SIERRA MADRE GOLD AND SILVER LTD.

Management Discussion and Analysis of the Financial Position and Results of Operations for the Year Ended December 31, 2021

April 26, 2022

To Our Shareholders

Sierra Madre Gold and Silver Ltd. (the "Company") was incorporated on October 10, 2017 as L1 Capital Corp. and changed its name to Sierra Madre Gold and Silver Ltd. on December 15, 2020. In November 2020, through a reverse take-over transaction, it acquired an interest in the Tepic silver-gold property in Mexico (see *"Reverse Take-Over Transaction"*). The Company's shares commenced trading on the TSX Venture Exchange under the ticker symbol "SM" on April 19, 2021.

This Annual Management Discussion and Analysis ("MD&A") provides information on the Company's activities for the year ended December 31, 2021, 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, 2021 and 2020 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:

- obtained a listing on the TSX Venture Exchange and its shares commenced trading under the ticker symbol "SM" on April 19, 2021;
- issued 30,643,500 shares from treasury upon the automatic conversion of subscription receipts, which were issued in a private placement in October 2020 at a price of $0.50 per subscription receipt for gross proceeds of $15,321,750;
- granted 4,985,000 stock options to directors, management personnel, and consultants;
- entered into an option agreement on the 357-hectare La Tigra property located 148 kilometres north of the Tepic project;
- completed a 2,136-meter Phase-1 drill program and commenced a 5,000-meter trenching program at its Tepic property in Mexico;
- commenced mapping, sampling, and trenching programs at its La Tigra property; and
- commenced a Phase-2 drill program at Tepic and a Phase-1 drill program at La Tigra.

The Company is currently well funded, conducting exploration work at Tepic and La Tigra, and reviewing additional projects of merit.

Reverse Take-Over Transaction

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, 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 was 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 was 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 the Company 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 Company's consolidated financial statements for the years ended December 31, 2021 and 2020 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:

		2021		2020		2019
Total assets	$	10,931,783	$	15,798,664	$	245,300
Cash and cash equivalents	$	10,206,323	$	15,280,736	$	42,515
Current assets	$	10,723,639	$	15,595,879	$	42,515
Mineral property	$	202,785	$	202,785	$	202,785
Current liabilities	$	141,872	$	524,074	$	79,071
Long term liabilities	$	-	$	-	$	-
Total shareholders' equity	$	10,789,911	$	15,274,590	$	166,229
Exploration and evaluation expenditures	$	2,450,552	$	504,028	$	204,111
Share-based compensation	$	2,625,190	$	-	$	-
Comprehensive loss for the year	$	7,112,179	$	1,203,470	$	221,368
Basic and diluted loss per share	$	0.13	$	0.05	$	0.02
Weighted-average shares outstanding		56,720,807		25,518,573		10,900,458

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 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.

During 2021, the Company continued with fieldwork at Tepic, including drilling, and commenced work at its newly optioned La Tigra project increasing exploration and evaluation expenditures to $2,450,552 for the year. General and administrative costs rose significantly after the Company obtained its listing and increased its corporate and exploration activity. In addition, the Company granted 4,985,000 incentive stock options to directors, officers, and consultants and recorded share-based compensation of $2,625,190.

Results of Operations

The Company had a loss and comprehensive loss of $7,112,179 for the year ended December 31, 2021 and $1,203,470 for the year ended December 31, 2020. Significant items included in the current and comparative losses are as follows:

		2021		2020
Accounting and audit	$	164,542	$	144,000
Consulting	$	15,000	$	75,000
Director fees	$	81,000	$	-
Exploration and evaluation	$	2,450,552	$	504,028
Investor relations and promotions	$	928,629	$	28,982
Legal	$	149,568	$	70,424
Management fees	$	384,000	$	267,000
Share-based compensation	$	2,625,190	$	-
Stock exchange and filing	$	87,457	$	17,928
Travel and accommodation	$	73,388	$	21,619

From the Company's incorporation in 2017 through 2019, it was operated by a 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 primarily beginning in July 2020.

During 2021, the Company obtained its stock exchange listing and with the concurrent financing, increased its corporate and exploration activities significantly. Accordingly, with a full twelve months of operations, the Company experienced significant increases in general and administrative expenses including accounting and audit, director fees, investor relations and promotions, and management fees. Obtaining the Company's listing resulted in higher legal and filing costs and the Company launched several promotional campaigns and attended several conferences to increase investor and market awareness of the Company's recent listing, which resulted in significantly higher costs for investor relations, promotions, and travel. In addition, the Company granted 4,985,000 incentive stock options and recorded share-based compensation (a non-cash item) of $2,625,190.

Exploration expenditures increased significantly in 2021 as the Company made scheduled option payments and conducted a number of different exploration programs at both its Tepic and La Tigra projects. The Company incurred exploration and evaluation expenditures for the year ended December 31, 2021 of $2,450,552 compared to $504,028 for the year ended December 31, 2020. Expenditures for 2020 relate solely to the Tepic project. Significant items include the following:

		2021		2020
Option payments	$	453,721	$	162,468
Assays	$	208,931	$	1,822
Drilling	$	231,620	$	-
Geology	$	803,831	$	136,385
Land holding costs	$	62,704	$	87,636
Legal	$	133,052	$	29,867
Local labour	$	113,172	$	-
Travel and accommodation	$	152,775	$	13,219

Cash Flows

The main components of the Company's cash flows for the current and comparative years include the following:

		2021		2020
General and administrative expenses	$	(2,034,141)	$	(655,740)
Exploration and evaluation expenses		(2,450,552)		(504,028)
Changes in non-cash working capital items		(215,119)		(174,413)
Cash acquired upon acquisition of subsidiary		-		34,589
Purchase of equipment		(7,655)		-
Payment of accrued share issuance and transaction costs		(310,065)		-
Repayment of advances made by a director		(59,191)		(925)
Subscription receipts received in advance		-		15,321,750
Payment of subscription receipts issuance costs		-		(766,796)
Cash received from the issuance of shares		2,310		1,983,784
	$	(5,074,413)	$	15,238,221

Cash used for general and administrative and exploration and evaluation expenses was significantly higher in the current year as discussed above. Changes in non-cash working capital items for the current year include an increase of $206,529 in prepaid expenses primarily due to certain advances made for investor relations and promotional initiatives that were in progress or had not begun as at December 31, 2021; for the comparative year, there was a $286,441 increase in prepaids resulting mostly from the prepayment of certain amounts for contractors, consultants, and key management personnel, which were drawn down against services rendered over various periods up to June 30, 2021. In addition, during 2021 the Company repaid advances due to a director and paid legal fees and finders' fees that were accrued during 2020 and which related to the issuance of the subscription receipts and the completion of the RTO transaction.

During 2021, the Company received $2,310 from the exercise of warrants; during the comparative year the Company completed a private placement for net proceeds of $1,983,784 and received $15,321,750 in subscription receipts in advance of completing its going-public transaction that closed in March 2021. The Company incurred $1,061,504 in finders' fees and legal costs in respect of the subscription receipts; $294,708 of these costs were accrued through accounts payable and paid during 2021.

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:

	2021				2020			
	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sept. 30	Jun. 30	Mar. 31
Exploration and evaluation	$765,191	$600,234	$887,129	$197,998	$250,409	$86,303	$160,807	$6,509
General and administrative (excluding share-based compensation)	$451,051	$497,153	$855,148	$233,085	$280,632	$177,783	$94,388	$102,937
Share-based compensation	$389,778	$746,043	$1,489,369	$nil	$nil	$nil	$nil	$nil
Other items	$nil	$nil	$nil	$nil	$43,702	$nil	$nil	$nil
Loss and comprehensive loss for the year	$1,606,020	$1,843,430	$3,231,646	$431,083	$574,743	$264,086	$255,195	$109,446
Loss per share: basic and diluted	$0.03	$0.03	$0.05	$0.01	$0.02	$0.01	$0.01	$0.01

During 2020, the Company became very 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 second half of 2020. During the quarter ended December 31, 2020, the Company incurred a transaction cost of $43,702 in respect of its RTO transaction.

During the quarter ended June 30, 2021, the Company completed its going-public transaction and obtained a listing on the TSX Venture Exchange incurring higher audit, legal, stock exchange, filing, and transfer agent fees. In April 2021, the Company granted 4,985,000 incentive stock options with vesting provisions and recorded $2,625,190 in share-based compensation over the remaining three quarters of 2021. Upon completing its listing in April, general and administrative costs increased for the remaining quarters of the year as detailed above. In June 2021, the Company entered into an option agreement on the La Tigra project and in addition to making scheduled option payments under the La Tigra and Tepic agreements, the Company also conducted exploration programs at both projects resulting in significantly higher exploration and evaluation costs compared to the same quarters of 2020.

Discussion of Fourth Quarter

The Company had a loss and comprehensive loss for the fourth quarter in the amount of $1,606,020, which compares to a loss and comprehensive loss of $574,743 for the comparative quarter ended December 31, 2020. The Company was significantly more active during the current quarter than for the comparative quarter. General and administrative costs were higher due primarily to increases in investor relations and promotions costs of $160,990 and share-based compensation of $389,778. Exploration and evaluation costs increased by $514,782 due to the option of the La Tigra project and the increased activity at both the La Tigra and Tepic projects.

Cash used in operations was $1,078,391 compared to cash of $279,806 used in operations during the comparative quarter. The increase in cash used reflects the increased activity and higher administrative and exploration expenses for the quarter as detailed above. In addition, current changes in non-cash working capital items produced a source of cash of $136,990 due mostly to an increase in exploration-related accounts payable, while in the comparative quarter, cash of $251,235 was provided due mostly to an increase in accounts payable relating to legal fees in respect of the Company's listing effort and a reduction in prepaid fees paid to management, which were drawn down against services rendered during that quarter. There were no investing or financing activities during the current quarter; activities for the comparative quarter included the receipt of subscriptions in advance of its subscription receipts offering and the payment of associated issuance costs as well as the cash acquired upon closing of the RTO transaction on November 30, 2020.

Financial Position and Liquidity

The Company has no history of profitable operations and exploration of its Tepic and La Tigra mineral properties 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.

The Company's cash on hand decreased from $15,280,736 as at December 31, 2020 to $10,206,323 as at December 31, 2021 as a result of cash of $4,699,812 used in operating activities, including exploration activities, $23,012 used in investing activities, and $351,589 used in financing activities. Its working capital position (current assets less current liabilities) decreased from $15,071,805 as at December 31, 2020 to $10,581,767 as at December 31, 2021.

During the year, the Company paid or accrued general and administrative expenses of $2,034,141 (excluding non-cash items) and exploration and evaluation expenditures of $2,450,552. 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 completed all semi-annual payments required under the agreement. The Company also has an option agreement on the La Tigra property that calls for payments totalling US$1,500,000 over three years. As at the date of this report, the Company had made payments of US$150,000 under this agreement. The payments due under these agreements are optional 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 and mineral property maintenance 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 associated risks. 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. 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.

Financial Instruments

The Company's financial instruments include cash and cash equivalents, which are measured at fair value through profit or loss, 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.

Cash and cash equivalents include $10,206,323 (2020 - $13,678,435) held through current operating and savings bank accounts and $nil (2020 - $1,602,301) in short-term guaranteed investment certificates.

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 equity instruments are as follows:

	April 26 2022	December 31 2021	December 31 2020
Shares issued and outstanding	63,943,008	63,943,008	33,294,888
Outstanding warrants	1,946,945	1,946,945	1,951,565
Outstanding stock options	4,985,000	4,985,000	-
Diluted shares outstanding	70,874,953	70,874,953	35,246,453

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. In June 2021, 4,620 of these warrants were exercised.

On April 26, 2021, the Company granted stock options to certain directors, management personnel, and consultants to purchase an aggregate of 4,985,000 common shares of the Company. The options are subject to certain vesting provisions.

A total of 20,641,776 shares held by directors, officers and seed shareholders of the Company were 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 were released as to 10% on that date with tranches of 15% being released each six months thereafter. An additional 13,089,107 shares issued in the June 2020 private placement were subject to a hold period until July 19, 2021, being three months after the date that the Company obtained its listing and were released as to 8.33% on that date with tranches of 8.33% being released each month thereafter. As at December 31, 2021, there were 25,122,151 shares remaining in escrow and subject to hold periods.

Note 4 to the Company's December 31, 2021 consolidated financial statements provides additional details regarding share capital and share purchase warrant activity for the year.

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 and parties related to them for the years ended December 31 is as follows:

	2021	2020
Accounting - chief financial officer	$ 120,000	$ 90,000
Administration - exploration - relative of a director	28,112	-
Consulting - company controlled by a director	-	75,000
Director fees	81,000	-
Geological - exploration - director	90,000	33,000
Investor relations and promotions - company controlled by a director	-	7,500
Management fees:		
- company controlled by the chief executive officer	240,000	120,000
- chief operating officer	144,000	72,000
- company controlled by a director	-	75,000
	$ 703,112	$ 472,500

In addition, the Company recorded share-based compensation of $1,937,908 (2020 - $nil), which relates to incentive stock options granted to directors and officers. Share-based compensation is a non-cash item calculated using the Black-Scholes Option-Pricing Model with the assumptions detailed in Note 4 to the Company's December 31, 2021 consolidated financial statements.

As at December 31, 2021, accounts payable includes $18,734 due to an officer of the Company for expenses due for reimbursement.

During 2020, the Company had balances with related parties as follows: due to related party of $59,191 consisted of advances made to, and expenses paid on behalf of, the Company by a director of the Company. This balance was unsecured, non-interest bearing, due on demand, and repaid during 2021. Accounts payable included $61,612 due to a director of the Company for expenses paid on behalf of the Company during 2020; these amounts were reimbursed to the director during 2021. Prepaid expenses included $282,000 in accounting, management, and geological consulting fees that were prepaid to directors and officers in 2020; these amounts were drawn down against services rendered during various months from January to June 2021.

Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements as at December 31, 2021 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, 2021 or as at the date of this report.

Non-GAAP and other Financial Measures

Other than working capital (defined herein as current assets less current liabilities), the Company does not currently present any non-GAAP or other financial measures in its financial disclosures.

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, 2021 and 2020.

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 subsidiaries have no revenues from operations and are dependent upon the Company for financing of 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 rights to explore its mineral properties have expired or may expire in the future, that future exploration and evaluation plans are not warranted, or that the development of the properties or portions thereof is unlikely to recover existing exploration and evaluation costs. Should any of these indicators be present, the mineral property could be impaired.

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 and receivables of

$10,230,669 represents the Company’s maximum exposure to credit risk as at December 31, 2021 (2020 - $15,309,438).

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, 2021, 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 monetary assets and liabilities denominated in Mexican pesos and U.S. dollars as at December 31, 2021, a 10% fluctuation in the exchange rates of these currencies would result in a gain or loss of approximately $5,017 and $14,577, respectively (2020 - $4,723 and $12,187, respectively).

Liquidity Risk

Without operating revenues, 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 rates of interest, and had a short-term liability due to a related party, which was 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, 2021 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 properties.

Mineral Properties

The Company holds an exploration agreement and option to purchase a 100% interest in the Tepic project and an option agreement on the La Tigra project. Both projects are 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 2,612.5 hectares.

In December 2017, the Company entered into an agreement providing it with the option to purchase a 100% interest in the Tepic project. To maintain the option, the Company must keep the concessions in good standing during the term of the agreement and pay the owner US$450,000 in semi-annual payments of US$50,000 over four years.

As at the date of this report, the Company had completed all semi-annual payments required under the agreement and 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 desk top studies in addition to field work were 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 National Instrument ("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 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. In August 2021 the Company completed a 2,136-meter Phase-1 reverse circulation drill program at Tepic consisting of 21 holes. Reverse circulation ("RC") drilling methods were employed as the previous operator experienced poor core recovery, especially within the mineralized zones of interest.

The completion of the confirmation drilling program along with final results were announced on September 8, 2021. Highlighted results include Hole TRC012, which returned 15.2 meters ("m") of 2.23 grams per tonne ("g/t") gold ("Au") and 263 g/t silver ("Ag") (419 g/t silver equivalent ("AgEq")) and TRC013, which returned 22.9 m of 1.47 g/t Au and 119 g/t Ag (222 g/t AgEq). Intervals reported are core lengths with true width estimated to be 70 - 90% and are length-weighted averages from uncut assays reported at a 30 g/t Ag cut-off with AgEq calculated using 70 g/t Ag to 1 g/t Au.

Full recovery confirms previous drilling and in areas of previous poor core recoveries several RC holes increased the widths of known near-surface mineralization within multiple zones, which remain open at depth. Results are considered a positive step toward expanding the limits of the silver/gold mineralization and advancing the project to an NI 43-101 resource estimation. The 2021 RC drill program confirmed the results of the previous operator's core drilling, which had core recovery issues. The Company is confident that the drilling successfully validated both the grade tenor and geometry of the mineralized veins, breccias, and stockwork zones when compared to the previous core intercepts. The 2021 drilling has increased the confidence of the existing drill database and expanded the size of the drill tested silver-gold mineralization to be included in future mineral estimation studies.

In addition to the drill program, detailed mapping and sampling are ongoing. Recent exploration indicates a strike potential of over 12 kilometres. The company plans to test some of these areas by undertaking trenching and drill programs. The first phase of the trenching program, which was announced on June 18, 2021, was increased from 2,700 metres to 5,000 meters. On October 19, 2021, results of the first 11 trenches at the project were announced and highlights of the results include Trench TZ005 with 10.5 m grading 91 g/t AgEq, TZ011 with 10.1 m grading 119 g/t AgEq, and TZ011A with 9.2 m grading 543 g/t AgEq. Intervals reported are trench lengths with true width estimated to be 70 - 90% and are length-weighted averages from uncut assays reported at a 30 g/t AgEq cut-off with AgEq calculated using 75 g/t Ag to 1 g/t Au. The widths of some of the mineralized trench intervals highlight the potential to develop bulk tonnage type deposits which may be amenable to near surface open cut mining. The fact that the trenches are returning silver and gold values outside of the previously mapped vein and breccia structures reveals the presence of multiple secondary mineralized structures.

On February 8, 2022, the Company announced commencement of its Phase-2 drill program. With the success of the ongoing field work activities. including trenching, Sierra Madre has also increased its permitted drill pads from 47 to 182 drill pads. This will allow the Company to potentially drill in excess of 300 holes utilizing the same drill pads with offset drilling. The Company has also secured exploration agreements with all surface owners in the areas to be drilled. Drilling at Tepic was initially focused primarily on areas in and adjacent to historic drilling. New targets are to be methodically tested and, as new assay data is acquired, more drilling will be conducted on the new discovery targets developed by the Company's 2021 work activities.

On March 3, 2022, the Company announced that a second core rig was mobilized to Tepic. This second rig is smaller and more portable than the first while maintaining the depth capacity and large core diameter that the Company requires. The decision to mobilize a second rig is a result of the success of the trenching program, which has identified several additional drill targets and the superior assay turnaround time at the current laboratory. The new rig will focus on newly identified targets in undrilled areas within the Tepic land package. The areas of Taunas and Astassi are located multiple kilometers away from the Central area, which contains all previous drilling.

On April 12, 2022, the Company announced results from the first seven drill holes from the Phase-2 drill program. Four of the holes are up-dip extensions from the previously defined historic resource area while three are strike extensions. All seven holes intersected a minimum of three metres of 100 g/t AgEq and will significantly add to the potential size of the upcoming NI 43-101 resource report. Hole TDH006 also intersected mineralization from a known vein that was drilled past a perceived fault that was incorrectly identified by a previous operator. This continuous mineralization increases the strike-length potential by multiple kilometres for the Dos Hornos 2 Vein. Dos Hornos 2 was a substantial vein system in the historic resource area. The results include; TDH001 with 7.05m grading 124.7 g/t Ag and 0.90 g/t Au (192 g/t AgEq), TDH002 with 3.2m grading 193.8 g/t Ag and 1.36 g/t Au (296 g/t AgEq) and 12.1m grading 145.8 g/t Ag and 0.64 g/t Au (194 g/t AgEq), TDH003 with 2.25m grading 48.1 g/t Ag and 0.90 g/t Au (115 g/t AgEq), TDH004 with 6.5m grading 128.4 g/t Ag and 1.05 g/t Au (207 g/t AgEq), TDH005 with 4.8m grading 106 g/t Ag and 1.48 g/t Au (217 g/t AgEq), TDH006 with 3.25m grading 101.3 g/t Ag and 0.21 g/t Au (117 g/t AgEq), and TDH007 with 2.55m grading 878.4 g/t Ag and 3.04 g/t Au (1106 g/t AgEq). The Phase-2 drill program has been designed to test extensions of the previously defined breccia/vein structures, test newly defined targets, and infill the existing drill pattern in order to facilitate the estimation of an updated NI 43-101 compliant resource. These drill intercepts are length-weighted averages from uncut assays. Intervals reported are hole lengths with true width estimated to be 90% or greater. Gold silver ratio used to calculate AgEq is 75 g/t Ag to 1 g/t Au with a 75 g/tAgEq cut off.

La Tigra

The La Tigra project is located approximately 148 km north of the Tepic property in the State of Nayarit, Mexico. The project consists of seven mining concessions totaling 357 hectares covering most of the historical mines in the Distrito Minero Del Tigre.

In June 2021, the Company entered into an option agreement in respect of the La Tigra project. The agreement calls for payments totalling US$1,500,000 over a three-year period during which the Company is required to complete an NI 43-101 compliant technical report containing a resource estimation. The Company must inform the current owner at least 90 days before, and not sooner than 180 days before the last payment is made, of its intention to exercise its option to acquire the property.

Upon receipt of the Company's notice of intent to exercise its option on the property and delivery of the compliant technical report, the owner has 60 days to elect to contribute the property to a newly incorporated joint venture, with the Company assigned a 49% interest or to transfer a 100% interest in the property to the Company and retain a 2.5% NSR. The owner may only consider the contribution of the property to the joint venture entity if the compliant technical report contains a minimum 1,000,000 ounces of gold in the resource estimation.

If the owner does not elect to exercise the joint venture clause of the agreement, the Company will acquire 100% of the project subject to the NSR. The Company can elect to reduce the NSR to 1.5% by paying the owner US$1,500,000 at any time and subsequently to 0.5% by paying the owner a further US$1,000,000.

During the year, the Company made payments of US$150,000 under the agreement as well as paid a finder's fee of US$68,750 on the transaction.

According to reports published by Servico Geológico Mexicano ("SGM"), a department of the Mexican Federal Secretaria de Economia, gold and silver were mined in the La Tigra area by the Cora peoples and villagers prior to 1900. SGM reports state that between 2,500 and 5,000 people worked as "gold panners" in the area.

The SGM reports further state that in the early 1900's John Cleary acquired the mining rights and developed the La Tigra mine and associated workings. The La Tigra mine was exploited by an incline shaft on two principal levels with development begun on three lower levels. Production apparently ceased during the Mexican Revolution of 1910 to 1920. Beginning in 1927, Compañia Minera Unida Oriente S.A. de C.V. is reported to have invested US$500,000 in rehabilitating the mines and building new processing facilities. SGM reports that 13,110 tonnes of material grading 10 g/t gold and 358 g/t silver was processed at this time.

The most recent mining occurred between 1983 and 1991 when Compañia Minera Nayoro S.A. installed a 250 ton-per-day flotation plant. SGM reports the grade of material derived from the La Tigra mine was 10 g/t gold and 300 g/t silver. Operations were said to be restricted to pillars and stopes above the water table. There has been little exploration work done in the district since Nayoro ceased operations and sold off its equipment.

The information from the SGM reports is historical in nature and a qualified person has not verified this information and the Company has not completed sufficient work to treat this data as current. The historical data should not be relied upon.

Currently there are a small number of families that are engaged in artisanal mining within the concession. The Company immediately commenced an exploration program on the La Tigra project and plans include the compilation of historical data, surface mapping, and sampling of the principal vein structures that have been exposed by previous mining, and trenching. This work is designed to prioritize drill targets for the Phase-1 drill program. Satellite imagery was purchased for the construction of a detailed project topographic map – 1:2000 geologic mapping began in July 2021. The project has excellent infrastructure and is road accessible, located ten kilometres off of a paved highway.

On October 28, 2021, the Company reported that assays had been received for 319 reconnaissance samples with values ranging from <0.005 to 18.2 g/t Au. The average gold grade of all samples received to date is 0.48 g/t Au with 32 samples greater than 1.0 g/t Au and 10 samples greater than 3.0 g/t Au. Silver values range from <0.5 to 65.2 g/t Ag and average 3.99 g/t. Ag with 30 samples greater than 10 g/t Ag and 4 samples greater than 30 g/t Ag. Two structural systems were identified that host gold and/or silver mineralization. A gold-rich quartz-barite-hematite system which strikes to the northwest and dips 35 to 45 degrees to the southwest and a second system is silver-dominant with base metals which strikes to the northeast and dips 55 to 70 degrees to the southeast. Based on the results obtained, additional work was initiated consisting of trenching along with continuous channel sampling of road cuts where veining, stock-working, and alteration is exposed. In addition, a company has been contracted to provide satellite imagery, digital terrain models, and topographic maps. The project area has been divided into 27 blocks for detailed geologic mapping at a 1:2,000 scale.

On November 16, 2021, the Company announced the results of the first four trenches at La Tigra with intervals including LTZ01 with 8.6m grading 1.44 g/t Au and 10 g/t Ag (1.58 g/t AuEq), LTZ02 with 19.7m grading 0.46 g/t Au and 6 g/t Ag (0.54 g/t AuEq), LTZ03 with 11.6m grading 1.22 g/t Au and 7 g/t Ag (1.30 g/t AuEq), and LTZ04 with 12.8m grading 1.45 g/t Au and 9 g/t Ag (1.57 g/t AuEq) including 5.3m grading 3.22 g/t Au and 35 g/t Ag (3.69 g/t AuEq). Trench LTZ03 started in gold-silver mineralization and is currently being extended so as to determine the full width of the economically interesting zone. These first four trenches, together with the previously released reconnaissance sampling, highlight that the La Tigra project has significant gold and silver potential. No methodical modern exploration program has ever been conducted at the project and the initial results are considered positive. Data from the trenching program will be used to refine the Phase-1 drill program.

On February 8, 2022, the Company announced additional results from trench intercepts located northwest of the previously announced trenches with intervals including; LTZ06 with 4.9m grading 0.46 g/t Au and 3 g/t Ag (0.49 g/t AuEq), LTZ07 with 11.0m grading 1.03 g/t Au and 1 g/t Ag (1.05 g/t AuEq), and LTZ08 with 12.0m grading 2.85 g/t Au and 5 g/t Ag (2.91 g/t AuEq) including 4.5m grading 6.94g/t Au and 8 g/t Ag (7.05 g/t AuEq).

On February 24, 2022, the Company announced that it had received a permit authorizing the use of 30 drill pads within the La Tigra project. Multiple exploration holes can be drilled and offset from each permitted pad. In addition, the Company entered into formal surface rights exploration agreements with the surface owners at La Tigra, which allows for the commencement of the drill program. The company also reported on its ongoing Environmental, Community, and Social programs. At the time Sierra Madre began work at La Tigra, there was no school building available for the children in the La Tigra project area. The company has since funded the re-opening of the El Jejito Elementary School and hired a teacher for the children within the community.

On March 29, 2022, the Company announced additional results from its ongoing trenching program including trench intercepts LTZ09 with 6.1m grading 0.98 g/t Au and 1 g/t Ag (1.00 g/t AuEq), LTZ10 with 24.2m grading 1.59 g/t Au and 3 g/t Ag (1.63 g/t AuEq) including 4.7m grading 5.58 g/t Au and 4 g/t Ag (5.64 g/t AuEq), and LTZ11 with 22.9m grading 1.78 g/t Au and 6 g/t Ag (1.85 g/t AuEq) and 6.6m grading 3.42 g/t Au and 6 g/t Ag (1.85 g/t AuEq).

Intervals reported are trench lengths with true width estimated to be 90% or greater and are length-weighted averages from uncut assays. The gold-silver ratio used to calculate AuEq for these results is 75 g/t Ag to 1 g/t Au. Trenching was conducted manually using picks and shovels, and continuous channel samples were cut with a portable rock saw and then cleaned out with chisels.

On April 4, 2022, the Company announced commencement of its maiden drill program at La Tigra. This is the first-ever drill program undertaken within the district. La Tigra drilling will focus primarily on areas defined by the ongoing trenching program.

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. Field programs are being conducted with the assistance of consultants and contractors with adherence to the appropriate safety protocols.

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 interests in the Tepic and La Tigra projects, 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 and La Tigra mineral properties 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 properties. There is no assurance that the Company will be capable of exercising its option to acquire an interest in the properties. Should minimum required expenditures not be maintained by the Optionor on the properties, 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 has been previously explored and the La Tigra has been previously explored and mined. 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 and La Tigra properties. 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 concessions for the Tepic and/or La Tigra properties are 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

"Alexander Langer"

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Alexander Langer, President & CEO