CAPITAN
SILVER CORP

Management's Discussion and Analysis

For the Six Months Ended March 31, 2026

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 period ended March 31, 2026. 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, 2026, the audited consolidated financial statements and related notes thereto of the Company for the year ended September 30, 2025, 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, 2025 of the Company. All amounts are stated in Canadian dollars.

The date of this MD&A is May 27, 2026.

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 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, 2026

- On December 17, 2025, the Company closed a private placement of 11,333,250 common shares at a price of $2.03 per share, for gross proceeds of $23,006,498. As part of the offering, the Company paid the underwriters a cash commission of $1,372,473.

- On January 6, 2026, the Company closed a private placement of 2,955,665 common shares at a price of $2.03 per share, for gross proceeds of $6,000,000. $108,000 finder's fees were disbursed in relation to this private placement.

- On February 18, 2026, the Company announced that it was included in the 2025 TSX Venture 50, a ranking of the top-performing issuers on the TSX Venture Exchange. The TSX Venture 50 ranks companies based on three equally weighted criteria: (i) one-year share price appreciation, (ii) market capitalization growth, and (iii) Canadian consolidated trading value.

  For the 2025 calendar year, the Company ranked 10th in share price appreciation (+598%) and 15th in market capitalization growth (+931%).

- On March 26, 2026, the Company's common shares were upgraded from the OTCQB Venture Market to the OTCQX Best Market and commenced trading under the symbol "CAPTF". The Company continues to maintain its primary listing on the TSX Venture Exchange under the symbol "CAPT".

- On May 7, 2026, the Company announced its Annual General and Special Meeting to be held on June 12, 2026, and has formally adopted both a Shareholder Rights Plan and a 10% fixed Omnibus Equity Incentive Plan.

MINERAL PROPERTIES AND EXPLORATION

Cruz de Plata Property, Durango

The Cruz de Plata Property (previously known as the Peñoles Property), is 100% owned by the Company and comprises a current land package of approximately 4,722 hectares, located in north-central Durango State within the globally important Central Mexico Silver Belt. The Company consolidated the high-grade silver trend in August 2025, by entering into a definitive agreement with Minera Fresnillo to acquire 7 additional mineral concessions totaling 2,171.4 ha directly adjacent to and surrounding the Property, further consolidating the known extents of the large-scale silver system. With this agreement, the Cruz de Plata project now covers the entirety of the known high-grade silver trend of over 3.7 km in strike length as well as additional targets within and to the north of the central granodiorite intrusion. The project also contains a disseminated gold deposit in an area called Capitan Hill, immediately adjacent to the south of the Jesus María mine.

Cruz de Plata is an advanced exploration project with an updated NI43-101-compliant mineral resource estimate (MRE) completed on the Capitan Hill oxide Gold Deposit, with an effective data of September 17, 2025. This MRE was announced via press release on December 5, 2025. In addition, a now historic NI43-101 compliant resource was completed on the western portion of the Jesus Maria Trend in 2015. The 2025 Inferred Resource (MRE) on the Capitan Hill oxide gold deposit consists of 525,000 ounces (oz) of gold at an average grade of 0.41 g/t Au and 4,244,000 oz of silver at an average grade of 3.3 g/t Ag, within a total of 39,795,000 tonnes (t) using a gold price of $2500 USD.

On January 19, 2026, APEX Geoscience of Edmonton Alberta, provided the final signed and sealed copy of the NI43-101 Technical report titled: Mineral Resource Estimate for the Cruz de Plata Property, Durango, Mexico (effective date: October 14th, 2025), which was filed by the Company on Sedar+ and uploaded to the Company website. This report summarizes all historic field exploration work, property acquisition and royalty agreements completed on the Cruz de Plata project to date, including more recent exploration work completed by Capitan Silver (Mining) up to the effective date of the report.

Altiplano purchase agreement & Minera Fresnillo option agreement - 2022

During prior periods, the Company entered into agreements with Exploraciones del Altiplano (“Altiplano”) and Minera Fresnillo S.A. de C.V. (“Minera”) to acquire certain mineral concessions and eliminate underlying net smelter return royalties (“NSRs”) related to the Cruz de Plata Project.

On June 11, 2025, the Company completed the acquisition and elimination of the NSRs held by Altiplano for total consideration of US$1,000,000, payable through a combination of cash and common shares. The Cruz de Plata Property remains subject to a 1% NSR held by Riverside Resources Inc., which the Company may repurchase for $250,000 at any time.

Pursuant to the option agreement with Minera dated November 28, 2022, and as amended on November 29, 2023, the Company acquired a 100% interest in certain mineral concessions comprising part of the Cruz de Plata Project for aggregate consideration of US$1,006,300. Minera retains a 1% NSR royalty, which may be repurchased by the Company for US$1,000,000.

Minera Fresnillo option agreement - 2025

On August 21, 2025, the Company executed a definitive agreement with Minera to acquire a strategic property package at its Cruz de Plata project. The price of the transaction is US$4,000,000, payable in two installments: US$2,000,000, which was due and paid upon execution of the definitive agreement (“Closing”), and US$2,000,000, payable on or before the second anniversary of Closing. There are no royalties or share payments for this transaction.

The transaction details as below:

Due date	Cash
Upon the closing date (August 21, 2025)	US$2,000,000 (paid)
On or before the second anniversary of the closing date (August 21, 2027)	US$2,000,000

At the closing date, Minera issued an invoice for the full option payment of US$4,000,000 plus applicable VAT under the land option agreement, of which US$2,000,000 plus VAT relates to the second anniversary payment not yet due as at the reporting date. Accordingly, the portion of $3,255,813 relating to the second anniversary payment has been recorded as other payable as of March 31, 2026.

Significant Exploration Developments 2025-2026

- 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 Trend 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, targeting areas to the north and along strike (to the east) of the Jesus María Trend, to advance them to a drill-ready stage. The Company also announced it would initiate an update of the resource at the Capitan Hill oxide gold deposit.

- On March 31, 2025, the Company announced it had begun drilling at the Cruz de Plata project with one reverse-circulation rig, following up on previously announced Phase 1 exploration plans.

- On June 9, 2025, the Company announced signing an LOI with Minera Fresnillo to purchase seven adjacent concessions to the Cruz de Plata project covering a total of 2,171.4 hectares.

- On June 25, 2025, the Company entered into a service agreement with APEX Geoscience Ltd to complete an updated mineral resource estimate (MRE) on the Capitan Hill oxide Au-deposit. Estimated completion date was Q4 2025.

- On September 2, 2025, the Company released results for the first eleven drillholes completed during 2025, 10,000m drill program announced in March. Highlights included 2636 g/t Ag over 1.5m within a broader zone of 370.2 g/t Ag over 19.8m in 25-ERRC-12. This zone represents a new high-grade zone discovered on the eastern portion of the Jesus Maria trend, in proximity to the Penoles fault. In addition, it represents the highest-grade interval drilled at Cruz de Plata project to date.

- On September 24, 2025, the Company signed a service agreement with Expert Geophysics Ltd to complete an airborne geophysical survey on a portion of Cruz de Plata project. Estimated completion date was Q1 2026.

- On October 14, 2025, the Company released results for twelve reverse circulation drillholes completed along the Jesus Maria silver trend as part of the upsized 15,000m drill program. Highlights included 1,541 g/t AgEq over 1.5m, within a wider interval of 201.6 g/t AgEq over 18.3m along the continuation of the Jesus Maria trend, that has been displaced northward along the Penoles Fault.

- On November 11, 2025, the Company released an additional six drillholes from its 15,000m reverse circulation drill program. Additional high-grade silver intercepts were reported in the vicinity of drillhole 25-ERRC-12, which extended high-grade silver mineralization down-dip and down-plunge. Drill highlights include 1767g/t AgEq over 1.5m within a wider interval of 234.2 g/t AgEq over 25.9m.

- On December 5, 2025, the Company released the results of an updated pit-constrained Mineral Resource Estimate (MRE) for the Capitan Hill Oxide gold deposit consisting of 39,795,000 tonnes at 0.41 g/t Au, containing 525,000 ounces Au, at a 0.18 g/t cut-off And $2500 (USD) gold price.

- On January 20, 2026, the Company announced its exploration plans for the 2026 field season which include a 60,000m diamond core and reverse circulation drilling program focused on expanding the Jesus Maria trend, the Capitan Hill Gold Deposit, and the Gully Fault trend. Additionally, the company intends to begin first pass drilling on early-stage silver and gold targets on the consolidated property package. The company also announced the filing of its NI43-101 technical report for the MRE on the Capitan Hill Oxide Gold Deposit, with an effective date of September 17, 2025.

- On February 2, 2026, the Company released additional results from its 2025 drill program. Numerous, significant high-grade silver intersections were reported including 1,130.1 g/t AgEq over 1.5m, within a broader zone of 240.5 g/t AgEq over 25.9m in hole 25-ERRC-34, which targeted the high-grade shoot near drillhole 25-ERRC-12.

- On February 10, 2026, the Company released additional results from its 2025 drill program. Numerous high-grade results were reported including 1833.1 g/t AgEq over 1.5m within 340.4 g/t AgEq over 21.3m and 1254.8 g/t AgEq over 1.5 within 157.3 g/t AgEq over 16.8m, were reported in holes 25-ERRC-37 and 25-ERRC-32 respectively. In addition, the Company announced that first diamond core rig has arrived and commenced drilling.

- On February 26, 2026, the Company released additional results from its 2025 drill program. Several high-grade Ag assays were returned from drilling along the Jesus Maria Trend, west of the Penoles Fault, including 2451.1 g/t AgEq over 1.5m within a broader interval 683.6 g/t AgEq over 9.1m in drillhole 25-ERRC-38. Additional high-grade assays were reported, and mineralization along the Jesus Mara Trend continues to expand along strike and down-dip.

- On April 1, 2026, the Company released additional results from its 2025 drill program. Drillholes 25-ERRC-52 returned multiple high-grade silver intervals including 1450.5 g/t AgEq over 1.5m within a broader zone of 1131.5 over 3.0m, 468.3 g/t AgEq over 4.6m, 574.6 g/t AgEq over 3.0m all within a wide interval of 211.0 g/t AgEq over 41.1m. Drilling along the Jesus Maria trend east of the Penoles fault continued to return multiple, broad silver intervals, with interpretations indicating multiple subparallel zones of mineralization remaining open down-dip and along strike.

- On May 8, 2026, the Company announced the results of its Airborne MobleMT geophysical survey completed the Expert Geophysics limited. Results from the survey showed good correlation to known geological and mineralized interpretations, with targets remaining open at depth, as well as the identification of new targets across the CDP property.

- On May 11, 2026, the Company released the first results of its 2026, 60,000m drill program. Core holes 26-ERDD-07 and 08 returned high-grade silver intervals and including 585.9 g/t AgEq over 1.1m and 934.6 g/t AgEq over 1.3m respectively. Drilling along the Jesus Maria Trend east of the Penoles Fault returned strong silver values including 213.7 g/t AgEq over 1.5m and 164.2 g/t AgEq over 1.5m. Drilling along this portion of the JM Trend has outlined a zone of mineralization that has been traced (modeled) over a strike length of 1.1km, and traced down-dip between 150-350m.

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.

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.

SELECTED ANNUAL INFORMATION

The following table sets forth selected consolidated information of the Company as at September 30, 2025, 2024 and 2023 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	2025	2024	2023
Net loss	$ (1,497,712)	$ (1,313,556)	$ (746,411)
Comprehensive loss	(505,616)	(2,356,605)	(14,428)
Loss per share, basic and fully diluted	(0.02)	(0.02)	(0.01)
Cash	4,897,245	568,421	521,614
Total assets	28,103,914	11,949,400	11,747,888

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

As at March 31, 2026, total assets were $54,934,871 (September 30, 2025 - $28,103,914), exploration and evaluation assets totaled $25,081,812 (September 30, 2025 - $20,777,435). 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, 2026 (Note 8).

Three-month period ended March 31, 2026 and 2025

The Company had a net loss of $792,264 for the three months ended March 31, 2026 ("Q2-2026") ($0.01 per share) as compared to the three months ended March 31, 2025 ("Q2-2025") of $592,439 ($0.00 per share).

Consulting fees decreased by $211,937 in comparison to Q2-2025. The decrease in current period is primarily due to a $235,000 consulting fee paid to external advisors in connection with the Company's prior year $5.3 million private placement financing. No similar fee was incurred in the current period as the current year financing was completed through a bought deal private placement led by underwriters.

Director fees increased by $36,000 compared to Q2-2025. The increase reflects the fact that the Company began paying director fees during the current period.
Filing fees increased by $48,521 in comparison to Q2-2025. The increase is mainly related to the Company's private placement closed during the current period.

Investor relations and marketing expenses increased by $140,599 compared to Q2-2025, primarily due to higher IR consulting activity and increased marketing and promotional initiatives during the period.

Share-based compensation, a non-cash expense, increased $307,448 compared to Q2-2025, primarily due to the options that were vested during Q2-2026.

Six-month period ended March 31, 2026 and 2025

The Company had a net loss of $1,386,691 for the six months ended March 31, 2026 ("YTD-2026") ($0.01 per share) as compared to the six months ended March 31, 2025 (YTD-2025") of $873,190 ($0.01 per share).

Consulting fees decreased by $198,023 in comparison to YTD-2025. The decrease in current period is primarily due to a $235,000 consulting fee paid to external advisors in connection with the Company's prior year $5.3 million private placement financing. No similar fee was incurred in the current period as the current year financing was completed through a bought deal private placement led by underwriters.

Director fees increased by $72,000 compared to YTD-2025. The increase reflects the fact that the Company began paying director fees during the current period.

Filing fees increased by $141,502 in comparison to YTD-2025. The increase is mainly related to the Company's private placements closed during the current period.

Investor relations and marketing expenses increased by $211,327 compared to YTD-2025, primarily due to more IR consulting activities and more marketing and other promotional activities during the period.

Share-based compensation, a non-cash expense, increased $600,325 compared to YTD-2025, primarily due to the options that were vested during YTD-2026.

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-31-2026	32,989	348,568	(792,264)	(0.01)
Dec-31-2025	38,176	98,693	(594,427)	(0.01)
Sep-30-2025	36,267	53,060	(449,338)	(0.00)
Jun-30-2025	34,005	64,774	(175,184)	(0.00)
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)

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, 2025 to the period ended March 31, 2026 was $21,954,689. As of March 31, 2026, the Company has a working capital of $26,900,085.

Cash used in operating activities

Net cash used in operating activities during the period ended March 31, 2026 was $1,480,564 (2025 - $798,531). Cash was mostly spent on filing fees, management, consulting, investor relations and marketing expenses.

Cash provided by investing activities

Total cash used in investing activities during the period ended March 31, 2026 was $3,903,686 (2025 – $1,074,089). Cash was mostly spent on exploration development work.

Cash generated by financing activities

Total net cash generated by financing activities during the period ended March 31, 2026 was $27,338,939 (2025 - $5,178,716), resulting from net proceeds received from private placement and collection of share subscription receivable.

Exploration and evaluation asset

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

The breakdown of exploration and evaluation assets is as follows:

		March 31, 2026		September 30, 2025
Acquisition costs	$	796,660	$	6,949,730
Exploration costs:				
Assaying		607,994		316,143
Data acquisition		32,363		63,049
Field & camp costs		127,115		72,218
Geological consulting		702,140		674,960
Drilling		1,466,743		875,898
Transport & support		170,522		185,146
Total current exploration costs		3,106,877		2,187,414
Professional fees:				
Legal fees		41,829		55,156
Community relations		1,232		21,089
Total current professional & other fees		43,061		76,245
Total costs incurred during the period		3,946,598		9,213,389
Balance, opening		20,777,435		10,538,248
Foreign exchange movements		357,779		1,025,798
Balance, end of the period	$	25,081,812	$	20,777,435
Cumulative costs:				
Acquisition	$	12,373,989	$	11,577,329
Exploration		10,787,861		7,680,984
Professional & other fees		341,952		298,891
Foreign exchange movements		1,578,010		1,220,231
	$	25,081,812	$	20,777,435

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. The Company has investigated title to all of its exploration and evaluation asset interests and, to the best of its knowledge, title to all of its interests are in good standing. The exploration and evaluation asset interests in which the Company has acquired and committed to acquire 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.

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.

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, 2026 and 2025 is as follows:

		March 31, 2026		March 31, 2025
Management and consulting fees (i)	$	292,675	$	141,000
Director fees		72,000		-
Professional fees		390		-
Share-based compensation		275,983		44,119
	$	641,048		185,119

(i) Management and consulting fees of the key management personnel for the period ended March 31, 2026 were allocated as follows: $97,425 (2025 - $66,000) expensed to management and consulting fees and $195,250 (2025 - $75,000) capitalized to exploration and evaluation assets.

(b) As at March 31, 2026, a director of the Company owed $45,497 in connection with taxes triggered on the exercise of stock options. Subsequent to period end, this amount was settled in full.

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, 2025. 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, 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 instrument	IFRS 9 Classification
Cash	Amortized cost
Restricted cash	Amortized cost
Accounts receivable	Amortized cost
Tax receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Tax payable	Amortized cost
Payroll liability	Amortized cost
Other payable	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, 2025, Note 12 for additional details.

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 receivable, taxes receivable, tax payable, payroll liability and 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, 2026, the Company had cash of $26,851,934 (September 30, 2025 - $4,897,245) to settle current liabilities of $347,738 (September 30, 2025 - $308,091). 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 $285,340 (September 30, 2025 - $187,750).

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	128,724,521		
Options	50,000	$0.27	July 16, 2026
	3,525,000	$0.20	June 11, 2029
	400,000	$0.30	October 31, 2029
	1,800,000	$1.54	September 5, 2030
Fully Diluted at May 27, 2026	134,499,521		

ADDITIONAL INFORMATION

Additional information can be obtained on SEDAR www.sedarplus.ca or by contacting:

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Chief Executive Officer

CAPITAN SILVER CORP.
/s/ "Robert Scott"
Robert Scott
Chief Financial Officer