

## DENARIUS METALS CORP.

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2023 April 25, 2024

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*The following discussion and analysis of the results of operations and financial condition ("MD&A") for Denarius Metals Corp. (the "Company" or "Denarius Metals") should be read in conjunction with the audited consolidated financial statements and related notes thereto for the year ended December 31, 2023 (the "Financial Statements"), which are available on the Company's web site at [www.denariusmetals.com](http://www.denariusmetals.com) and on [www.sedarplus.ca](http://www.sedarplus.ca). Readers are encouraged to read the Cautionary Note Regarding Forward Looking Information included on page 23 of this MD&A. The financial information in this MD&A is derived from the Financial Statements prepared in accordance with IFRS Accounting Standards ("IFRS"). **All figures contained herein are expressed in United States dollars ("USD"), except as otherwise stated.***

#### Highlights

Denarius Metals is an emerging metals producer with two mines, Zancudo in Colombia and Aguablanca in Spain, marching toward the start of production within the next 12 months. In March 2024, the Company graduated its listing to Cboe Canada followed by a change of its trading symbol to "DMET". The Company continues to trade on the OTCQX in the United States under the symbol "DNRSF".

In 2023, Denarius Metals continued its momentum to further the exploration and development work at its projects. The Company incurred total exploration and capital expenditures of approximately \$15.0 million in 2023 compared with \$9.1 million in 2022.

The Company's Zancudo Project moved to the forefront in 2023 with total exploration and capital expenditures of \$6.3 million, up from \$0.2 million in 2022, as the Company commenced its construction activities to bring the project into production in 2024. The economic viability of the Zancudo Project was established in a NI 43-101 Technical Report dated December 14, 2023 (the "Zancudo Technical Report") which includes a Preliminary Economic Assessment ("PEA") that envisions a 10-year mine life over which the Company expects to generate net revenue of approximately \$1.0 billion from the sale of approximately 576,000 payable ounces of gold and 8.8 million payable ounces of silver at a life-of-mine ("LOM") average all-in sustaining cost ("AISC") of \$1,059 per ounce of gold. In December 2023, the Company received the mining permits that allow it to start mining activities once the Environmental Impact Study ("EIS") is approved by Corantioquia, the local environmental authority. The EIS was submitted to Corantioquia in November 2023 and the Company expects to receive approval in the second quarter of 2024. The Zancudo Technical Report also includes an Inferred Mineral Resource estimate ("MRE") with an effective date of October 24, 2023 comprising 4.1 million tonnes grading 6.5 g/t gold and 107 g/t silver totaling 860,000 ounces of gold and 14.1 million ounces of silver. Denarius Metals is commencing a 10,000 meters infill drilling program in April 2024 to upgrade Inferred Resources to the Indicated category and to support future mine development.

The acquisition of a 50% interest in Rio Narcea Recursos, S.L. ("RNR") in late 2023 has become an important catalyst to build the Company's presence in Spain and to accelerate its creation of a long-life polymetallic producer leveraging the synergies between the Aguablanca and Lomero Projects. RNR's two primary assets include a 5,000 tonnes per day ("tpd") processing plant (the "RNR Plant") and the Aguablanca underground mine, one of the only mines in Spain able to produce both nickel and copper. RNR has both its mining and environmental permits in place. On April 11, 2024, the Company announced the results of a Pre-

Feasibility Study (the “Aguablanca PFS”) which supports the economic viability of the Aguablanca Project. The Company acquired its 50% interest in RNR for EUR 25.0 million (equivalent to approximately \$27 million) cash, of which 10% was paid in 2023 and the balance is scheduled to be paid in instalments in 2024. As the operator of the Aguablanca Project, the Company will lead the activities on behalf of the joint venture over the balance of 2024 to re-start the RNR Plant and to de-water and prepare the underground mine to commence production in early 2025. Using 50% of the RNR Plant’s capacity, the Aguablanca PFS envisions a six-year mine life generating 43.2 million pounds of payable nickel and 34.6 million pounds of payable copper resulting in LOM net revenue of \$480 million through the sale of approximately 406,359 tonnes of nickel-copper concentrates with an AISC of \$4.04 per pound of payable nickel on a by-product credit basis. At long-term nickel and copper prices of \$7.30 per pound and \$3.50 per pound, respectively, the Aguablanca PFS generates solid returns with undiscounted after-tax project cash flow on a 100% basis of \$105.7 million.

At the Lomero Project, just 88 km from Aguablanca, the Company incurred exploration and capital expenditures in 2023 of \$6.1 million compared with \$7.6 million incurred in 2022. The Company focused its effort at the Lomero Project in 2023 on completing its validation and infill drilling programs to increase its confidence in the geologic model associated with the historic Lomero-Poyatos deposit. Since 2021, the Company has carried out a three-phase exploration program comprising a total of 146 holes representing 44,228 meters of drilling. This work culminated in a NI 43-101 Technical Report dated November 2, 2023 (the “Lomero Technical Report”) in which the Company converted approximately 73% of the initial Inferred MRE prepared in 2022 to the Indicated Mineral Resources category. The updated MRE, with an effective date of July 31, 2023, comprises 7.7 Mt of Indicated Resources at a 1.91% CuEq and 3.5 Mt of Inferred Resources at a 1.46% CuEq. Work is getting underway to prepare a PEA for the Lomero Project, expected to be completed by mid-2024, utilizing the other 50% capacity available at the RNR Plant. The Company also expects to commence its greenfield drilling campaign at the Lomero Project in the second half of 2024.

In Northern Spain, exploration expenditures incurred at the Toral Project by the Company in 2023, the first year after signing the option agreement in late 2022 with Europa Metals Ltd. (“Europa”), amounted to approximately \$2.6 million. The 2023 drilling campaign comprised approximately 6,200 meters of validation and infill drilling in nine holes completed within the project’s known Indicated Mineral Resource area. All holes completed were successful in intersecting mineralization adjacent to selected, previously reported high grade intersections within the Toral Project’s Indicated Resource block. The Company is currently working on an updated MRE incorporating the 2023 drilling results to be followed by the preparation of a PEA later in 2024. In October 2023, the Company achieved a milestone under the option agreement with the submission of the formal application for a mining license for the Toral Project to the Junta of Castille and Leon, the local mining authority.

To fund its operating and investing activities in 2023, the Company completed two equity private placements in early 2023 followed by a private placement of Convertible Debentures in October 2023. These private placements resulted in net proceeds totaling approximately \$25.6 million, of which \$1.8 million was placed in trust to fund interest payments on the Convertible Debentures while construction is being completed at the Zancudo Project. The Company also received \$2.2 million in cash from Aris Mining Corporation (“Aris Mining”), a related party, in February 2023 on the termination of the Guia Antigua Project license. At December 31, 2023, the Company has cash and cash equivalents of \$7.6 million. In addition, the Company has cash in trust of \$1.5 million to fund the Convertible Debentures’ interest payments through October 2024.

Denarius Metals reported a net loss of \$9.4 million (\$0.15 per share) in the fourth quarter of 2023 bringing the net loss for the full year in 2023 to \$14.4 million (\$0.27 per share) compared with a net loss of \$7.4 million (\$0.36 per share) in 2022. The 2023 net loss includes a \$7.0 million non-cash loss on financial

instruments, \$1.4 million of finance costs and a \$1.9 million non-cash charge for accumulated foreign currency translation adjustments related to its disposition of the Guia Antigua Project. The 2022 net loss included a \$4.3 million impairment charge related to the disposition of the Guia Antigua Project.

### Selected Financial Information

	Fourth Quarter		Year		
	2023 <sup>(1)</sup>	2022 <sup>(2)</sup>	2023 <sup>(1)</sup>	2022 <sup>(2)</sup>	2021 <sup>(3)</sup>
Net loss	\$ (9,391)	\$ (5,147)	\$ (14,436)	\$ (7,428)	\$ (25,447)
Per share – basic and diluted	(0.15)	(0.25)	(0.27)	(0.36)	(1.63)
Exploration and capital expenditures	3,435	2,080	15,015	9,088	1,920
				December 31,	
			2023	2022	2021
<b>Balance sheet (\$'000's):</b>					
Cash and cash equivalents			\$ 7,628	\$ 1,394	\$ 14,821
Total assets			89,443	43,823	48,768

- (1) Fourth quarter includes \$6.7 million loss on financial instruments and \$1.4 million of finance costs. Year includes \$7.0 million loss on financial instruments, \$1.4 million of finance costs and recognition of \$1.9 million accumulated foreign currency translation adjustments on disposal of the Guia Antigua E&E asset.
- (2) Fourth quarter and year both include a \$4.3 million non-cash impairment charge related to the Guia Antigua E&E asset.
- (3) Includes a one-time RTO Transaction expense of \$12.9 million, a loss on financial instruments of \$6.7 million and \$2.8 million of share-based compensation associated with the initial grants of stock options following the RTO.

### Description of Business

Denarius Metals is a Canadian junior company engaged in the acquisition, exploration, development and eventual operation of polymetallic mining projects in high-grade districts.

In Spain, the Company owns a 100% interest in the Lomero Project, a polymetallic deposit located on the Spanish side of the prolific copper rich Iberian Pyrite Belt, and a 50% interest in Rio Narcea Recursos, S.L., which has the rights to exploit the historic producing Aguablanca nickel-copper mine, including a 5,000 tpd processing plant, located in Monesterio, Extremadura, Spain, approximately 88 km northwest of the Lomero Project. The Company is also carrying out an exploration campaign on the Toral Project located in the Leon Province, Northern Spain pursuant to an option and joint-venture arrangement with Europa pursuant to which it can acquire up to an 80% ownership interest in Europa Metals Iberia S.L., a wholly-owned Spanish subsidiary of Europa which holds the Toral Project.

In Colombia, Denarius Metals is carrying out construction activities at its 100%-owned Zancudo Project, which includes the historic producing Independencia mine, to develop production and cash flow commencing in 2024 through local contract mining and commencing a drilling program on the Zancudo deposit which remains open in all directions.

On March 27, 2024, the Company graduated its listing from the TSX Venture Exchange ("TSXV") to Cboe Canada and then on April 3, 2024, the Company changed its symbol on Cboe Canada from "DSLX" to "DMET". The Company also trades on the OTCQX Market in the United States under the symbol "DNRSF".

## Issued and Outstanding Securities

As at April 25, 2024, the Company had the following securities issued and outstanding:

Securities	Cboe Canada Symbol	Number	Shares Issuable	Exercise price per share	Expiry or Maturity
<i>Common shares</i>	DMET	63,391,752			
<i>Stock options</i>		200,000	200,000	CA\$0.52	2024
		115,000	115,000	CA\$4.45	2024
		90,000	90,000	CA\$4.50	2024
		200,000	200,000	CA\$0.55	2026
		515,000	515,000	CA\$4.45	2026
		260,000	260,000	CA\$6.50	2026
		4,000,000	4,000,000	CA\$0.52	2028
		200,000	200,000	CA\$0.59	2029
		127,500	127,500	CA\$1.00	2030
		490,000	490,000	CA\$4.50	2031
			6,197,500		
<i>Warrants</i>	Unlisted	23,919,416	23,919,416	CA\$0.60	March 2, 2026
	DMET.WT	75,000,000	7,500,000	CA\$8.00	March 17, 2026
	Unlisted	803,700	80,370	CA\$8.00	March 17, 2026
	Unlisted	18,699,125	18,699,125	CA\$0.60	April 4, 2026
			50,198,911		
<i>Convertible Debentures</i>	DMET.DB	CA\$20,532,000	45,626,666	CA\$0.45	October 19, 2028

### *Rights Offering*

On March 2, 2023, the Company completed a Rights Offering, issuing an aggregate of 20,762,188 Units to holders of Rights and certain persons ("Standby Guarantors") who provided a standby commitment to acquire Units available as a result of unexercised Rights under the Rights Offering. The Units were issued at a subscription price of CA\$0.40 per Unit for total gross cash proceeds of approximately CA\$8.3 million (equivalent to approximately \$6.1 million). Each Unit consisted of one common share and one common share purchase warrant ("Rights Warrant"). Each Rights Warrant entitles the holder to purchase one common share at a price of CA\$0.60 per common share until March 2, 2026. In addition, the Company issued a total of 3,158,728 Rights Warrants as a bonus to the Standby Guarantors, including a total of 1,972,716 Rights Warrants to certain officers and directors who acted as Standby Guarantors.

Subsequent to December 31, 2023, a holder converted 1,500 Rights Warrants in March 2024 into common shares.

### *Private Placement*

On April 4, 2023, the Company completed a Private Placement through the issuance of 18,432,500 units at a price of CA\$0.40 per Unit for total gross cash proceeds of approximately CA\$7.4 million (equivalent to \$5.5 million). Each Unit consisted of one common share and one common share purchase warrant ("Private Placement Warrant") exercisable into a full common share at a price of CA\$0.60 per common share expiring April 4, 2026. A portion of the transaction costs were settled through the issuance of 266,625 units to a third

party finder which resulted in the issuance of an additional 266,625 common shares and an additional 266,625 Private Placement Warrants.

#### *Finder's Fee Shares in the Toral Project Acquisition*

In 2022, the Company incurred a finder's fee with an arm's length third party for services rendered in connection with the acquisition of the Toral Project. The finder's fee is being satisfied by the issuance of 457,163 common shares by the Company (the "Finder's Fee Shares") at an issue price of CA\$0.63 per share, being the closing price of the shares on the TSXV on November 22, 2022. The Finder's Fee Shares are subject to a four-month-and-one-day statutory hold period and are being issued as certain milestones are reached by the Company during the First and Second Option periods of the Toral Definitive Agreement. In 2023, the Company issued a total of 244,529 Finder's Fee Shares in connection with the first three milestones achieved during the First Option period. The remaining 212,634 Finder's Fee Shares will be issued on the Second Option closing date.

#### *Acquisition of Phosphorite Mining Rights in Colombia*

On July 5, 2023, the Company issued a total of 2,700,000 common shares of the Company for total consideration of approximately \$1.1 million to complete an arm's length acquisition of all of the issued and outstanding common shares of Emerene Corporation S.A. ("Emerene"). Emerene is a Panamanian company which owns several phosphorite mining rights in Boyacá, Colombia through its Colombian branch. The acquisition of Emerene has been accounted for as an asset acquisition with the consideration paid allocated primarily to E&E assets related to the phosphorite mining rights.

#### *Convertible Debentures Offering*

In October 2023, the Company closed a private placement in two tranches issuing a total of CA\$20.6 million aggregate principal amount (equivalent to approximately \$14.9 million) of Convertible Debentures. Directors and officers of the Company subscribed for a total of CA\$2.9 million of the Convertible Debentures.

The Convertible Debentures are non-callable by the Company and mature and become payable in full on October 19, 2028 ("Maturity"), unless otherwise converted, prepaid or accelerated in accordance with their terms. The Convertible Debentures bear interest at 12% per annum, paid monthly in equal installments in cash. The Company set aside a portion of the proceeds amounting to approximately CA\$2.5 million (\$1.8 million) in trust to fund the monthly interest payments during the first 12 months of the term of the Convertible Debentures. The first interest payment was made on November 30, 2023, including interest accrued from October 19, 2023 for all Convertible Debentures.

Commencing January 31, 2025, and at the end of each quarter thereafter and on Maturity, the Company will pay a gold premium on the principal amount of the Convertible Debentures in cash. The gold premium will be calculated as a percentage equal to 25% of (i) the amount, if any, by which the London P.M. Gold Fix on the quarterly measurement date exceeds \$1,800 per ounce (the "Floor Price") divided by (ii) the Floor Price.

At any time prior to Maturity, the Convertible Debentures are convertible at a holder's option into common shares of the Company at a conversion price of CA\$0.45 per share.

The Convertible Debentures are a financial liability and have been designated at FVTPL. As such, the Convertible Debentures were recorded at fair value at inception, being equal to the principal amount,

equivalent to \$14.9 million. At December 31, 2023, the fair value of the Convertible Debentures increased to \$22.7 million and the Company recorded a loss on financial instruments of \$6.7 million in the consolidated statement of operations and a loss of \$0.2 million in other comprehensive loss associated with the change in credit spread.

The Convertible Debentures began trading on Cboe Canada on March 4, 2024 under the symbol “DSL.V.DB” following the expiry of the statutory four-month hold period. On April 3, 2024, the trading symbol was changed to “DMET.DB”.

In addition, subsequent to December 31, 2023, a holder converted 100,000 Convertible Debentures in March 2024 into 222,222 common shares.

## Outlook

The year ahead is shaping up to be a catalyst driven year for Denarius Metals in the execution of its strategy to bring its first two projects into operation within the next 12 months.

Construction activities have progressed at the Zancudo Project through the first few months of 2024 as the Company awaits the approval of the EIS that will enable its mine contractor to commence mining operations. Preparation of the processing plant site will begin shortly as the plant equipment has started shipping from China and will be fully mobilized at the project site to facilitate installation and commissioning over the summer to be ready to start operations in the fourth quarter this year. The company recently announced that it has agreed to commercial terms with Trafigura Pte. Ltd. (“Trafigura”), a leading global commodities group, for the sale at market prices of 100% of the high-grade gold-silver concentrates to be produced at the Zancudo Project over the next eight years. The Company has taken steps in 2024 through two international tender processes to enhance its liquidity while it completes the construction and carries out a 10,000 meters infill drilling program at Zancudo. The Company received \$5.0 million in cash from the recent sale of a 3% net smelter return (“NSR”) royalty on Zancudo’s future production to a syndicate of third-party private investors. In addition, the Company is currently also arranging a secured prepayment financing of up to \$10.0 million with Trafigura that will be funded as the Company reaches prescribed milestones during the completion of its construction activities at the Zancudo Project in 2024. The prepayment financing will be repaid from production during the 26 months following start-up of the processing plant and is subject to finalization of definitive documents and regulatory approvals, as applicable.

In Spain, priority is being given to the activities required over the balance of 2024 to re-start the RNR Plant and to de-water and commence development of the Aguablanca underground mine through a local contract miner to commence production in early 2025. Discussions are also underway with the RNR Shareholder Group regarding the potential integration of the Aguablanca and Lomero Projects that could streamline the development of the larger combined operation while reducing the amount payable in 2024 by the Company for the acquisition of its 50% interest in RNR. To fund its share of the capital investment and working capital at Aguablanca, along with the acquisition related instalments of EUR 2.5 million each in March and May, the Company is evaluating its financing options, including discussions with off-takers interested in arranging a long-term commercial agreement for the nickel-copper concentrates to be produced from the Aguablanca mine. In April 2024, the Company announced the results of the Aguablanca PFS. In the second quarter of 2024, the Company expects to finalize a PEA for the Lomero Project and in the second half of 2024, a PEA for the Toral Project. Greenfield drilling is also planned to commence at the Lomero Project in the second half of 2024.



## Projects - Spain

### *Aguablanca Project, Monesterio, Extremadura, Spain*

On November 29, 2023, the Company acquired a 50% interest in RNR which has the rights to exploit the historic producing Aguablanca nickel-copper mine located in Monesterio, Extremadura, Spain, approximately 88 km northwest from the Company's Lomero Project. The Aguablanca Project is the only nickel deposit in Spain and one of the few in Europe. This acquisition gives the Company a second mine expected to be in operation with Aguablanca set to resume production through underground mining within the next 12 months. The acquisition also accelerates a path to production for the Company's Lomero Project using excess capacity available in the "RNR Plant."

The acquisition of RNR, determined to be an asset acquisition, was completed by Alto Minerals S.L.U. ("Alto"), a wholly-owned subsidiary of Denarius Metals in Spain, and owner of the Company's Lomero Project. Alto acquired 50% of all of the issued and outstanding shares of RNR in an arm's length transaction with the RNR Shareholder Group for cash consideration totaling EUR 25 million (equivalent to approximately \$27 million), of which EUR 2.5 million was paid at the acquisition date, EUR 2.5 million was paid on April 2, 2024 and the balance is scheduled to be paid in instalments of EUR 2.5 million on May 24, 2024 and approximately EUR 5.8 million at the end of each of June, September and December 2024. The Company also agreed to pay a finder's fee of EUR 0.2 million to an unrelated third party, of which EUR 0.1 million was paid on April 2, 2024 and the balance will be paid on May 24, 2024.

In addition, the Company, through Alto, and the RNR Shareholder Group entered into a joint venture agreement (the "JV Agreement") pursuant to which Alto has appointed three members of the RNR board of directors and the RNR Shareholder Group has appointed the remaining three members. Pursuant to the JV Agreement, Alto is the operator of the Aguablanca Project and the RNR Shareholder Group will provide a line of credit to RNR to fund the resumption and start-up of operations at the RNR Plant. RNR is a joint venture in which the Company, through Alto, has joint control. As a result, the Company is accounting for its investment in RNR using the equity method.

Recognizing the importance of the RNR Plant to the Company's future development of its Lomero Project, the Company and the RNR Shareholder Group agreed in the JV Agreement to negotiate and enter into the necessary agreements for Alto to process ore from the Lomero Project at the RNR Plant under mutually agreed conditions, taking into account market conditions at the time of negotiation. Additionally, the Company and the RNR Shareholder Group agreed in the JV Agreement to explore the possible integration of the Lomero Project with the Aguablanca Project with the aim of incorporating the projects, currently held in two separate companies, into a joint venture between Alto and the RNR Shareholder Group. The Company is currently in discussion with the RNR Shareholder Group regarding the potential integration of the two projects, and if successful, the Company expects that the amounts payable to complete its initial acquisition of a 50% interest in RNR could be substantially eliminated.

### *Mineral Resource and Mineral Reserve Estimates*

On April 11, 2024, the Company announced the results of the Aguablanca PFS. The Aguablanca PFS, with an effective date of March 24, 2024, was prepared by Mr. Scott E. Wilson, CPG, President of Resource Development Associates Inc., who is an independent qualified person. In conjunction with the Aguablanca PFS, the Company announced a MRE for the Aguablanca underground mine estimated in accordance with the CIM Definition Standards for Mineral Resources and Reserves, prepared by the CIM Standing

Committee on Reserve Definitions and adopted by the CIM Council on May 14, 2014. The Aguablanca PFS will be supported by a NI 43-101 independent report (“RNR Technical Report”) which will be published and filed on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) and Denarius Metal’s website at [www.denariusmetals.com](http://www.denariusmetals.com) on or about May 27, 2024. The RNR Technical Report will include detailed information on the key assumptions, parameters and methods used to estimate the MRE and the Mineral Reserves for the Aguablanca Project.

The MRE is based on 496 diamond drillholes containing 25,025 assay intervals. Drilling includes two exploration holes which were recently drilled in 2023. Outlier grades were capped prior to compositing to 24,250 two-meter intervals. Nickel, copper and cobalt mineralization was estimated using ordinary kriging techniques based on detailed variography analysis of the mineral deposit. Gold, platinum and palladium mineralization was interpolated using inverse distance estimation techniques. Three-dimensional geology models were constructed to identify the mineralized domains of the mineral deposit. Mineralization is constrained geologically to the mineralized domains to accurately reflect the in situ mineralization. The mineral resource estimate was completed using Vulcan scientific software in a 3D block model, with blocks ranging from 4x4x4 meters down to 2x2x2 meters which is a size reflective of the selective mining unit envisioned for underground mining of the deposit.

The following table summarizes the MRE for the Aguablanca underground mine:

Resource Category	Cutoff (Ni%)	Tonnage (K tonnes)	Grade							Contained Metal						
			Ni (%)	Cu (%)	Co (%)	Pd (ppm)	Pt (ppm)	Au (ppm)	NiEq (%)	Ni (Klbs)	Cu (Klbs)	Co (Klbs)	Pd (Oz)	Pt (Oz)	Au (Oz)	NiEq (Klb)
Measured	0.35%	4,048	0.66	0.60	0.02	0.29	0.34	0.17	0.95	58,836	53,512	1,473	38,033	43,919	21,954	84,493
Indicated	0.35%	1,273	0.64	0.52	0.02	0.27	0.31	0.14	0.89	17,986	14,462	503	11,060	12,492	5,760	24,919
<b>Measured + Indicated</b>		<b>5,321</b>	<b>0.65</b>	<b>0.58</b>	<b>0.02</b>	<b>0.29</b>	<b>0.33</b>	<b>0.16</b>	<b>0.93</b>	<b>76,822</b>	<b>67,974</b>	<b>1,976</b>	<b>49,094</b>	<b>56,411</b>	<b>27,715</b>	<b>109,412</b>
Inferred	0.35%	4	0.67	0.61	0.02	0.31	0.37	0.17	0.96	66	60	2	45	54	24	95

Notes:

- Reasonable prospects of eventual economic extraction were assessed by enclosing the mineralized material in the block model estimate in a 3D wireframe shape that was constructed based upon geological interpretations as well as adherence to a minimum mining unit with geometry appropriate for underground mining.
- The cutoff grade of 0.35% Ni considered mining costs of:
  - Metal selling prices Ni at \$7.30/lb and Cu selling prices of \$3.50/lb,
  - Recoveries of Ni 82.8% and Cu 93.6%, and
  - Costs including mining, processing, general and administrative (G&A), and off-site realization (TCRC).
- Nickel Equivalent is estimated as  $((3.50/7.30) * \text{Cu grade}) + \text{Ni Grade}$ .
- Mineral resources are not mineral reserves and do not have demonstrated economic viability.
- Mineral resources are inclusive of mineral reserves.
- Figures may not add up due to rounding.

The mine plan in the Aguablanca PFS is based on Mineral Reserves, as summarized in the table below, which have been estimated for a combination of sub-level extraction and long-hole open stoping underground mining methods. The MRE in the table above is inclusive of the Mineral Reserves estimate, which represents approximately 89% of the tonnes in the Measured and Indicated category of the MRE.

Reserve Category	Cutoff (Ni%)	Tonnage (K tonnes)	Grade							Contained Metal						
			Ni (%)	Cu (%)	Co (%)	Pd (ppm)	Pt (ppm)	Au (ppm)	NiEq (%)	Ni (Klbs)	Cu (Klbs)	Co (Klbs)	Pd (Oz)	Pt (Oz)	Au (Oz)	NiEq (Klb)
Proven	0.35%	3,650	0.67	0.61	0.02	0.29	0.34	0.17	0.97	54,051	49,281	1,343	34,454	39,798	19,835	77,678
Probable	0.35%	1,062	0.67	0.53	0.02	0.28	0.31	0.14	0.92	15,582	12,452	429	9,419	10,578	4,875	21,553
<b>Proven + Probable</b>		<b>4,713</b>	<b>0.67</b>	<b>0.59</b>	<b>0.02</b>	<b>0.29</b>	<b>0.33</b>	<b>0.16</b>	<b>0.96</b>	<b>69,633</b>	<b>61,733</b>	<b>1,772</b>	<b>43,874</b>	<b>50,375</b>	<b>24,709</b>	<b>99,231</b>



Notes:

1. CIM Definition Standards were followed for Mineral Reserves
2. Mineral reserves are not additive to mineral resources
3. Mineral reserves are based on the March 24, 2024 mineral resource estimate
4. Totals may not add up due to rounding
5. Mineral reserves are reported using \$7.30/lb Ni, \$3.50/lb Cu, \$12/lb Co, \$2,000/oz Au, \$900/oz Pt and \$1,200/oz Pd
6. The cutoff grade of 0.35% Ni considered mining costs of:
  - a. Metal selling prices Ni at \$7.30/lb and Cu selling prices of \$3.50/lb,
  - b. Recoveries of Ni 82.8% and Cu 93.6%, and
  - c. Costs including mining, processing, general and administrative (G&A), and off-site realization (TCRC).
7. Mineral reserves are constrained within a mine design.
8. Units are metric tonnes, metric grams, troy ounces and imperial pounds. Contained metal are estimates of in situ material and do not account for dilution of processing losses.

### *Aguablanca PFS*

The Aguablanca PFS supports the economic viability of the Aguablanca Project. Activities to be carried out in 2024 will require approximately \$6.1 million of capital investment, of which the Company must fund its 50% share, to restart the existing 5,000 tpd RNR Plant, to de-water the open pit mine and to commence underground mine development. This will culminate in first production of nickel-copper concentrates in early 2025. Only 50% of the processing plant's capacity will initially be deployed for the Aguablanca Project, preserving the opportunity to use the remaining capacity for the planned development of the Company's nearby Lomero Project at a later date. The Company is currently carrying out an international tender process to identify a long-term offtake arrangement suitable for the sale of these concentrates.

Over the projected 6-year LOM, production from the mining and processing of approximately 4.8 million tonnes of material is expected to recover 43.2 million pounds of payable nickel and 34.6 million pounds of payable copper through the sale of approximately 406,359 tonnes of nickel-copper concentrates. LOM all-in sustaining costs are expected to average \$4.04 per pound of payable nickel on a by-product credit basis. The Aguablanca Project incorporates local contract mining and is expected to stimulate the local economy, benefitting Extremadura and surrounding communities through direct and indirect employment at the Aguablanca Project, local sourcing of services and supplies and community programs funded by the Company. At long-term nickel and copper prices of \$7.30 per pound and \$3.50 per pound, respectively, total LOM undiscounted after-tax Project cash flow from mining operations on a 100% basis amounts to \$105.7 million. At a 5% discount rate, the net present value of the total LOM after-tax Project cash flow on a 100% basis amounts to \$83.1 million. The Aguablanca PFS has an after-tax internal rate of return of 213% and payback by the end of 2025.

### *Lomero Project, Iberian Pyrite Belt*

The Company owns a 100% interest in the Investigation Permit N° 14,977, also identified as Rubia, covering the areas occupied by the former Lomero-Poyatos Concessions and the mine within them in Southern Spain (collectively, the "Lomero Project"). The Lomero Project is owned by Alto and is subject to a 2% net smelter returns royalty granted in connection with the acquisition of the project in April 2021.

The Rubia Permit is an investigative mining permit covering 15 graticular blocks totalling approximately 454 hectares within the adjoining municipalities of El Cerro del Andevalo and Cortegana within Huelva, Andalucía, southern Spain. The area covered by the Rubia Permit is located approximately 85 km northwest of Seville and 60 km northeast of the port of Huelva and includes the area previously occupied by 13 mining concessions including the former Lomero-Poyatos mine. The Lomero Project is a polymetallic deposit located within the Iberian Pyrite Belt, which is one of the largest districts of pyrite-rich massive sulphide

deposits in the world.

In April 2023, the Company announced that it received approval from the Mining Department in Huelva for a three-year extension of the Rubia Permit. The extension of the Rubia Permit was granted by the Department of Mines in Huelva in conjunction with its approval of the Company's planned drilling program for 2023.

The Company also announced in April 2023 that it has been granted Investigation Permit "Palomarejo" N° 14.978 to the west of the Rubia Permit. The Palomarejo Permit covers an area of 151 hectares in the Cortegana area (Huelva), increasing the Company's exploration area by about 30%, and is in a similar geological setting as the adjacent polymetallic Lomero-Poyatos deposit. The Palomarejo Permit has an initial three-year term and may be extended for another three years.

In August 2021, the Company, through Alto, entered into an agreement with the creditors of Corporation de Recursos Iberia SL ("CRI") pursuant to which it will make payments to CRI's creditors totaling approximately EUR 1.7 million in five instalments over a four-year period commencing on approval of the Commercial Court n° 12 (the "Court") of Madrid in Spain. CRI is currently involved in a bankruptcy process in Spain and through the creditors' agreement, the Company will acquire all the assets of CRI related to the Lomero Project, including, but not limited to, physical assets, lands, warehouse and mining rights. The proceedings in connection with the creditors' agreement, being carried out under the supervision of the Court, have continued to be delayed and the Company is awaiting a final decision from the Court.

#### *Mineral Resource Estimate*

The Lomero Project has a rich history of exploration and production to substantiate the potential for future exploitation. To date, the Company's exploration program has principally comprised surface and validation drilling, including twinning of historical drill holes, to confirm its understanding of the existing geological model for the known Lomero-Poyatos deposit.

Following the acquisition of the Lomero Project in 2021, the Company commenced its Phase 1 surface validation and in-fill drilling program comprised of approximately 26,000 meters in 83 diamond drill holes. The program, completed in July 2022, identified mineralization over a strike length of 1 km and with a vertical extension of 400 m, increasing the Company's confidence in the geological model using data validated from previous historic drilling campaigns. In July 2022, the Company prepared an initial MRE based on the results of its Phase 1 drilling program.

In October 2022, the Company commenced its Phase 2 surface validation and in-fill drilling program comprised of approximately 13,225 meters in 42 diamond drill holes. Results from the Phase 2 program, completed in February 2023, confirmed the expected higher grades at depth and validated the lateral and horizontal continuity of the massive sulphide and semi-massive sulphide mineralized lenses. The Phase 2 program also confirmed the presence of higher-grade mineralized zones within the broader resource envelope.

The Company followed up with a Phase 3 surface validation drilling program completed in July 2023 comprised of approximately 4,760 meters in 20 diamond drill holes. Phase 3 drilling was designed to complete the verification of selected high-grade underground holes drilled in the 1980s by Indumetal/Billiton. Phase 3 drilling also confirmed zonation of metals in the deposit, with significant copper mineralization showing grades >0.6% distributed in the central and eastern sectors of the deposit, and significant gold-silver-zinc and lead mineralization showing grades over 2.0 g/t Au, 20 g/t Ag and 0.5% for Zn and Pb

distributed in the western and eastern sectors of the deposit and at depth.

On November 2, 2023, the Company filed the Lomero Technical Report on SEDAR+. The Lomero Technical Report included an updated MRE for the Lomero Project, with an effective date of July 31, 2023, incorporating the results from its Phase 2 and Phase 3 drilling programs. The updated MRE converted approximately 73% of the initial Inferred MRE prepared in 2022 to the Indicated Mineral Resources category. The current geological model and the updated MRE for the Lomero-Poyatos deposit include the results obtained from a total of 146 holes representing 44,228 meters of drilling completed to date by the Company plus another 55 historical holes drilled by CMR in 2001 to 2007 representing 10,053 meters.

The updated MRE for the Lomero Project is shown in Table 1 below. The mineral resource evaluation work was completed by Mr. Benjamin Parsons, MAusIMM (CP#222568), Principal Consultant (Resource Geology) with SRK Consulting (U.S.), Inc. ("SRK"), who is an independent qualified person. The Mineral Resources have been reported based on copper equivalent ("CuEq") with the key assumptions included in the notes to the table. In order to meet "reasonable prospects for eventual economic extraction" requirement, the Lomero deposit has been deemed amenable to both open pit and underground mining (for the remaining material which has displayed continuity above the defined cut-off grades), with the cut-off grades of 0.4% CuEq for open pit resources and 0.6% CuEq for underground resources established using benchmarked costs taken from similar deposits within the Iberian Pyrite Belt and metallurgical recoveries based on the outcomes of the initial metallurgical test work completed by the Company between 2022 and 2023.

**Table 1: SRK CIM Compliant Mineral Resource Statement effective July 31, 2023 for the Lomero Project, Spain, reported based on Copper Equivalent ("CuEq") <sup>(2)</sup>**

Class	Mining Type	Mass (Mt)	Average Value					Material Content					Metal	
			Au (g/t)	Ag (g/t)	Cu (%)	Pb (%)	Zn (%)	Au (koz)	Ag (koz)	Cu (t)	Pb (t)	Zn (t)	CuEq (%)	CuEq (t)
Indicated	OP <sup>(4)</sup>	5.92	2.22	23	0.74	0.45	1.02	422	4,468	43,867	26,492	60,454	1.96	115,702
	UG <sup>(5)</sup>	1.82	2.45	28	0.41	0.50	1.07	143	1,627	7,392	9,029	19,439	1.74	31,600
	<b>Total</b>	<b>7.73</b>	<b>2.27</b>	<b>25</b>	<b>0.66</b>	<b>0.46</b>	<b>1.03</b>	<b>565</b>	<b>6,095</b>	<b>51,259</b>	<b>35,521</b>	<b>79,893</b>	<b>1.91</b>	<b>147,302</b>
Inferred	OP <sup>(4)</sup>	1.93	1.79	24	0.28	0.60	1.22	111	1,475	5,340	11,562	23,618	1.47	28,317
	UG <sup>(5)</sup>	1.52	1.94	21	0.30	0.45	1.12	95	1,003	4,544	6,860	17,045	1.45	22,043
	<b>Total</b>	<b>3.45</b>	<b>1.86</b>	<b>22</b>	<b>0.29</b>	<b>0.53</b>	<b>1.18</b>	<b>206</b>	<b>2,478</b>	<b>9,884</b>	<b>18,422</b>	<b>40,662</b>	<b>1.46</b>	<b>50,359</b>

(1) Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. All figures have been rounded to reflect the relative accuracy of the estimates. Gold, silver, copper, lead and zinc assays were capped where appropriate. It is assumed based on regional benchmarking that all the elements included in the CuEq calculation have a reasonable potential to be recovered and sold.

(2) The CuEq calculation has been defined using the following formula:

$$\text{CuEq} = ((\text{Au} \times 21.38) + (\text{Ag} \times 0.42) + (\text{Cu} \times 69.45) + (\text{Pb} \times 12.68) + (\text{Zn} \times 25.46)) / 99.21 / \text{Cu Recovery}$$

(3) Mineral resources are reported using an assumed CuEq cut-off grade based on metal price assumptions\*, variable metallurgical recovery assumptions\*\*, mining costs, processing costs, general and administrative (G&A) costs and variable NSR factors\*\*\*. Mining, processing and G&A costs total US\$31/t for Open Pit Mining and US\$45/t for Underground Mining which includes assumptions for prices, recoveries and payabilities. The CuEq cut-off grade 0.4% CuEq (OP) and 0.6% CuEq (UG) is calculated by dividing the costs by the Cu Factor and recoveries.

(\*) Metal price assumptions considered for the calculation of Metal Equivalent grades are: Gold (US\$/oz 1,900.00), Silver (US\$/oz 24.0), Copper (US\$/lb 4.50), Lead (US\$/lb 1.15) and Zinc (US\$/lb 1.50)

(\*\*) Cut-off grade calculations assume variable metallurgical recoveries as a function of grade and relative metal distribution. Average metallurgical recoveries are: Gold (35%), Silver (55%), Copper (70%), Lead (50%) and Zinc (77%).

(\*\*\*) Cut-off grade calculations and metal equivalencies assume variable CuEq factors as a function of smelting, transportation costs and royalties (3%).

(4) Open pit (OP) mineral resources are constrained within NPV optimized pits which SRK based on assumed mining costs defined.

(5) Underground (UG) mineral resources represent all material below the proposed limiting pit shell which have been confirmed visually to form contiguous units with a minimum width of 2.5 x 2.5 x 1.25m

### *Toral Project, Leon Province*

On November 22, 2022, the Company entered into the Toral Definitive Agreement with Europa pursuant to which Europa has granted two options to the Company to acquire up to an 80% ownership interest in EMI which holds the Toral Zn-Pb-Ag Project, Leon Province, Northern Spain. The Toral Definitive Agreement received approval from Europa's shareholders on December 30, 2022.

#### *First and Second Options under the Toral Definitive Agreement*

Pursuant to the Toral Definitive Agreement, the Company has been granted a First Option, exercisable until November 22, 2025 (subject to a 90-day extension in certain circumstances), to subscribe for a 51% equity interest in EMI by (i) spending, as operator, a total of \$4.0 million on the Toral Project over the three-year period, (ii) completing a preliminary economic assessment and (iii) completing and submitting a mining license application in respect of the Toral Project to the local mining authority. The Company's expenditure commitment under the First Option is subject to a minimum of \$1.0 million in each of the first two years of the First Option period. On exercise of the First Option, the parties will enter into a joint venture and a shareholders' agreement that will govern the development and eventual operation of the Toral Project.

In addition, the Toral Definitive Agreement provides the Company with a Second Option to acquire an additional 29% equity interest in EMI by delivering a prefeasibility study and making a cash payment of \$2.0 million to Europa within the 12-month period following the closing of the First Option.

#### *Mineral Resource Estimate*

On November 30, 2022, Europa announced an updated JORC 2012 compliant MRE for the Toral Project prepared by Addison Mining Services Ltd. with an effective date of November 5, 2022 comprising:

- An Indicated Mineral Resource of approximately 7Mt @ 5% Zn, 3.7% Pb and 29 g/t Ag, containing 349,000 tonnes of zinc, 260,000 tonnes of lead and 6.6 million ounces of silver, and
- An Inferred Mineral Resource of approximately 13Mt @ 4.1% Zn, 2.3% Pb and 19 g/t Ag containing 540,000 tonnes of zinc, 300,000 tonnes of lead and 8 million ounces of silver.

#### *2023 Exploration Program and Mining License Application*

The 2023 exploration program, carried out from March to August, comprised a total of approximately 6,200 m of drilling in nine holes. The program represented a combination of validation drilling followed by a series of in-fill drillholes designed to corroborate the existing Indicated MRE noted above. The results of the 2023 program are currently being incorporated into the existing database to support the preparation of an updated MRE expected to be completed in the first half of 2024 followed by the preparation of a PEA.

In 2023, the Company advanced an aggregate sum of approximately \$2.7 million to EMI to fund the expenditures at the Toral Project, including VAT receivable.

EMI owns a 100% interest in the Investigation Permit N° 15,199 which covers the area occupied by the Toral Project. In October 2023, the formal application for a mining license for the Toral Project was completed and submitted to the Junta of Castille and Leon, the local mining authority. While the mining license application is being assessed, EMI's Investigation Permit remains in effect.

## Projects - Colombia

### *Zancudo Project, Department of Antioquia*

The Zancudo Project, acquired by the Company in conjunction with the February 2021 RTO Transaction, is located in the Municipality of Titiribi, Department of Antioquia, Republic of Colombia, approximately 30 km southwest of Medellin.

The Zancudo Project includes the historic producing Independencia Mine and is a high-grade gold-silver-quartz vein deposit with mineralization occurring in multiple veins that have been exploited over a strike length of 3.5 km. The average vein width is 0.35 m, with a maximum width of 3.0 m. The known vertical extent of mineralization is 400 m.

Mining of high-grade gold and silver veins was carried out in the historic Zancudo mining district from 1793 to 1948 with estimated production of between 1.4 and 2.0 Moz Au-equivalent. The Zancudo Project has access to labour, the Colombian national power grid and ample water resources. The Zancudo Project is subject to a 4% NSR royalty on future production, payable in cash.

#### *Mineral Resource Estimate*

On December 14, 2023, the Company filed the “Zancudo Technical Report on SEDAR+ for the Zancudo gold-silver mineral deposit. The work on the Zancudo Technical Report was completed by Mr. Scott E. Wilson, CPG (#4025107RM), President of Resource Development Associates Inc., who is an independent qualified person. The Zancudo Technical Report includes an updated MRE for the Zancudo Project with an effective date of October 24, 2023.

The Company has not completed any drilling on the Zancudo Project since its acquisition in 2021. The database for the updated MRE includes a total of 40,100 m of diamond drilling in 149 holes, including 33 underground holes drilled in the Independencia Mine, that was carried out at the Zancudo Project by Gran Colombia Gold and IAMGOLD over the period from 2011 through 2021.

The following table summarizes the updated MRE for the Zancudo Project:

Class	Tonnes (kt)	Grade			Material Content		
		Au (g/t)	Ag (g/t)	AuEq (g/t)	Au (koz)	Ag (koz)	AuEq <sup>(4)</sup> (koz)
Inferred	4,100	6.53	107	8.1	860	14,090	1,060

#### Notes:

- 1) Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the mineral resources estimated will be converted into mineral reserves.
- 2) All figures are rounded to reflect the relative accuracy of the estimates. Gold and silver assays were capped where appropriate.
- 3) Mineral resources are reported at an in situ cut-off grade of 4.0 g/t AuEq over a 1.0 meter mining width, which was derived using a gold price of \$1,850/oz, a silver price of \$23.0/oz, and suitable benchmarked technical and economic parameters for underground mining (mining = \$105.0, processing = \$42.0, G&A and selling costs = \$21.0 and royalties = 3.2%).
- 4) Metal equivalent is calculated with the formula  $AuEq = (Au * Au \text{ Recovery } (75\%) * AuPrice + Ag * Ag \text{ Recovery } (80\%) * AgPrice) / (Au \text{ Recovery } (75\%) * Au \text{ Price})$ .
- 5) It assumed that the Zancudo Project will produce a concentrate product based on assumed conventional gold and silver processing recoveries of 75% Au and 80% Ag from initial preliminary metallurgical sampling and benchmarked projects within the region.

## *2023 Activities*

In early 2023, the Company partnered with an experienced local contract miner who will be responsible for mine development and mineral extraction at the Zancudo Project. The mine contractor is currently carrying out preparatory work, targeting the existing mine workings and veins of the Independencia Mine with mining operations expected to commence by mid-2024 once the Company receives its environmental permit from the local mining authority. The Company received its mining permits at the end of 2023.

Concurrently, the Company is moving ahead with other essential elements required to bring the Zancudo Project into operation in 2024. Construction is proceeding well on an approximately 3.7 km access road that connects the site infrastructure with the regional highway, allowing transportation to bypass the Town of Titiribi and other local communities in the immediate area of the project. The former plant site outside the entrance to the Independencia Mine has been cleared and refurbished to accommodate the installation of new crushing equipment that was completed in the first quarter of 2024. The Company ordered a new 1,000 tpd processing plant at the end of October 2023 and the first of three shipments of the plant equipment departed the port in China at the end of March 2024. The processing plant is expected to be operational in the fourth quarter of 2024. A potential site for the tailing storage facility within the Company's land package at the project site has also been selected. The Company will produce a high-grade gold-silver concentrate at site that will then be transported to a local port in Colombia and sold to Trafigura, a leading global commodities group, at market prices over an initial eight-year period. The Company is continuing to work with the local community to incorporate its ESG programs as part of the development of this project.

## *Preliminary Economic Assessment*

The Zancudo Technical Report also includes a PEA, effective as of October 24, 2023, which affirms the economic viability of the planned underground mining operation at the Zancudo Project. The PEA, based on the updated MRE, envisions an initial capital cost estimate of \$14.8 million and a 10-year mine life over which the Company expects to generate net revenue of approximately \$1.0 billion from the sale of approximately 576,000 payable ounces of gold and 8.8 million payable ounces of silver at a LOM average AISC of \$1,059 per ounce of gold. The PEA incorporates local contract mining and indicative pricing terms for its concentrate production. At long-term gold and silver prices of \$1,800 per ounce and \$22 per ounce, respectively, total LOM undiscounted after-tax project cash flow from mining operations amounts to \$266.4 million. At a 5% discount rate, the net present value of the total LOM after-tax project cash flow amounts to \$206.3 million. The Zancudo Project PEA has an after-tax internal rate of return of 287% and payback in 2025. The PEA is preliminary in nature and it includes Inferred Resources that are considered too speculative to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that the estimates presented in the PEA will be realized.

## *Phosphates Project, Department of Boyacá*

In July 2023, the Company acquired 100% of the issued and outstanding shares of Emerene, a Panamanian company which owns several phosphorite mining rights in the Department of Boyacá in the central northeastern part of Colombia. The acquisition of the phosphate concessions is in keeping with the Company's long-term sustainability initiatives and is expected to provide a source of cash flow to the Company when in production. The development of a phosphate mining operation in Colombia is expected to support the growth in locally sourced fertilizer for use in the Colombian agriculture industry. The Company's next steps include the completion of some further technical studies and to seek a partner who will carry out the mining activities, keeping the investment by the Company to start up operations to a minimum.



## Results of Operations and Overall Performance

(\$000's)	Fourth Quarter		Year	
	2023	2022	2023	2022
G&A expenses	\$ 1,199	\$ 884	\$ 3,771	\$ 3,227
Share-based compensation expense	165	-	470	-
Finance costs	1,372	7	1,386	9
Loss on financial instruments	6,705	-	6,992	-
Impairment charge	-	4,268	-	4,268
Recognition of accumulated foreign currency translation adjustment on disposal of foreign operation	-	-	1,917	-

**G&A expenses** of \$1.2 million in the fourth quarter of 2023, up from \$0.9 million in the fourth quarter last year, brought the total G&A for 2023 to \$3.8 million compared with \$3.2 million for 2022. G&A expenses are generally attributed to costs associated with the corporate functions of the public company, including personnel related costs, board fees, legal and audit fees, insurance, shareholder relations and investor relations program costs. In 2022, to support the additional activities associated with the Company's projects, the Company increased its level of personnel in the latter half of the year. The increase in 2023's annual G&A expenses compared with the previous year reflects a full year of these additional costs in 2023 versus only a partial year in 2022.

**Share-based compensation expense** represents the fair value of stock options granted by the Company under its long-term incentive program. For the year ended December 31, 2023, the Company granted a total of 4.2 million stock options to its directors, executive officers and management and a total of 400,000 options to two third party firms providing advisory and consulting services to the Company. These stock options all have a one-year vesting period and the portion of the share-based compensation attributable to the year ended December 31, 2023 amounted to \$0.6 million, of which approximately \$0.5 million was expensed and the balance was capitalized to E&E assets. The Company did not grant any stock options in the year ended December 31, 2022.

**Finance costs** during the year ended December 31, 2023 amounted to \$1.4 million and included the following major items:

- Issuance costs of \$0.6 million associated with the private placement of Convertible Debentures in October 2023;
- Interest paid on the Convertible Debentures totaling \$0.4 million for the final two months of 2023; and,
- Accretion of interest in the amount of \$0.4 million on the amount payable in connection with the acquisition of the RNR joint venture investment. The total amount payable in instalments in 2024 of EUR 22.5 million (equivalent to \$24.5 million) was recorded at a discounted amount equivalent to \$21.0 million on the acquisition date and will be accreted with a charge to earnings over the period to December 31, 2024.

The Company recognized a **loss on financial instruments** in 2023 of \$7.0 million including:

- \$0.3 million in connection with the Units issued in the Rights Offering completed by the Company on March 2, 2023; and
- \$6.7 million for the change in fair value of the Convertible Debentures issued in October 2023 through to the end of 2023, largely driven by an increase in the Company's share price over that period.

In February 2023, the Company and Aris Mining mutually agreed to terminate the license agreement at the Guia Antigua Project in Colombia and Aris Mining reimbursed the Company for exploration expenditures incurred by the Company in 2021 and 2022 in the amount of approximately COP 10.7 billion (equivalent to approximately \$2.2 million) in cash. At the end of 2022, the Company had recognized an **impairment charge** of \$4.3 million to reflect the recoverable amount for the Guia Antigua Project. In the first quarter of 2023, as a result of the disposal of this foreign operation, the Company recognized the **accumulated foreign currency translation adjustment**, previously included in accumulated other comprehensive loss on the balance sheet, of \$1.9 million in the consolidated statement of operations.

### **Net loss**

The Company reported a **net loss** of \$9.4 million (\$0.15 per share) in the fourth quarter of 2023 bringing the net loss for the full year in 2023 to \$14.4 million (\$0.27 per share) compared with a net loss of \$7.4 million (\$0.36 per share) in 2022. In addition to G&A expenses of \$3.8 million, the 2023 net loss includes a \$7.0 million non-cash loss on financial instruments, \$1.4 million of finance costs and a \$1.9 million non-cash charge for accumulated foreign currency translation adjustments related to its disposition of the Guia Antigua Project. The 2022 net loss included \$3.2 million of G&A costs and a \$4.3 million impairment charge related to the disposition of the Guia Antigua Project.

### **Summary of Quarterly Results**

\$000's except per share data	2023				2022			
	4 <sup>th</sup> Qtr	3 <sup>rd</sup> Qtr	2 <sup>nd</sup> Qtr	1 <sup>st</sup> Qtr	4 <sup>th</sup> Qtr	3 <sup>rd</sup> Qtr	2 <sup>nd</sup> Qtr	1 <sup>st</sup> Qtr
Net loss	\$ 9,391	\$ 965	\$ 942	\$ 3,138	\$ 5,147	\$ 678	\$ 798	\$ 805
Per share - basic and diluted	0.15	0.02	0.02	0.11	0.25	0.03	0.04	0.04
Exploration and capital expenditures	3,435	3,816	4,347	3,417	2,068	2,368	2,502	2,150

Results of operations can vary significantly by quarter as a result of a number of factors. The Company's level of activity and expenditures during a specific quarter are influenced by the level of working capital, the availability of external financing, the time required for ongoing administration and maintenance of the Company and its exploration and mining projects. Changes in assumptions used in the determination of fair value estimates for the Convertible Debentures including, but not limited to, volatility factors, risk-free rates, stock price and credit spreads may also cause the results of operations to vary significantly by quarter.

The net loss for the fourth quarter of 2023 included a loss on fair value of the Convertible Debentures of \$6.7 million and finance costs of \$1.4 million including issuance costs and interest expense associated with the Convertible Debentures and costs associated with the accretion of the amount payable related to the acquisition of the RNR joint venture investment.

The net losses for the first quarter of 2023 and the fourth quarter of 2022 included non-cash charges of \$1.9 million and \$4.3 million, respectively, related to the termination and disposition of the Guia Antigua Project license agreement.

### **Liquidity and Capital Resources**

The Company's capital management objective is to have sufficient capital to be able to execute its business plan. The Company manages its capital structure, and makes adjustments to it, in the light of changes in

economic conditions and the risk characteristics of the underlying E&E and mining assets. The continued exploration and development of the Company's E&E and mining assets is dependent on the ability of the Company to secure sufficient funds through operations or other sources. Such funds may not be available on acceptable terms or at all.

The Company completed two equity financings in early 2023 raising total net proceeds of approximately \$11.2 million to fund its continuing exploration and development programs at the Lomero and Toral Projects and for working capital and general corporate purposes. In addition, the Company received approximately \$2.2 million in February 2023 from Aris Mining in conjunction with the termination of its Guia Antigua Project that was used by the Company to fund a portion of its construction activities at its Zancudo Project in 2023. In October 2023, the Company closed the Convertible Debentures offering raising net proceeds of approximately \$14.3 million to fund its construction activities at its Zancudo Project and for working capital and general corporate purposes. The Company also deposited \$1.8 million of the net proceeds from the Convertible Debentures offering into a trust account to fund the first 12 monthly interest payments on the Convertible Debentures commencing November 2023.

The Company currently has no production and has no source of revenue. Further, during the year ended December 31, 2023, the Company reported a net loss of \$14.4 million (including non-cash charges totaling approximately \$10.7 million) and net cash used in operating activities of \$2.6 million.

As at December 31, 2023, the Company has cash and cash equivalents of \$7.6 million and a working capital deficiency of \$39.7 million. The working capital deficiency includes:

- \$22.7 million for the Convertible Debentures which are not repayable in cash within the next 12 months;
- \$4.4 million for the amount payable from EMI to Europa which is expected to be converted to equity of EMI by Europa on the Company's exercise of its First Option under the Toral Definitive Agreement; and,
- \$21.7 million (undiscounted total of EUR 22.5M) for the amount payable in connection with the acquisition of the RNR joint venture investment, of which approximately \$17.4 million relates to the instalments due at the end of June, September and December 2024 (totaling EUR 17.5M on an undiscounted basis) that the Company expects to re-negotiate with the RNR Shareholder Group (see page 6) in conjunction with the potential integration of Aguablanca and Lomero.

The Company will require additional sources of capital to fund ongoing operational requirements, planned exploration, development and capital expenditures related to its mineral property and E&E assets, and the amount payable related to the acquisition of the RNR joint venture investment. To continue as a going concern, the Company must generate sufficient operating cash flow to fund these requirements or secure new funding. Subsequent to December 31, 2023, the Company closed the sale on March 27, 2024 of a 3% NSR on future production from its Zancudo Project, receiving cash proceeds totaling \$5.0 million. In April 2024, the Company announced that it is arranging a secured prepayment financing of up to \$10.0 million with Trafigura in conjunction with a long-term offtake contract for concentrate production from Zancudo. The proceeds of the prepayment financing will be funded as the Company reaches prescribed milestones during the completion of its construction activities at the Zancudo Project in 2024. Also, as outlined in the PEA for the Zancudo Project, the Company expects to commence mining operations at Zancudo in 2024, providing a source of production and internally generated cash flow. The Company continues to evaluate other options to raise additional funding, including gross proceeds of up to CA\$25.6 million which may be received in the future from the exercise of the Rights Warrants and the Private Placement Warrants. There can be no assurance that these initiatives will be successful. These material uncertainties cast significant doubt as to

the ability of the Company to meet its business plan and obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

The Company believes that the going concern assumption is appropriate for the Financial Statements and that it will be able to fund its operational requirements and planned exploration and capital programs during the upcoming year and beyond. There is no guarantee that the Company will be successful in its endeavors and no certainty as to the timing of the Company's impending exploration and development programs or the commencement of mining operations at its Zancudo or Aguablanca Projects. Should the going concern assumption not be appropriate and the Company is not able to realize its assets and settle its liabilities, the Financial Statements of the Company would require adjustments to the amounts and classifications of assets and liabilities, and these adjustments could be material.

### **Operating activities**

Net cash used in operating activities in 2023 amounted to \$2.6 million compared to \$3.3 million in 2022. The 2023 operating cash outflow primarily reflected the Company's G&A expenses of \$3.8 million (2022 – \$3.2 million), net of finance income of approximately \$0.2 million (2022 - \$0.1 million) and changes in non-cash working capital items.

### **Investing activities**

Net cash used in investing activities in 2023 amounted to \$15.7 million compared with \$9.5 million in 2022, including:

- \$10.6 million of expenditures on the Company's E&E assets, up from \$8.7 million in 2022, including \$2.6 million of expenditures during the first year of the Toral Definitive Agreement, \$6.0 million of expenditures at the Lomero Project and \$2.0 million of expenditures at the Zancudo Project;
- \$4.4 million for capital expenditures, up from \$0.4 million in 2022, primarily reflecting the Company's construction activities at the Zancudo Project in 2023 in preparation for the commencement of mining operations in 2024;
- \$2.8 million for the initial cash payment of EUR 2.5 million in conjunction with the acquisition of a 50% interest in the RNR joint venture;
- \$0.1 million for deferred acquisition costs incurred in 2023 in connection with the acquisition of the assets of CRI related to the Lomero Project compared with \$0.3 million last year; and
- net of \$2.2 million of cash received from Aris Mining in February 2023 in connection with the termination of the Guia Antigua license agreement.

Total exploration and capital expenditures by project over the trailing eight quarters is as follows:

\$'000's	2023					2022				
	Year	4 <sup>th</sup> Qtr	3 <sup>rd</sup> Qtr	2 <sup>nd</sup> Qtr	1 <sup>st</sup> Qtr	Year	4 <sup>th</sup> Qtr	3 <sup>rd</sup> Qtr	2 <sup>nd</sup> Qtr	1 <sup>st</sup> Qtr
Lomero Project	\$ 6,057	\$ 625	\$ 1,340	\$ 1,759	\$ 2,333	\$ 7,635	\$ 1,695	\$ 2,035	\$ 2,005	\$ 1,900
Zancudo Project	6,310	2,230	1,557	1,751	772	226	123	103	-	-
Toral Project	2,622	580	919	837	286	-	-	-	-	-
Guia Antigua Project	26	-	-	-	26	1,227	250	230	497	250
Total expenditures	\$ 15,015	\$ 3,435	\$ 3,816	\$ 4,347	\$ 3,417	\$ 9,088	\$ 2,068	\$ 2,368	\$ 2,502	\$ 2,150

## **Financing activities**

Net cash provided by financing activities in 2023 was \$23.8 million, compared with a use of \$0.1 million in 2022, primarily representing the aggregate net proceeds received in the Rights Offering, Private Placement and Convertible Debentures Offering as outlined on page 4 of this MD&A. The \$4.4 million amount payable from EMI to Europa at December 31, 2023 will be converted to equity by EMI on the Company's exercise of its First Option under the Toral Definitive Agreement.

## **Related Party Transactions**

In connection with the Rights Offering, certain officers and directors who acted as Standby Guarantors received a total of 1,972,716 Rights Warrants issued as a bonus to the Standby Guarantors.

The Company entered into a 12-month consulting and advisory agreement effective June 1, 2023 for services to be provided by a firm affiliated with a non-executive director of the Company related to social and environmental matters at the Company's Zancudo Project. During the year ended December 31, 2023, the Company incurred a total of \$110,000 in fees with this firm, of which \$15,000 was included in accounts payable and accrued liabilities at December 31, 2023.

Aris Mining paid COP 10.7 billion (equivalent to approximately \$2.2 million) on February 27, 2023 to the Company in connection with the termination of the license agreement associated with the Guia Antigua Project.

During the year ended December 31, 2022, a total of approximately \$0.4 million of costs and expenses in connection with managerial, administrative, exploration and technical support were paid by Aris Mining, a shareholder of the Company, and certain of its subsidiaries on behalf of the Company. Reimbursements of these costs and expenses by the Company were made to Aris Mining and its subsidiaries a short time thereafter at the exchange amount agreed to between the parties. There were no transactions of this nature in 2023.

During the years ended December 31, 2023 and 2022, key management personnel comprised the Company's Executive Chairman & Chief Executive Officer, the Chief Financial Officer, the General Counsel & Secretary and the non-executive directors. In addition to their short-term employee benefits, comprised of salaries or director fees, as applicable, executive officers and non-executive directors also received share-based compensation through participation in the Company's long-term incentive program, which includes the stock option plan. During the year ended December 31, 2023, the Company granted a total of 2,650,000 stock options to its executive officers and non-executive directors (2022 – nil stock options).

Key management personnel compensation comprised the following:

	2023	2022
Salaries, benefits and directors' fees	\$ 928	\$ 959
Share-based compensation issued	365	-
	<u>\$ 1,293</u>	<u>\$ 959</u>

These transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## **Financial Instruments**

The carrying value of cash and cash equivalents, other receivables, accounts payable and accrued liabilities and amount payable by EMI to Europa approximate their fair values as they are short-term in nature.

The Convertible Debentures are a financial liability and have been designated at FVTPL. As such, the Convertible Debentures were recorded at fair value at inception, being equal to the principal amount, and are subsequently remeasured with the change in fair value being recognized in the statement of operations, except the portion of the change in fair value due to changes in the Company's credit risk, which is recognized in the statement of other comprehensive income. The fair value of the Convertible Debentures at December 31, 2023 of \$22.7 million (principal amount - CA\$20.6 million) has been determined using the finite-differences method model and level 2 fair value inputs that capture all the features of the Convertible Debentures, including the Conversion Option, Company share price of CA\$0.51 per share, share price volatility of 106.49%, risk free interest rate of 3.14%, dividend yield of 0.00% and credit spread of 51.07%. During the year ended December 31, 2023, the Company recorded a loss on fair value of \$6.7 million in the statement of operations and a loss of \$0.2 million related to the change in credit risk was recognized in the statement of other comprehensive loss.

## **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

## **Accounting Policy Changes**

The Company has adopted the following revised IFRS amendments effective January 1, 2023 with no impact to the Company. These changes were made in accordance with the applicable transitional provisions and had no impact on the Interim Financial Statements of the Company.

### *IAS 1 – Presentation of Financial Statements and IFRS 2 Practice Statement 2*

The IASB issued Disclosure of Accounting Policies which requires companies to disclose their material accounting policies rather than their significant accounting policies, clarifying that accounting policies related to immaterial transactions, other events or conditions that are themselves immaterial need not be disclosed, and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

### *IAS 8 – Definition of Accounting Estimates*

The IASB has issued an amendment to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors to introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

### *IAS 12 – Income Taxes*

The IASB has issued an amendment to IAS 12 – Income Taxes to narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary



differences.

### **Critical Accounting Estimates**

The preparation of the consolidated financial statements requires management to make significant estimates and assumptions in determining carrying values. Estimates are continuously evaluated and are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ significantly from the amounts included in the consolidated financial statements. The critical estimates applied in the preparation of the Company's Financial Statements are consistent with those applied and disclosed in Note 4 to the Financial Statements.

#### *E&E assets*

E&E assets are tested for impairment when indicators of impairment are present. In assessing impairment for E&E assets, the Company is required to apply judgment in considering various factors that determine technical feasibility and commercial viability.

The Company has incurred E&E costs during the year ended December 31, 2023 at its Lomero, Toral, Zancudo and Phosphates Projects. As described on page 16, the Company recorded an impairment charge related to its Guia Antigua Project in the fourth quarter of 2022 which required significant judgment.

#### *Joint arrangements*

As described on page 7, the Company acquired a 50% interest in RNR on November 29, 2023. The determination of the Company having joint control and the classification of the investment as a joint venture required significant judgement.

#### *Convertible Debentures*

The Convertible Debentures have been designated at FVTPL. Fair values have been determined based on valuation methodologies that capture all of the features of the Convertible Debentures to arrive at the value of these Convertible Debentures. The fair value estimates are based on numerous assumptions including, but not limited to, volatility factors, risk-free rates, stock price and credit spreads. The fair value estimates may differ from actual fair values and these differences may be significant and could have a material impact on the Company's financial position and results of operations.

#### *Share-based payments*

The factors affecting stock-based compensation include estimates of when stock options might be exercised and share price volatility. The timing of exercise of options is out the Company's control and will depend upon a variety of factors, including the market value of the Company's shares and financial objectives of the share-based instrument holders. The Company uses historical data to determine volatility in accordance with appropriate fair value methodology. However, the future volatility is uncertain, and the model has its limitations.

## **Recent Accounting Pronouncements**

### *New accounting standards issued but not yet effective*

#### *IAS 1 – Presentation of Financial Statements*

The IASB has issued an amendment to IAS 1, Presentation of Financial Statements providing a more general approach to the classification of liabilities. The amendment clarifies that the classification of liabilities as current or non-current depends on the rights existing at the end of the reporting period as opposed to management's intentions or expectations of exercising the right to defer settlement of the liability. Management would classify debt as non-current only when the Company complies with all the conditions at the reporting date. The amendments further clarify that settlement of a liability refers to the transfer of cash, equity instruments, other assets or services to the counterparty. The amendment is effective for annual periods beginning on or after January 1, 2024 and is to be applied retrospectively, with early adoption permitted. The extent of the impact of adoption of this standard has not yet been determined.

## **Disclosure Controls and Procedures and Internal Controls Over Financial Reporting**

Disclosure controls and procedures and internal controls over financial reporting have been designed to provide reasonable assurance that all material information related to the Company is identified and communicated on a timely basis.

At December 31, 2023, the Company was listed on the TSXV. TSXV listed companies are not required to provide representations in their annual and interim filings relating to the establishment and maintenance of DC&P and ICFR, as defined in Multinational Instrument 52-109. In particular, the Chief Executive Officer and the Chief Financial Officer certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) processes to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with the issuer's GAAP.

## **Risks and Uncertainties**

Exploration, development and mining of precious and other metals involve numerous inherent risks as a result of the economic conditions in the various areas of operation. As such, the Company is subject to several financial, operational and political risks that could have a significant impact on its profitability and levels of operating cash flows. Although the Company assesses and minimizes these risks by applying high operating standards, including careful management and planning of its facilities, hiring qualified personnel and developing their skills through training and development programs, these risks cannot be eliminated.

Readers are encouraged to read and consider the risk factors which are more specifically described under the caption "*Risk Factors*" in the Company's Annual Information Form dated as of April 25, 2024 which is available for view under Denarius Metals' profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). Such risk factors could materially affect the future operating results of the Company and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

### Cautionary Note Regarding Forward Looking Statements

Certain statements in this MD&A constitute forward-looking information. Often, but not always, forward-looking statements use words or phrases such as: "expects", "does not expect" or "is expected", "anticipates" or "does not anticipate", "plans" or "planned", "estimates" or "estimated", "projects" or "projected", "forecasts" or "forecasted", "believes", "intends", "likely", "possible", "probable", "scheduled", "positioned", "goal", "objective" or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Such forward-looking statements, including but not limited to statements with respect to anticipated business plans or strategies, including future exploration activities that may be carried out by the Company, involve known and unknown risks, uncertainties and other factors which may cause the actual actions, events and results to be materially different from estimated actions, events or results expressed or implied by such forward-looking statements. The Company believes the expectations reflected in these forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon. Factors that could cause actual results to differ materially from those anticipated in these forward-looking statements are described under the caption "*Risk Factors*" in the Company's Annual Information Form dated as of April 25, 2024 which is available for view under Denarius Metals' profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws.