

SIERRA MADRE GOLD AND SILVER LTD.

Interim Management's Discussion and Analysis

Quarterly Highlights

For the Nine Months Ended September 30, 2021

The Company has elected to provide "Quarterly Highlights" as provided for a venture issuer by Section 2.2.1 of National Instrument 51-102F1.

INTRODUCTION

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 Interim Management's Discussion and Analysis ("MD&A") is dated November 24, 2021 and provides information on the Company's activities for the nine months ended September 30, 2021, and subsequent activity to the date of this report. Consequently, this MD&A should be read in conjunction with the Company's September 30, 2021 condensed interim consolidated financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

Effective with the first quarter of its 2021 fiscal year, the Company elected to provide interim MD&A disclosure under the "Quarterly Highlights" regime as set out in Section 2.2.1 of National Instrument 51-102F1. Discussion of the Company, its operations and associated risks is further described in the Company's filings, which include the December 31, 2020 MD&A and audited consolidated financial statements, available for viewing at www.sedar.com.

QUARTERLY HIGHLIGHTS

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;
- acquired an interest in 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; and
- commenced mapping, sampling, and trenching programs at its La Tigra property.

Further information regarding the Company's corporate and exploration activities is provided below.

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 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 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 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 Company’s consolidated financial statements 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.

FINANCIAL CONDITION

The Company is currently well funded with cash on hand of \$11,284,714 and working capital of \$11,797,148 as at September 30, 2021.

Liquidity and Financial Resources

The Company has no history of profitable operations and the exploration of its 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 \$11,284,714 as at September 30, 2021 as a result of cash used in operating activities (\$3,621,421), investing activities (\$23,012), and financing activities (\$351,589). Its working capital position moved from \$15,071,805 as at December 31, 2020 to \$11,797,148 as at September 30, 2021 due primarily to the Company’s operating costs for the period.

During the period, the Company paid or accrued general and administrative expenses of \$1,583,951 (excluding non-cash items) and exploration and evaluation expenditures of \$1,685,361. 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.

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 one remaining payment of US\$50,000 to make on or before April 13, 2022. The Company also has an option-to-purchase agreement on the La Tigra property that calls for annual payments totalling US\$1,500,000 over three years. As at the date of this report, the Company had made the first annual payment of US\$75,000 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 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. 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 PERFORMANCE

Loss and comprehensive loss

The Company's loss and comprehensive loss for the current and comparative quarters includes the following:

	2021	2020
General and administrative expenses	\$ 497,153	\$ 177,783
Share-based compensation	746,043	-
Exploration and evaluation expenses	600,234	86,303
Loss for the quarter	\$ 1,843,430	\$ 264,086

The Company's loss and comprehensive loss for the current and comparative nine-month periods includes the following:

	2021	2020
General and administrative expenses	\$ 1,585,386	\$ 375,108
Share-based compensation	2,235,412	-
Exploration and evaluation expenses	1,685,361	253,619
Loss for the period	\$ 5,506,159	\$ 628,727

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 the TSX Venture Exchange. In addition to hiring consultants, the Company began compensating its administrative and geological personnel, which resulted in higher costs beginning primarily during the second half of 2020. Consequently, the Company's current general and administrative expenses are significantly higher compared to the prior-year periods. In addition, in April 2021 the Company granted stock options resulting in the recognition of share-based compensation, a non-cash item, totalling \$2,235,412.

Current exploration and evaluation costs are significantly higher than in the comparative quarter as the Company completed mapping and sampling programs at Tepic and La Tigra, began trenching programs at Tepic and La Tigra, and completed a Phase-1 drill program at Tepic.

Cash Flows

The main components of the Company's cash flows for the current and comparative nine-month periods include the following:

	2021	2020
General and administrative expenses	\$ (1,583,951)	\$ (375,108)
Exploration and evaluation expenses	(1,685,361)	(253,619)
Changes in non-cash working capital items	(352,109)	(425,648)
Purchase of equipment	(7,655)	-
Payment of accrued share issuance and transaction costs	(310,065)	(34,784)
Repayment of advances made by a director	(59,191)	(925)
Subscription receipts received in advance	-	7,478,750
Cash received from the issuance of shares	2,310	1,983,784
	\$ (3,996,022)	\$ 8,372,450

Cash used for general and administrative and exploration and evaluation expenses was significantly higher in the current period as discussed above. Changes in non-cash working capital items for the current period include an increase of \$237,576 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 September 30, 2021 - for the comparative period, there was a \$440,945 increase in prepaids resulting from the prepayment of certain amounts for contractors, consultants, and key management personnel, which were drawn down 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, which related to the issuance of the subscription receipts and completion of the RTO transaction. During the comparative period the Company completed a private placement for net proceeds of \$1,983,784 and received \$7,478,750 in subscription receipts in advance of completing the related private placement that closed in October 2020.

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 periods ended September 30 is as follows:

	2021	2020
Accounting - chief financial officer	\$ 90,000	\$ 60,000
Administration – geological – relative of a director	12,595	-
Consulting - company controlled by a director	-	75,000
Director fees	54,000	-
Geological - director	67,500	10,500
Investor relations and promotions – company controlled by a director	-	7,500
Management fees:		
- company controlled by the chief executive officer	180,000	60,000
- chief operating officer	108,000	36,000
- company controlled by a director	-	75,000
	<u>\$ 512,095</u>	<u>\$ 324,000</u>

In addition, the Company recorded share-based compensation of \$1,653,145 (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 September 30, 2021 condensed interim consolidated financial statements.

At December 31, 2020, the Company owed \$59,191 to a director, which consisted of advances made to, and expenses paid on behalf of, the Company. This amount was unsecured, non-interest bearing, due on demand, and was repaid in April 2021.

OUTSTANDING SHARE DATA

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, options, and warrants are as follows:

	November 24 2021	September 30 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	<u>70,874,953</u>	<u>70,874,953</u>	<u>35,246,453</u>

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.

A total of 19,939,114 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 13,355,774 shares issued in the June 2020 private placement were held in escrow 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 September 30, 2021, there were 29,955,945 shares remaining in escrow.

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 and also granted 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.

Note 4 to the Company's September 30, 2021 condensed interim consolidated financial statements provide additional details regarding share capital, stock option, and share purchase warrant activity for the period.

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 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.

MAJOR OPERATING MILESTONES

During the period under review, the Company obtained a listing of its shares on the TSX Venture Exchange and its shares commenced trading under the ticker symbol "SM" on April 19, 2021. Upon receiving its conditional listing approval, the Company issued 30,643,500 shares upon the conversion of subscription receipts that 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. In April 2021, the Company granted 4,985,000 stock options to directors, officers, and consultants. At its Tepic property in Mexico the Company continued with its mapping and sampling programs, completed a 2,136-meter Phase-1 drill program, and commenced a 5,000-meter trenching program. In June 2021, the Company entered into an agreement to acquire an interest in the La Tigra project located 148 kilometres north of the Tepic project and subsequently commenced mapping, sampling, and trenching programs at the property.

MINERAL PROPERTIES

The Company holds an exploration agreement and option to purchase a 100% interest in the Tepic project and a purchase agreement, which includes an option to convert to a joint venture, 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 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 is one remaining semi-annual payment 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 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 2,265-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 a trenching program to be followed by a Phase-2 drill program, which is currently being planned. The first phase of the trenching program, which was announced on June 18, 2021, has been 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. The Company is currently sampling trench 33. 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.

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 a purchase agreement, which includes an option to convert to a joint venture, in respect of the La Tigra project. The agreement provides the Company with the right to purchase a 100% interest in the project subject to the owner’s option to elect to form a joint venture with the Company within three years. 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 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 exercise of the option, the owner will be assigned a 2.5% NSR. 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 1.0% by paying the owner US\$1,500,000 at any time.

In the event that the NI 43-101 technical report has gold resources estimated at 1,000,000 ounces or more, the owner, at its sole discretion, can elect to form a joint venture for the purpose of placing the project into production. The joint venture company will be 51%-owned by the owner and 49%-owned by the Company. The owner has 60 days from the time it receives the NI 43-101 technical report to notify the Company of its intention to form the joint venture.

During the period, the Company paid the initial option payment of US\$75,000 as well as a finder's fee of US\$68,750 on the transaction.

According to reports published by Servicio Geológico Mexicano ("SGM"), a department of the Mexican Federal Secretaria de Economía, 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, Compañía 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 Compañía 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 with Phase-1 drilling expected to commence within the next six months. 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 29, 2021, an update on its La Tigra project included results of assays for 319 reconnaissance samples with values ranging from <0.005 to 18.2 g/t Au, averaging 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 ranged from <0.5 to 65.2 g/t Ag and averaged 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 have been identified that host gold and/or silver mineralization. A gold-rich quartz-barite-hematite system strikes to the northwest and dips 35 to 45 degrees to the southwest and a second system, which is silver dominant with base metals, 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, Geo Digital Imagen de México SA de CV was 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 results were announced for the first four trenches at the project. Highlighted results include Trench LTZ04, which returned 12.8 m of 1.45 g/t Au and 9 g/t Ag (1.57 g/t AuEq) including 5.3 m of 3.22 g/t Au and 35 g/t Ag (3.69 g/t AuEq), and LTZ03 which returned 11.6 m of 1.22 g/t Au and 7 g/t Ag (1.30 g/t AuEq). Intervals are trench lengths with true width estimated to be 90% or greater and are length-weighted averages from uncut assays, with a gold silver ratio used to calculate AuEq of 75 g/t Ag to 1 g/t Au. Trench LTZ03 started in gold-silver mineralization and is currently being extended so as to determine the full width of the economically interesting zone. 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. 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 which will start upon receipt of permits.

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 Interim 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