SIERRA MADRE GOLD AND SILVER LTD.
(Formerly L1 Capital Corp.)

Management Discussion and Analysis of the Financial Position and Results of Operations for the Year Ended December 31, 2020

April 30, 2021

To Our Shareholders

Sierra Madre Gold and Silver Ltd. (the "Company") was incorporated on October 10, 2017 and since that time has been reviewing business opportunities in the mineral exploration industry. In November 2020, through a reverse take-over transaction, it acquired an interest in the Tepic silver-gold property in Mexico. The Company was incorporated as L1 Capital Corp. and changed its name to Sierra Madre Gold and Silver Ltd. on December 15, 2020. The Company received a conditional listing approval from the TSX Venture Exchange on March 25, 2021 and its shares commenced trading under the ticker symbol "SM" on April 19, 2021.

On November 30, 2020, the Company completed a merger (reverse take-over – "RTO") with a private BC company, Sierra Madre Holdings Ltd. ("Sierra Madre Holdings"), whereby the Company, the legal acquirer, acquired all of the issued and outstanding shares of Sierra Madre Holdings, the legal subsidiary, through a share exchange agreement. Upon completion of the transaction, the shareholders of Sierra Madre Holdings effectively gained control of the Company, thereby resulting in Sierra Madre Holdings becoming the accounting parent. The Company's consolidated financial statements for the years ended December 31, 2020 and 2019 represent the continuation of the financial statements of Sierra Madre Holdings except as to share capital structure, which has been retroactively restated to reflect the legal capital of the Company.

This Annual Management Discussion and Analysis ("MD&A") provides information on the Company's activities for the year ended December 31, 2020, and subsequent activity to the date of this report. Consequently, the following discussion and analysis of the financial condition and results of operations of the Company should be read in conjunction with the audited consolidated financial statements of the Company and the notes thereto for the years ended December 31, 2020 and 2019 prepared in accordance with International Financial Reporting Standards ("IFRS"). Unless otherwise stated, all amounts herein are expressed in Canadian dollars.

Overall Performance and Outlook

Highlights of the Company's activities during the period under review are as follows:

- completed a 1-for-1.5 consolidation of its common shares effective September 18, 2020. All references to shares and per-share amounts are post-consolidation amounts;
- completed a private placement in June 2020 by issuing 14,161,107 shares at a price of $0.15 per share for proceeds of $2,124,167;
- completed a private placement of 30,643,500 subscription receipts at a price of $0.50 per subscription receipt in October 2020 for gross proceeds of $15,321,750. Each subscription receipt automatically converted into one common share of the Company on March 28, 2021, three days after the Company received a conditional listing approval from the TSX Venture Exchange;
- completed a merger (RTO) on November 30, 2020 with Sierra Madre Holdings; and
- received a conditional listing approval from the TSX Venture Exchange on March 25, 2021 and its shares commenced trading under the ticker symbol "SM" on April 19, 2021;
- granted 4,985,000 stock options to directors, management personnel, and consultants, subject to acceptance by the TSX Venture Exchange (see *"Outstanding Share Data"*).

The Company is currently conducting exploration work in preparation for a drill program at Tepic and reviewing additional projects of merit.

Reverse Take-Over Transaction

On November 30, 2020, the Company completed a three-cornered amalgamation with Sierra Madre Holdings. Under the terms of the amalgamation agreement, the Company acquired all of the issued and outstanding common shares of Sierra Madre Holdings by issuing 31,938,887 of its common shares, on a one-for-one basis, through a share exchange agreement. The result of this transaction is that the shareholders of Sierra Madre Holdings effectively gained control of the Company, thereby constituting a reverse acquisition whereby the Company (the legal parent) has been treated as the accounting subsidiary and Sierra Madre Holdings (the legal subsidiary) has been treated as the accounting parent.

The Company does not meet the definition of a business under IFRS 3, *Business Combinations,* and therefore the transaction has been treated as an asset acquisition and not as a business combination and has been accounted for as a capital transaction under IFRS 2 – *Share-Based Payments*. The transaction is considered a purchase of the Company's net assets and has been accounted for as an issuance of shares by Sierra Madre Holdings to acquire the net assets of the Company.

Upon completion of the amalgamation, each shareholder of Sierra held a proportional interest in 4% of the capital stock of the combined company and each shareholder of Sierra Madre Holdings held a proportional interest in 96% of the capital stock of the combined company.

The transaction purchase price has been allocated as follows:

Consideration:		
Fair value of 1,356,001 shares retained by the Company's shareholders (deemed issued by Sierra Madre Holdings)	$	67,801
Legal fees to complete the transaction		24,786
Total purchase price		92,587
Net assets acquired:		
Cash		44,018
Subscriptions receivable		7,800
Accounts payable		(2,933)
		48,885
Transaction expense	$	43,702

The fair value of the shares retained by the shareholders of the Company was estimated at $0.05 per share based on a recent private placement. In accordance with IFRS 2, the excess of the fair value of the purchase price over the fair value of the net assets acquired has been recorded as a transaction expense.

The Company's consolidated financial statements for the years ended December 31, 2020 and 2019 represent the continuation of the financial statements of Sierra Madre Holdings except as to share capital structure, which has been retroactively restated to reflect the legal capital of the Company. Loss-per-share amounts have also been retrospectively restated to reflect the reverse take-over transaction.

Selected Annual Information

The following table summarizes selected financial information for the Company for each of the three most recent fiscal years prepared in accordance with IFRS:

		2020		2019		2018
Total assets	$	15,798,664	$	245,300	$	263,369
Cash and cash equivalents	$	15,280,736	$	42,515	$	60,584
Current assets	$	15,595,879	$	42,515	$	60,584
Mineral property	$	202,785	$	202,785	$	202,785
Current liabilities	$	524,074	$	79,071	$	110,772
Long term liabilities	$	-	$	-	$	-
Total shareholders' equity	$	15,274,590	$	166,229	$	152,597
Comprehensive loss for the year	$	1,203,470	$	221,368	$	121,841
Basic and diluted loss per share	$	0.05	$	0.02	$	0.03
Weighted-average shares outstanding		25,518,573		10,900,458		3,857,535

During 2018, the Company raised equity capital of $240,000, acquired the Tepic project and expended $110,945 in exploration and evaluation expenditures. During 2019, the Company raised equity capital of $160,000 and incurred $204,111 in exploration and evaluation expenditures to maintain and advance the Tepic project. General and administrative costs for 2018 and 2019 were minimal as the Company relied on its directors and officers who provided many of its administrative and management functions without compensation. During 2020, the Company became much more active corporately as it moved to raise capital and obtain a public listing of its shares. The Company raised equity capital of $2,124,167 and subscription receipts of $15,321,750. Exploration and evaluation expenditures at Tepic rose to $504,028 and general and administrative costs increased significantly as the Company hired consultants and began compensating its key management and other personnel.

Results of Operations

The Company had a loss and comprehensive loss of $1,203,470 for the year ended December 31, 2020 and $221,368 for the year ended December 31, 2019. Significant items included in the current and comparative losses are as follows:

		2020		2019
Accounting and audit	$	144,000	$	-
Consulting	$	75,000	$	-
Exploration and evaluation	$	504,028	$	204,111
Investor relations and promotions	$	28,982	$	-
Legal	$	70,424	$	-
Management fees	$	267,000	$	-
Travel and accommodation	$	21,619	$	11,373

From the Company's incorporation in 2017 through 2019, it was operated by its director and other key management personnel without charge. During 2020, the Company increased its corporate and exploration activities and began the process of obtaining a listing on a stock exchange. In addition to hiring consultants, the Company began compensating its administrative and geological personnel. This resulted in significantly higher expenses compared to the preceding year.

The Company incurred exploration and evaluation expenditures for the year ended December 31, 2020 of $504,028 and $204,111 for the year ended December 31, 2019. Significant items include the following:

		2020		2019
Acquisition and option payments	$	162,468	$	153,015
Geology	$	136,385	$	-
Land holding costs	$	87,636	$	35,543
Legal, license, and taxes	$	29,867	$	6,355
Mapping and survey	$	47,940	$	-
Travel and accommodation	$	13,219	$	-

Cash flows used in operations, before changes in non-cash working capital items, totalled $1,159,768 in 2020 (2019 - $221,368) and include $504,028 (2019 - $204,111) in exploration and evaluation expenses and $655,740 (2019 - $17,257) in general and administrative expenses. Changes in non-cash working capital items used cash of $20,902 in 2020 (2019 - $nil) resulting from an increase in receivables and provided cash of $132,930 (2019 - $2,113) due to an increase in accounts payable. In addition, the Company prepaid certain amounts for contractors, consultants, and key management personnel resulting in an increase in prepaid expenses of $286,441 (2019 - $nil) the bulk of which will be drawn down against services rendered over various months from January and June 2021.

Financing activities for 2020 provided cash of $16,537,813, which included net proceeds of $1,983,784 from a private placement of shares and gross proceeds $15,321,750 from a private placement of subscription receipts. The Company incurred $1,061,504 in finders' fees and legal costs in respect of the subscription receipts; $294,708 of these costs was accrued through accounts payable. These costs have been applied against the subscriptions received and will be recorded as share issuance costs upon conversion of the subscription receipts into shares of the Company.

Financing activities for the comparative year provided cash of $201,186 and resulted from a private placement of $160,000, the receipt of a subscription of $75,000 received in advance, and a net repayment of related party advances of $33,814.

Quarterly Financial Data

The Company has no operating revenue. Selected financial information set out below is based on and derives from the unaudited condensed interim consolidated financial statements of the Company for each of the quarters listed presented in accordance with IFRS:

	2020				2019			
	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sept. 30	Jun. 30	Mar. 31
Revenue	$nil	$nil	$nil	$nil	$nil	$nil	$nil	$nil
Exploration and evaluation	$250,409	$86,303	$160,807	$6,509	$126,093	$10	$76,047	$1,961
General and administrative	$280,632	$177,783	$94,388	$102,937	$5,436	$55	$2,389	$9,377
Other items	$43,702	$nil	$nil	$nil	$nil	$nil	$nil	$nil
Loss and comprehensive loss for the year	$574,743	$264,086	$255,195	$109,446	$131,529	$65	$78,436	$11,338
Loss per share: basic and diluted	$0.02	$0.01	$0.01	$0.01	$0.01	$0.00	$0.01	$0.00

During 2019, the Company incurred $204,111 in exploration and evaluation expenditures to maintain and advance the Tepic project. General and administrative costs for 2019 were minimal as the Company relied on its directors and officers who provided many of its administrative and management functions without compensation. During 2020, the Company became much more active corporately as it moved to raise capital and obtain a public listing of its shares. The Company incurred exploration and evaluation expenditures at Tepic of $504,028 and general and administrative costs increased significantly as the Company hired consultants and began compensating its key management and other personnel. During the quarter ended December 31, 2020, the Company incurred a transaction cost of $43,702 in respect of its RTO transaction.

Discussion of Fourth Quarter

The Company had a loss and comprehensive loss for the fourth quarter in the amount of $574,743, which compares to a loss and comprehensive loss of $131,529 for the comparative quarter ended December 31, 2019. The Company was very active during the quarter ended December 31, 2020 as it completed its RTO transaction and advanced its progress on its non-offering prospectus, which was filed on March 31, 2021 and was required to become a reporting issuer and obtain a listing of its shares on the TSX Venture Exchange. The Company was also more active at Tepic as it prepared for its upcoming drill program.

Cash used in operations, before changes in non-cash working capital items, was $531,041 and reflects the increased activity and higher expenses for the quarter. Changes in non-cash working capital items produced a source of cash of $251,235, which resulted primarily from an increase in accounts payable and a reduction in prepaid expenses. Financing activities during the quarter included the receipt of the balance of the private placement of subscription receipts of $7,843,000. During the quarter, the Company incurred $1,041,493 in finders' fees and legal costs in respect of the private placement of subscription receipts; $294,708 of these costs were accrued through accounts payable.

Financial Position and Liquidity

The Company has no history of profitable operations and the exploration of its Tepic mineral property is at an early stage. Therefore, it is subject to many risks common to comparable companies, including a lack of revenues, under-capitalization, cash shortages, and limitations with respect to personnel, financial and other resources. Without operating revenues, the Company is subject to liquidity risk and dependent upon meeting its future capital requirements through the issuance of capital stock.

At December 31, 2020, the Company had cash on hand of $15,280,736 (December 31, 2019 - $42,515). The increase in cash during 2020 results from the cash provided by financing activities of $16,537,813 and cash provided by investing activities of $34,589 exceeding the cash used in operating activities of $1,334,181 as discussed above.

At December 31, 2020, the Company had working capital of $15,071,805 (December 31, 2019 – deficiency of $36,556). The increase in its working capital position for the year is primarily due to the cash provided by the financings completed during the year.

Management considers the Company's current working capital resources to be sufficient to meet its overhead requirements and planned exploration activities for the ensuing twelve months and beyond. The administrative and exploration budgets are established depending on expected cash resources and such budgets are regularly adjusted according to actual cash resources. Given the current uncertainty in the capital markets, administrative and exploration expenditures will be tailored to available cash resources. In addition, the out-break of the COVID-19 pandemic has introduced further uncertainty in the capital markets, which may negatively affect the future financing prospects of the Company.

Capital Resources and Commitments

The Company has an option-to-purchase agreement on the Tepic property that calls for semi-annual payments of US$50,000, to a maximum of US$450,000 to keep the agreement in good standing. As at the date of this report, the Company had remaining payments totalling US$100,000 to make on or before April 13, 2022. These payments are option payments and can be made at the discretion of management and therefore are not firm commitments.

The Company has cash requirements to meet its ongoing overhead costs. The Company is currently well funded and management believes that it will be able to raise equity capital as required to maintain operations in the long-term, but recognizes the risks attached thereto. To date, the capital requirements of the Company have been met by equity subscriptions. Although the Company has been successful in the past in obtaining financing, there can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing will be favourable.

Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements as at December 31, 2020 or as at the date of this report.

Proposed Transactions

The Company is currently reviewing other mineral projects of interest, however, it had no proposed transactions as at December 31, 2020 or as at the date of this report.

Related Party Transactions and Key Management Compensation

The Company had transactions with related persons or corporations, which were undertaken in the normal course of operations. Key management includes directors and officers. The compensation paid or payable to key management for the years ended December 31 is as follows:

	2020	2019
Accounting	$ 90,000	$ -
Consulting	75,000	-
Geological (exploration and evaluation)	33,000	-
Investor relations and promotions	7,500	-
Management fees	267,000	-
	$ 472,500	$ -

Due to related party of $59,191 (2019 - $60,116) consists of advances made to, and expenses paid on behalf of, the Company by a director of the Company. These amounts are unsecured, non-interest bearing, and due on demand. Accounts payable includes $61,612 (2019 - $nil) due to a director of the Company for expenses paid on behalf of the Company during 2020; these amounts were reimbursed to the director subsequent to December 31, 2020. Prepaid expenses include $282,000 (2019 - $nil) in accounting, management, and geological consulting fees that were prepaid to directors and officers in 2020; these amounts will be drawn down against services rendered during various months from January to June 2021.

Changes in Accounting Policies

There were no changes in accounting policies during the current year. A detailed listing of the Company’s significant accounting policies and recent pronouncements is provided in note 2 to its consolidated financial statements for the years ended December 31, 2020 and 2019.

Critical Accounting Estimates and Judgements

The preparation of financial statements in accordance with IFRS requires management to make estimates, judgements, and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the period. Actual amounts could differ from these estimates. The Company's most significant accounting judgements relate to the determination of functional currency, the assumptions used to estimate share-based compensation, and the ongoing viability of its mineral property.

The Company has considered all primary and secondary indicators under IFRS and determined that the functional currency of its subsidiaries is the Canadian dollar. While transactions conducted outside of Canada are typically denominated in either the Mexican peso or the U.S. dollar, the subsidiary has no revenues from operations and is dependent upon the Company for financing of its operations and exploration activities, which are largely determined in Canada.

The Company uses the Black-Scholes Option-Pricing Model to estimate the fair value of options and warrants, which requires the input of subjective assumptions including the expected price volatility of the Company's common shares and the expected life and forfeiture rate of the security. Changes in these subjective input assumptions can materially affect the fair value estimate.

Management must determine if there are indicators that its right to explore its mineral property has expired or may expire in the future, that future exploration and evaluation plans are not warranted, or that the development of the property or a portion thereof is unlikely to recover existing exploration and evaluation costs. Should any of these indicators be present, the mineral property could be impaired.

Financial Instruments

The Company's financial instruments include cash and cash equivalents, which are measured at fair value through profit or loss using a Level 1 fair value measurement, and receivables, accounts payable, and due to related party, which are measured at amortized cost. The carrying values approximate their fair values due to the short-term nature of these instruments.

Risk Management

The Company is exposed to various financial risks as detailed below:

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's primary credit risk is associated with its Canadian cash balances, which are held through a major Canadian financial institution with a high investment grade rating. The Company also maintains cash balances denominated in pesos and U.S. dollars, held through a major bank in Mexico, which also has a high investment grade rating. The carrying value of the Company's cash and cash equivalents of $15,280,736 represents the Company's primary exposure to credit risk as at December 31, 2020.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value of the Company's financial instruments will fluctuate due to changes in exchange rates. As at December 31, 2020, the Company carried cash and accounts payable balances denominated in Mexican pesos and U.S. dollars, which are subject to currency risk due to fluctuations in the exchange rates with the Canadian dollar.

Due to the volatility of the exchange rates between the Canadian dollar, the peso, and the U.S. dollar, such currency risk could result in future gains or losses to the Company. Based on the Company's net monetary liabilities denominated in Mexican pesos and U.S. dollars as at December 31, 2020, a 10% fluctuation in the exchange rates of these currencies would result in a gain or loss of approximately $7,464.

Liquidity Risk

In the long-term, the Company is subject to liquidity risk such that it may not be able to meets its obligations under its financial instruments as they fall due. The Company manages this risk by maintaining cash balances to ensure that it is able to meet its short- and long-term obligations as and when they fall due. Cash projections are regularly updated to reflect the dynamic nature of the business. To date, the Company's capital requirements have been met by equity subscriptions. Although the Company has been successful in the past in obtaining financing, there can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing will be favourable.

Interest Rate Risk

Interest rate risk relates to the effect on the Company's financial instruments due to changes in market rates of interest. The Company holds cash and cash equivalents, which earn nominal interest, and has a short-term liability due to a related party, which is non-interest bearing. The Company considers its interest rate risk in respect of these instruments to be immaterial.

Disclosure for Companies without Significant Revenue

Consistent with other companies in the mineral exploration industry, the Company has no source of operating revenue. The statements of comprehensive loss included in the Company's December 31, 2020 consolidated financial statements provide a breakdown of the general and administrative expenses for the year under review. Note 5 to these financial statements includes detailed listings of the exploration and evaluation costs incurred on its mineral property.

Outstanding Share Data

Effective September 18, 2020, the Company consolidated its outstanding common shares on the basis of one post-consolidation share for every 1.5 pre-consolidation shares. All information and per-share amounts in respect of issued and outstanding shares, share purchase warrants, and loss per share have been retrospectively adjusted to reflect the consolidation.

In accordance with the reverse take-over transaction completed on November 30, 2020, the Company issued 31,938,887 of its common shares, on a one-for-one basis, through a share exchange agreement. The share capital presented in the Company's consolidated financial statements represents that of Sierra Madre Holdings, the accounting parent, except as to the legal capital structure, which has been retrospectively restated to reflect the legal capital structure of the Company, the legal parent, using the exchange ratio of one-to-one as provided by the amalgamation agreement to reflect the number of shares issued by the Company in the reverse take-over transaction. Loss-per-share amounts have also been retrospectively restated to reflect the reverse take-over transaction.

Details of the Company's outstanding shares are as follows:

	April 30 2021	December 31 2020	December 31 2019
Shares issued and outstanding	63,938,388	33,294,888	17,777,780
Outstanding warrants	1,951,565	1,951,565	-
Outstanding stock options	4,985,000	-	-
Diluted shares outstanding	70,874,953	35,246,453	17,777,780

In June 2020, the Company completed a private placement of 14,161,107 shares and on November 30, 2020, 1,356,001 shares were deemed issued as part of the RTO transaction (see *"Reverse Take-Over Transaction"*).

In October 2020, the Company completed a private placement of 30,643,500 subscription receipts. Each subscription receipt automatically converted into one common share of the Company on March 28, 2021, three days after the Company obtained a conditional listing approval from the TSX Venture Exchange. The Company also issued 1,951,565 share purchase warrants to qualified finders in respect of this placement.

A total of 19,939,114 shares held by directors, officers and seed shareholders of the Company will be held in escrow until October 19, 2021, being six months after the date that the Company obtained a listing of its shares on the TSX Venture Exchange, and will be released as to 10% on that date and 15% each six months thereafter. An additional 13,355,774 shares issued in the June 2020 private placement will be held in escrow until July 19, 2021, being three months after the date that the Company obtained its listing, and will be released as to 8.33% on that date and 8.33% each month thereafter.

On April 26, 2021, the Company granted stock options to certain directors, management personnel, and consultants to purchase an aggregate of 4,600,000 common shares of the Company at the price of $0.74 per share for a period of five years from the grant date and also granted 385,000 options to certain consultants to purchase an aggregate of 385,000 common shares at a price of $0.74 per share for a period of two years. The options are subject to certain vesting provisions and acceptance by the TSX Venture Exchange.

Note 4 to the Company's December 31, 2020 consolidated financial statements provides additional details regarding share capital and share purchase warrant activity for the year.

Mineral Properties

The Company holds an exploration agreement and option to purchase a 100% interest in the Tepic project located in the State of Nayarit, Mexico. Gregory F. Smith, P.Geo acts as the company's Qualified Person as defined in National Instrument 43-101.

Tepic

The Tepic project is located approximately 27 km south-southeast from the city of Tepic, the capital of the State of Nayarit, Mexico. The project consists of five mining concessions totaling 2612.5 hectares.

In December 2017, Sierra Madre Holdings entered into an agreement providing it with the option to purchase a 100% interest in the Tepic project. To maintain the option, the Company paid the owner an initial payment of US$50,000 and must keep the concessions in good standing during the term of the agreement and pay the owner an additional US$400,000 in semi-annual payments of US$50,000 over four years. To date, all payments required under the agreement have been made to the option holder and the agreement is in good standing. As at the date of this report, there are two remaining semi-annual payments to be made on or before April 13, 2022.

Upon completing total payments of US$450,000, the Company can exercise its option and complete the purchase of the property by either making a final payment to the owner of US$1,500,000 or granting a 3% net smelter returns royalty ("NSR"), which would be extinguished upon payment of a total of US$4,000,000 in royalty payments. Should the Company elect to grant the NSR, it would subsequently have the right to purchase the NSR from the owner at a price of US$1,000,000 for each 1% (one-third) of the NSR purchased, to a maximum of US$3,000,000 for the entire NSR.

The project has been explored and exploited on a limited scale since Spanish colonial times. Modern exploration activities began in June 2000, when Cream Minerals de México S.A. de C.V. ("Cream") began a multi-year program of road construction, trenching, sampling, geologic mapping, geochemical soil surveys, and core drilling. Between 2002 and 2011, there were 149 drill holes completed by Cream for a total of 31,574.1 meters of drilling. This work delineated five zones of interesting and potentially economic mineralization, Dos Hornos 1 and 2, Veta Tomas, Once Bocas North, and Once Bocas South. Sampling in several other areas returned assay results that warrant additional follow up work.

In 2017 the company reviewed geological information, completed field reconnaissance studies to validate drill hole locations, road building, and environmental permitting. The access and drill roads were re-opened in late 2017 with work continuing into 2018. Data base creation and deck top studies in addition to field work was carried out in 2019. In 2020 environmental permits were secured for the drilling of 67 drill holes and several site visits were made by company personnel and consultants. A current NI-43-101 compliant technical report was completed and filed on SEDAR. The authors of the report are William A. Turner, P.Geol., and Derek Loveday, P.Geo. of Stantec Consulting International LLC.

In November of 2020 an inventory of all the Cream core holes stored in a warehouse in Tepic was undertaken and a core photo library was begun. Satellite imagery was purchased for the construction of a detailed project topographic map. 1:2000 geologic mapping began in December of 2020. The Company is currently mobilizing for a drill program at Tepic and will begin its Phase 1 drill program during the second quarter of 2021. Detailed mapping, road improvements, and sampling are ongoing.

Management

The Company is dependent upon the personal efforts and commitments of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the Company's operations could result, and other persons would be required to manage and operate the Company.

Novel Coronavirus (COVID-19)

As at the date of this report, the Company's operations have not been materially affected by the Coronavirus. The Company has no staff and is currently being managed by persons who work from home. The out-break of the COVID-19 pandemic has introduced significant uncertainty in the capital markets, which may affect the ability of junior exploration companies to raise equity to fund operations and exploration activities. The financing prospects of the Company may be negatively affected should the COVID-19 pandemic persist for an extended period of time, which would affect the Company's ability to raise capital to fund its administrative overhead, maintain its interest in the Tepic project, and acquire new exploration projects. While the future impact of this outbreak is difficult to predict, the Company will continue to monitor and assess the associated risks to the Company's operations and remain prepared to respond appropriately.

Risk Factors

There are risks associated with the securities of the Company. The securities of the Company are highly speculative due to the nature of the Company's business and the present stage of its development. There is no assurance that the Company's exploration activities will result in the discovery of an economically viable mineral deposit. The Company's interest in the Tepic mineral property is subject to various risks. There can be no assurance that there are not title defects affecting the interest of the Company or the Optionor in the Tepic property. There is no assurance that the Company will be capable of exercising its option to acquire an interest in the Tepic property. Should minimum required expenditures not be maintained by the Optionor on the Tepic property, the Company could lose its interest in the property. The Company has incurred losses to date and while management considers the Company's current financial resources to be sufficient to cover planned administrative and exploration expenses beyond the next twelve months, the Company is exposed to liquidity risk in the longer term. There is no assurance such additional funding will be available to the Company through future equity financings and any additional equity financings may result in substantial dilution thereby reducing the marketability of the Company's common shares. The Company's activities are subject to the risks normally encountered in the mining exploration business. The economics of exploring, developing and operating resource properties are affected by many factors including the cost of exploration and development operations, variations of the grade of any ore mined, the rate of resource extraction, fluctuations in the price of resources produced, government regulations relating to royalties, taxes and environmental protection. The Company may become subject to liability for hazards against which it is not insured. The Tepic property have been previously explored and it is possible that previous operations have resulted in pollution or other environmental hazards that the Company could become responsible for. The Company competes with other mining companies with greater financial and technical resources. Certain of the Company's directors and officers serve as directors or officers of other public and private resource companies, and to the extent that such other companies may participate in ventures in which the Company may participate, such directors and officers of the Company may have a conflict of interest.

Controls and procedures

The CEO and CFO of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim condensed financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis. In contrast to the certificate for non-venture issuers under National Instrument ("NI") 52-109 (Certification of disclosure in an Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. Disclosure controls and procedures ("DC&P") are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting ("ICFR") are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

TSX-V listed companies are not required to provide representations in the interim and annual filings relating to the establishment and maintenance of DC&P and ICFR, as defined in NI 52-109. In particular, the CEO and CFO 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) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding the absence of misrepresentations and fair disclosure of financial information. Investors should be aware that inherent limitations on the ability of certifying officers of a TSX-V issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Cautionary Note

This document contains "forward-looking information" which includes, but is not limited to, statements with respect to the future price of metals, historical estimates of mineralization, capital expenditures, success of exploration activities, permitting time lines, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage, *the completion of regulatory approvals. In certain cases, forward-looking information can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". In making statements containing forward looking information, the Company has applied certain factors and assumptions that it believes are reasonable, including that there is no material deterioration in general business and economic conditions; that the supply and demand for, deliveries of, and the level and volatility of prices of the Company's primary metals and minerals develop as expected; that the concessions for its current and future mineral properties are renewed and maintained in good standing; that the Company receives regulatory and governmental approvals for its mineral properties on a timely basis; that the Company is able to obtain financing for the development of its mineral properties on reasonable terms; that the Company is able to procure equipment and supplies in sufficient quantities and on a timely basis; that exploration timetables and capital costs for the Company's exploration plans are not incorrectly estimated or affected by unforeseen circumstances; that any environmental and other proceedings or disputes are satisfactorily resolved; and that the Company maintain its ongoing relations with the other parties to the option agreements on the Tepic property. However, statements containing forward-looking information involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors may include, among others, actual results of current exploration activities; future metal prices; accidents, labour disputes and other risks of the mining industry; the risk that the concession for the Tepic property is not renewed; delays in obtaining governmental or regulatory approvals or financing or in the completion of exploration activities. 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 as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.*

Approval

The Board of Directors of the Company has approved the disclosure contained in this Annual MD&A, a copy of which will be provided to any interested parties upon request.

Respectfully submitted
On Behalf of the Board of Directors

"Alex Langer"
____
Alex Langer, President & CEO