting estimates and judgments by management in applying the Company's accounting policies. The areas involving significant judgments, estimates and assumptions have been set out in and are consistent with Note 4 of the Company's annual audited consolidated financial statements for the year ended September 30, 2024.

CAPITAN SILVER CORP.

Management Discussion and Analysis
For the Six Months Ended March 31, 2025

Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss (“FVTPL”), at fair value through other comprehensive income (“FVTOCI”) or at amortized cost. The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL; for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

The Company’s accounting policy for each of the categories is as follows:

Financial assets at FVTPL: Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed as incurred. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are recognized in profit or loss.

Financial assets at FVTOCI: Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income (loss).

Financial assets at amortized cost: A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Impairment of financial assets at amortized cost: The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

The following table shows the classification of the Company’s financial assets and liabilities under IFRS 9:

Financial asset or liability	IFRS 9 Classification
Cash	Amortized cost
Restricted cash	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities - This category comprises liabilities initially recognized at fair value less directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method.

The Company has classified its cash as FVTPL. The Company’s receivables and accounts payable and accrued liabilities are classified as amortized cost. Refer to the audited financial statement September 30, 2024, Note 13 for additional details.

CAPITAN SILVER CORP.

Management Discussion and Analysis
For the Six Months Ended March 31, 2025

Financial instruments

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

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's cash, restricted cash, accounts payable and accrued liabilities approximate carrying value, due to their short-term nature. The fair value of the Company's cash under the fair value hierarchy are based on level 1 quoted prices in active markets for identical assets and liabilities.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2025, the Company had cash of \$3,874,517 (September 30, 2024 - \$568,421) to settle current liabilities of \$186,520 (September 30, 2024 - \$47,459). The Company believes it has sufficient funds to meet its current liabilities as they become due.

Price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on profit or loss and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold, silver and copper, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to accounts payable and accrued liabilities that are denominated in Mexican pesos.

Sensitivity analysis

The Company operates in Mexico and is exposed to risk from changes in the Mexican peso. A 10% fluctuation in the Mexico peso against the Canadian dollar would affect loss for the period by \$75,996 (September 30, 2024 - \$88,007).

OUTSTANDING SHARE DATA

Capitan's authorized share capital is unlimited common shares without par value. As at the date of this MD&A, the following common shares, and options were outstanding:

	# of Shares	Exercise Price	Expiry Date
Issued and outstanding common shares	98,342,884		
Options	2,065,000	\$0.25	September 8, 2025
	50,000	\$0.27	July 16, 2026
	3,940,000	\$0.20	June 11, 2029
	400,000	\$0.30	October 31, 2029
Warrants	13,250,000	\$0.50	February 24, 2026
Fully Diluted at May 28, 2025	118,047,884		