SIERRA MADRE GOLD AND SILVER LTD.

Management Discussion and Analysis of the Financial Position and Results of Operations for the Year Ended December 31, 2022

May 1, 2023

To Our Shareholders

Sierra Madre Gold and Silver Ltd. ("Sierra Madre" or the "Company") is a mineral exploration company incorporated in British Columbia, Canada. The Company's shares commenced trading on the TSX Venture Exchange ("TSX-V") under the ticker symbol "SM" on April 19, 2021. The Company has an interest in the Tepic silver-gold property and the La Tigra gold-silver property located in the State of Nayarit, Mexico. Effective May 25, 2022, trading in the Company's shares was halted pending completion of the acquisition of the La Guitarra silver-gold mine from First Majestic Silver Corp. and a concurrent financing and the trading halt remains to date (see *Acquisition of La Guitarra Silver-Gold Mine*).

This Annual Management Discussion and Analysis ("MD&A") provides information on the Company's activities for the year ended December 31, 2022, 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, 2022 and 2021 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:

- signed a definitive agreement in May 2022 (amended October 2022), subject to shareholder approval (received on December 9, 2022) and regulatory approvals (conditional approval received on March 3, 2023), and certain other conditions precedent (completed March 29, 2023), to acquire the La Guitarra silver-gold mine ("La Guitarra") in Mexico from First Majestic Silver Corp. On March 29, 2023 the Company closed the acquisition by issuing 69,063,076 common shares (the "Consideration Shares") to First Majestic Silver Corp. at a deemed price of $0.65 per share (see *Acquisition of La Guitarra Silver-Gold Mine*);
- as a condition of completing the La Guitarra acquisition, in August 2022 the Company announced its intention to complete a brokered best-efforts offering to raise up to $10 million. In March 2023, the Company closed the first tranche of the placement for gross proceeds of $6.2 million (see *Acquisition of La Guitarra Silver-Gold Mine*). The second tranche of the placement had not closed as at the date of this MD&A;
- obtained a surface rights agreement and drill permits for the La Tigra project;
- completed the final US$50,000 payment on the Tepic option agreement in April 2022;
- granted 500,000 stock options to consultants in April 2022;
- advanced the mapping, surface sampling, trenching, and underground channel sampling programs at the Tepic and La Tigra projects;
- added additional claims at La Tigra in May 2022;
- completed 26 holes of the Phase-2 drill program at Tepic; and
- completed 13 holes of the Phase-1 drill program at La Tigra.

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

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:

	2022	2021	2020
Cash	$ 1,801,036	$ 10,206,323	$ 15,280,736
Cash in escrow	$ 5,964,394	$ -	$ -
Current assets	$ 8,209,380	$ 10,723,639	$ 15,595,879
Mineral property	$ 202,785	$ 202,785	$ 202,785
Total assets	$ 9,394,420	$ 10,931,783	$ 15,798,664
Subscription receipts	$ 6,216,273	$ -	$ -
Current liabilities	$ 6,256,103	$ 141,872	$ 524,074
Long term liabilities	$ -	$ -	$ -
Total shareholders' equity	$ 3,138,317	$ 10,789,911	$ 15,274,590
Exploration and evaluation expenditures	$ 4,830,935	$ 2,450,552	$ 504,028
Share-based compensation	$ 501,286	$ 2,625,190	$ -
Comprehensive loss for the year	$ 8,246,715	$ 7,112,179	$ 1,203,470
Basic and diluted loss per share	$ 0.13	$ 0.13	$ 0.05
Weighted-average shares outstanding	63,985,169	56,720,807	25,518,573

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 the 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 the public 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.

During 2022, the Company continued with fieldwork at Tepic and La Tigra, including drilling, increasing exploration and evaluation expenditures to $4,830,935 for the year. General and administrative costs rose during the year, in most part due to performance bonuses granted to management as well as additional costs incurred in the Company's bid to acquire La Guitarra. In addition, the Company granted 500,000 incentive stock options to consultants and recorded share-based compensation of $501,286.

Results of Operations

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

	2022	2021
General and administrative expenses	$ 2,900,790	$ 2,034,141
Depreciation	13,704	2,296
Share-based compensation	501,286	2,625,190
Exploration and evaluation expenses	4,830,935	2,450,552
Loss for the year	$ 8,246,715	$ 7,112,179

Significant items included in general and administrative expenses are as follows:

	2022	2021
Accounting and audit	$ 324,031	$ 164,542
Consulting	$ 177,715	$ 15,000
Director fees	$ 108,000	$ 81,000
Investor relations and promotions	$ 1,006,951	$ 928,629
Legal	$ 36,290	$ 149,568
Management fees	$ 979,100	$ 384,000
Stock exchange and filing	$ 57,357	$ 87,457
Travel and accommodation	$ 118,994	$ 73,388

In April 2021, the Company obtained its stock exchange listing and with the concurrent financing, increased its corporate and exploration activities significantly. Accordingly, results for 2022 reflect a full twelve months of operations as compared to only nine months of full operations in 2021. In 2022, the Company hired two consultants, experienced a significant decrease in legal fees after obtaining its stock exchange listing, and maintained its 2021 level of promotional initiatives. In September 2022, the Company granted performance bonuses to management in recognition of their efforts to bring the Company public and for advancing the acquisition of La Guitarra, which increased accounting and audit by $138,000 and management fees by $545,100. In addition, the Company granted 500,000 incentive stock options and recorded share-based compensation (a non-cash item) over the vesting period of $501,286, which compares to 4,985,000 options granted and $2,625,190 in share-based compensation recorded over the vesting period in 2021.

Exploration expenditures increased significantly in 2022 as the Company made scheduled option payments and conducted a number of different exploration programs, including drilling, at both its Tepic and La Tigra projects. The Company incurred exploration and evaluation expenditures for the year ended December 31, 2022 of $4,830,935 compared to $2,450,552 for the year ended December 31, 2021. Significant items include the following:

		2022		2021
Option payments	$	417,974	$	453,721
Assays	$	634,389	$	208,931
Drilling	$	1,384,636	$	231,620
Geology	$	1,181,399	$	803,831
Land holding costs	$	70,835	$	62,704
Legal	$	57,740	$	133,052
Local labour	$	344,953	$	113,172
Travel and accommodation	$	90,183	$	152,775

Cash Flows

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

		2022		2021
General and administrative expenses	$	(2,900,790)	$	(2,034,141)
Exploration and evaluation expenses		(4,830,935)		(2,450,552)
Changes in non-cash working capital items		(23,559)		(215,119)
Purchase of equipment		(71,101)		(7,655)
Payment of deferred transaction costs		(525,420)		(15,357)
Payment of deferred financing costs		(147,317)		(294,708)
Repayment of advances made by a director		-		(59,191)
Cash received from the issuance of shares		93,835		2,310
	$	(8,405,287)	$	(5,074,413)

Cash used for general and administrative and exploration and evaluation expenses was significantly higher in the current year as discussed above. Cash used in changes in non-cash working capital items for the current year is lower than for the comparative year, which included a significant increase in prepaid expenses due to certain advances made for investor relations and promotional initiatives that were in progress at December 31, 2021. During the current year, the Company paid deferred costs relating to its intended acquisition of La Guitarra and the concurrent financing; in the comparative period, the Company paid similar costs in respect of its subscription receipts financing and reverse take-over transaction. During 2022, the Company received $93,835 from the exercise of warrants compared to $2,310 received 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:

	2022				2021			
	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sept. 30	Jun. 30	Mar. 31
General and administrative (excluding share-based compensation)	$313,986	$1,109,036	$847,766	$643,706	$451,051	$497,153	$855,148	$233,085
Share-based compensation	$29,244	$53,769	$176,712	$241,561	$389,778	$746,043	$1,489,369	$nil
Exploration and evaluation	$655,400	$1,379,824	$1,868,544	$927,167	$765,191	$600,234	$887,129	$197,998
Loss and comprehensive loss for the year	$998,630	$2,542,629	$2,893,022	$1,812,434	$1,606,020	$1,843,430	$3,231,646	$431,083
Loss per share: basic and diluted	$0.02	$0.04	$0.05	$0.03	$0.03	$0.03	$0.05	$0.01

During the quarter ended June 30, 2021, the Company completed its going-public transaction and obtained a listing on the TSX-V 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. 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.

During the first half of 2022, the Company continued to actively promote its new listing to increase market awareness of the Company and its projects resulting in increased investor relations and promotion costs, which declined in the second half of the year. During the quarter ended September 30, 2022, the Company paid bonuses totalling $683,100 to management in recognition of their efforts to bring the Company public and for advancing the La Guitarra acquisition. General and administrative expenses normalized in the fourth quarter of 2022. In April 2022, the Company granted 500,000 incentive stock options with vesting provisions and recorded $501,286 in share-based compensation over the year. During the second and third quarters of 2022, the Company conducted multiple exploration programs, including drilling, at both its Tepic and La Tigra projects resulting in significant exploration and evaluation costs for these quarters.

Discussion of Fourth Quarter

The Company had a loss and comprehensive loss for the fourth quarter in the amount of $998,630, which compares to a loss and comprehensive loss of $1,606,020 for the comparative quarter ended December 31, 2021. General and administrative costs were lower primarily due to a decrease in investor relations and promotions costs of $155,371 and share-based compensation of $360,534. Exploration and evaluation costs decreased by $109,791 primarily due to lower legal costs and the completion of option payments required on the Tepic agreement during 2022.

Cash used in operations was $1,195,575 compared to cash of $1,078,391 used in operations during the comparative quarter. The increase in cash used reflects the impact of changes in non-cash working capital items that produced a use of cash of $229,771 mostly due to the payment of exploration-related accounts payable and an increase in amounts receivable during the current quarter, partially offset by a decrease in activity and lower administrative and exploration expenses for the quarter as detailed above. In the comparative quarter, 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. Investing activities for the current quarter included the payment of deferred transaction costs in respect of the La Guitarra transaction. Financing activities included the payment of deferred financing costs in respect of the financing relating to the La Guitarra transaction. In addition, the Company received proceeds of $93,835 from the exercise of warrants. There were no investing or financing activities during the comparative quarter.

Acquisition of La Guitarra Silver-Gold Mine

On May 24, 2022, as amended and restated on October 24, 2022, the Company signed a share purchase agreement ("SPA"), subject to shareholder approval *(received on December 9, 2022)*, regulatory approvals *(conditional approval received on March 3, 2023)*, and certain conditions precedent *(completed on March 29, 2023)*, to acquire all of the outstanding shares of La Guitarra Compania Minera, S.A. de C.V. ("LG Compania"), which owns a 100% interest in La Guitarra (the "Transaction") from First Majestic Silver Corp. ("First Majestic").

On March 29, 2023, on closing the SPA, the Company issued 69,063,076 Consideration Shares to First Majestic at a deemed price of $0.65 per share for total consideration of approximately US$35,000,000, plus certain working capital adjustments. The Company anticipates that the Transaction will constitute a reverse take-over. The Consideration Shares issued to First Majestic are subject to certain resale restrictions and First Majestic has the right to distribute all such Consideration Shares, in excess of 19.9% of the issued and outstanding shares of the Company, pro rata to its shareholders. First Majestic also has the right to maintain its pro rata interest in the Company, to a maximum of 19.9%, by participating in future share offerings of the Company.

The SPA granted First Majestic the assignable rights to a 2% net smelter returns royalty ("NSR") on all mineral production from La Guitarra. In accordance with the terms of the SPA, by an agreement dated December 21, 2022, LG Compania granted the 2% NSR to a third party following their acquisition of the rights to the NSR from First Majestic. LG Compania retains the option to buy back one-half (1%) of the NSR for $2,000,000.

To December 31, 2022, the Company had incurred and deferred legal and consulting costs totalling $516,371 in respect of the Transaction.

As a condition of completing the Transaction, the Company was required to complete a minimum financing of $10,000,000. The Company signed an agency agreement to raise up to $10,000,250 by issuing up to 9,385,000 subscription receipts and 6,000,000 common shares each at a price of $0.65. The agents had the option to sell up to an additional 2,307,750 subscription receipts for additional proceeds of up to $1,500,038. All proceeds from the subscription receipts were placed into escrow until the Transaction was completed on March 29, 2023 and all escrow conditions were satisfied at which time each subscription receipt automatically converted into one common share of the Company. The Company paid the agents a cash commission ranging from 3% to 6% of the proceeds raised, a corporate finance fee, and compensation options ranging from 3% to 6% of the subscription receipts and common shares issued. Each compensation option is exercisable into one common share of the Company at a price of $0.65 per share for a period of 24 months following the conversion of the subscription receipts.

On September 8, 2022, the Company closed, in escrow, the first tranche of the financing by issuing 9,504,647 subscription receipts at a price of $0.65 per subscription receipt for gross proceeds of $6,178,021. The agents received payment of their expenses and 50% of their commission totalling $251,879, which was deducted from the gross proceeds with the balance of $5,926,142 being held in escrow in an interest-bearing account. The escrow funds, plus accrued interest, were released to the Company on March 30, 2023, upon completion of the Transaction and satisfaction of all escrow conditions, less the remaining 50% of the agents' commission and additional legal costs to the date of closing. Details are as follows:

		Amount
Subscription receipts received	$	6,178,021
Interest earned		38,252
		6,216,273
Agents' expenses and 50% of commission		(251,879)
Cash in escrow – December 31, 2022	$	5,964,394

On March 30, 2023, the Company issued 9,504,647 common shares in exchange for the subscription receipts, which included 119,647 subscription receipts of the over-allotment option. The Company received $5,841,788 from the escrow agent related to the first tranche of the financing. In addition to legal and other expenses of the agents totalling $149,943, the Company paid commissions of $168,967, a corporate finance fee of $74,000, and issued 366,950 compensation options to the agents. The final tranche of the financing had not closed as at the date of this MD&A.

To December 31, 2022, the Company had incurred and deferred certain commissions, legal, and other costs, including the $251,879 paid out of escrow, totalling $403,128 in respect of the financing. These costs will be recorded as share issuance costs upon completion of the financing.

In accordance with the filing requirements on a reverse-takeover transaction, the Company filed the interim financial statements of LG Compania as at September 30, 2022 and for the three and nine months then ended on SEDAR on April 18, 2023 and the annual financial statements as at December 31, 2022 and 2021 and for the years then ended on SEDAR on May 1, 2023.

The Company's management discussion for the upcoming quarter ended March 31, 2023 will incorporate the reverse-acquisition of the Company by LG Compania and the comparative analysis will be to the financial position, results of operations and cash flows of LG Compania as the continuing entity. The legal name of the Company will remain Sierra Madre Gold and Silver Ltd.

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 $10,206,323 as at December 31, 2021 to $1,801,036 as at December 31, 2022 as a result of cash used in operating activities ($7,755,284), investing activities ($596,521), and financing activities ($53,482). Accordingly, its working capital position (current assets less current liabilities) decreased from $10,581,767 as at December 31, 2021 to $1,953,277 as at December 31, 2022.

During the year, the Company paid or accrued administrative expenses of $2,900,790 and exploration and evaluation expenditures of $4,830,935, excluding non-cash depreciation and share-based compensation. The expenditures for the current year include various one-time expenses and exploration programs that are not budgeted for the ensuing year. Accordingly, administrative and exploration expenditures are anticipated to be lower in the coming year. With the closing of the La Guitarra transaction and the first tranche of the concurrent financing, management considers the Company's current working capital to be sufficient to meet its overhead requirements and planned exploration activities for the ensuing twelve months. The administrative and exploration budgets are established depending on expected cash resources and such budgets are regularly adjusted according to actual cash resources.

Capital Resources and Commitments

The Company has an option-to-purchase agreement on the Tepic property that calls for semi-annual payments totalling US$450,000. As at the date of this report, the Company had completed all semi-annual payments due under the agreement and is in a position to exercise its option on the property. The Company also has an option agreement on the La Tigra property that calls for payments totalling US$1,500,000 over three years. The Company has made all of the option payments required under this agreement to date, totalling US$375,000. The payments due under this agreement 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. 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 Instruments

The Company's financial instruments include cash and cash in escrow, which are measured at fair value through profit or loss, and receivables, accounts payable, and subscription receipts payable, which are measured at amortized cost. The carrying values approximate their fair values due to the short-term nature of these instruments.

Outstanding Share Data

Details of the Company's outstanding equity instruments are as follows:

	May 1 2023	December 31 2022	December 31 2021
Shares issued and outstanding	142,698,401	64,130,678	63,943,008
Outstanding warrants	366,950	-	1,946,945
Outstanding stock options	5,100,000	5,485,000	4,985,000
Diluted shares outstanding	148,165,351	69,615,678	70,874,953

In April 2022, the Company granted stock options to certain consultants to purchase an aggregate of 500,000 common shares of the Company. The options are subject to vesting provisions. In October 2022, 187,670 warrants were exercised; the balance of 1,759,275 warrants expired.

Subsequent to December 31, 2022, the Company issued 69,063,076 shares to First Majestic in respect of the La Guitarra acquisition and 9,504,647 shares and 366,950 agents' compensation options in respect of the first tranche of the brokered private placement (see *Acquisition of La Guitarra Silver-Gold Mine*). In addition, 385,000 incentive stock options expired unexercised.

Pursuant to the Company's listing on the TSX-V in April 2021, as at December 31, 2022, there remained in escrow a total of 12,385,065 shares held by directors, officers, and seed shareholders.

Note 3 to the Company's December 31, 2022 consolidated financial statements provides additional details regarding share capital, stock option, 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:

	2022	2021
Accounting		
- former chief financial officer, corporate secretary	$ 120,000	$ 120,000
- bonus	138,000	-
Director fees	108,000	81,000
Exploration and evaluation:		
- Administration – relative of a director	39,052	28,112
- Administration – director – bonus	103,500	-
- Geological – company controlled by a director	90,000	90,000
Management fees:		
- company controlled by the chief executive officer	240,000	240,000
- bonus	276,000	-
- chief operating officer	144,000	144,000
- bonus	165,600	-
- company controlled by the chief financial officer	50,000	-
- bonus	103,500	-
	$ 1,577,652	$ 703,112

In addition, the Company recorded share-based compensation of $296,030 (2021 - $1,937,908), 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 3 to the Company's December 31, 2022 consolidated financial statements.

As at December 31, 2022, accounts payable includes $nil (2021 - $18,734) due to an officer of the Company for expenses due for reimbursement.

Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements as at December 31, 2022 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, 2022 and 2021.

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 properties.

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 and financed in Canadian funds.

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 major Canadian financial institutions with high investment grade ratings. 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, cash in escrow, and receivables totalling $7,991,258 represents the Company's maximum exposure to credit risk as at December 31, 2022 (2021 - $10,230,669).

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, 2022, 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, 2022, a 10% fluctuation in the exchange rates of these currencies would result in a gain or loss of approximately $2,775 and $52,861, respectively (2021 - $5,017 and $14,577, 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 in escrow, which earn market rates of interest. 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, 2022 consolidated financial statements provide a breakdown of the general and administrative expenses for the year under review. Note 4 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 ("NI") 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 was required to 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 an 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. 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.

From 2017 to 2020, Sierra Madre completed programs to validate drill hole locations, build roads, create a core photo library, and secure environmental permits for 67 drill holes. In 2020, an 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 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 Phase-1 RC drill program results included 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). This program confirmed the results of the previous operator's core drilling, which had core recovery issues. Full recovery confirmed 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. 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 increased the confidence in the existing drill database and expanded the size of the drill-tested silver-gold mineralization to be included in future mineral estimation studies.

In June 2021, the Company began a 5,000-meter trenching program. Highlights of the first eleven trenches included 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 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.

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.

In February 2022, the Company commenced its Phase-2 drill program after increasing its permitted drill pads from 47 to 182 drill pads allowing the Company to potentially drill in excess of 300 holes utilizing the same drill pads with offset drilling. The Company 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 will be methodically tested and, as new assay data is acquired, more drilling will be conducted on the new discovery targets.

In March 2022, the Company added a second smaller and more portable rig as a result of the success of the trenching program, which identified several additional drill. The new rig focused 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 was 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.

On April 27, 2022, the Company announced results from additional drill holes from the Phase-2 drill program with highlights including 3.05 metres grading 743 g/t AgEq and 4.5 metres grading 402 g/t AgEq. Hole TDH008 targeted the Veta Tomas structure and intersected 6.65 metres (112.5 to 119.15 m) grading 210.5 g/t Ag and 1.06 g/t Au (290 g/t AgEq) including 1.5 metres (114 to 115.5) grading 524 g/t Ag and 2.47 g/t Au (709 g/t AgEq). Drilling on the Dos Hornos 2 structure intersected 4.5 metres (8.0 to 12.5 m) grading 263.8 g/t Ag and 1.85 g/t Au (402 g/t AgEq) in hole TDH009. Vetas Tomas drilling intersected 3.05 metres (78.15 to 81.2 m) grading 625.4 g/t Ag and 1.60 g/t Au (743 g/t AgEq) in hole TDH010. Exploration drilling on the Astasis 2 structure intersected 1.5 metres (27 to 28.5 m) grading 185.5 g/t Ag and 0.26 g/t Au (205 g/t AgEq) in hole TDH011 and 1.5 metres (33 to 34.5 m) grading 110 g/t Ag and 0.23 g/t Au (127 g/t AgEq) in hole TDH012. To date all twelve holes for which assays have been received have intersected silver and gold mineralization using a +75 g/t AgEq external cutoff. Intercepts are length-weighted averages from uncut assays and are reported as 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. Ten of the twelve holes were designed to test up dip or strike extensions of known structures outside of the volumes used in the historical resource estimations. Two holes have tested new targets over two kilometers away from the historic resource area. The Astasis structures are essentially blind targets covered by very young basalts with a very small erosional window in a gully as the only natural exposure.

On May 5, 2022, the Company announced results of the last four drill holes with highlights including 6.35 metres grading 424 g/t AgEq, 6.05 metres grading 470 g/t AgEq, as well as 3.85 meters grading 656 g/t AgEq and 2.30 meters grading 1,070 g/t AgEq, both in hole TDH014. Drilling on the Veta Tomas structure intersected 1.5 metres (61.4 to 62.9 m) grading 418.5 g/t Ag and 2.67g/t Au (619 g/t AgEq) in hole TDH013, 6.35 metres (20.1 to 26.45 m) grading 351.8 g/t Ag and 0.96 g/t Au (424 g/t AgEq) and 6.05 metres (61.5 to 63.8 m) grading 332.5 g/t Ag and 1.85 g/t Au (470 g/t AgEq) in hole TDH014, and 1.60 metres (22.6 to 24.2 m) grading 433 g/t Ag and 3.30 g/t Au (680 g/t AgEq) in hole TDH015. These holes tested areas adjacent to and outside of the areas that were volumetrically included in historic resource estimations. The Phase 2 drilling program at Tepic consisted of 16 drill holes and the weighted-average grade of the intercepts is 215.0 g/t Ag, and 1.14 g/t Au or 301 g/t AgEq. The average width is 3.66 meters. Excluding intercepts less than 1.8 meters the weighted average is 222.3 g/t Ag and 1.14 g/t Au or 307 g/t AgEq. The Phase-2 drill program was designed to test extensions of the previously defined breccia/vein structures, test newly defined targets, and infill the existing drill pattern.

In the second half of 2022 the Company continued exploration work on the Tepic Project completing geological mapping, rock sampling, trenching, and surveying, mapping, and sampling of historic workings. Final results for this work are pending.

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 on La Tigra that 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. To date, the Company has made payments of US$375,000 under the agreement. 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.

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 project has excellent infrastructure and is road accessible, located ten kilometres off of a paved highway.

In 2021, the Company immediately commenced an exploration program on the La Tigra project including 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 was designed to prioritize drill targets for the Phase-1 drill program.

In October 2021, the Company reported assays for 319 reconnaissance samples with values ranging from <0.005 to 18.2 g/t Au. The average gold grade of all samples received was 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 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 silver-dominant with base metals system that 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 and continuous channel sampling of road cuts where veining, stock-working, and alteration is exposed.

In November 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 Gold Equivalent ("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). Gold-silver ratio used to calculate AuEq is 75 g/t Ag to 1 g/t Au. 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.

In January of 2022, the Company entered into formal surface rights exploration agreements and in February 2022, the Company announced 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 March 29, 2022, the Company announced additional results 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.

In February 2022, the Company received a permit authorizing the use of 30 drill pads within the La Tigra project allowing for multiple exploration holes to 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 allowed for the commencement of the Phase-1 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 funded the renovation and 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 in its ongoing trenching program at La Tigra. Highlights include 4.7 meters grading 5.64 g/t AuEq in LTZ010 and 4.73 g/t AuEq over 4.1 meters in LTZ011. The trenches continue to deliver strong gold results in the main structures and the broad zones of more moderate gold grades are very encouraging for the development of a larger project. In addition, LTZ02 was extended to the east as previous sampling began in gold mineralization. Additional moderate gold grades are present in the trench extension resulting in a combined length of 37.7 meters grading 0.37 g/t gold, 3.0 g/t silver for a AuEq grade of 0.38 g/t.

On April 4, 2022 the Company announced the commencement of its maiden drilling program at La Tigra being the first ever drill program undertaken within the district. The Phase-1 drill program was designed using data acquired from extensive surface mapping, sampling, and trenching programs which defined a 3.5 km long structural corridor with stacked northwest striking structures. The Mexican federal environmental permitting agency, SEMARNAT; authorized the use of 30 drill pads within the La Tigra project. Multiple exploration holes can be drilled and offset from each permitted pad.

On May 12, 2022 the Company provided an update on assays for 154 channel samples taken from Level 200 of the historic El Tigre mine. The samples ranged between of 0.011 g/t Au and 239.0 g/t Au. Sample channel widths varied between 0.35 meters and 1.70 meters, averaging 0.92 meters. All samples contained detectable gold. The average grade of all the samples is 3.14 g/t Au with 65 samples greater than 0.5 g/t Au and 39 samples greater than 1.0 g/t Au. Silver values range from below the 0.5 g/t Ag detection limit to 76.0 g/t Ag. Highlights of the channel samples include 0.7 m grading 239 g/t Au and 29.8 g/t Ag (239.4 g/t AuEq), 1.0 m grading 24.4 g/t Au and 21.3 g/t Ag (24.7 g/t AuEq), and 1.3 m grading 10.7 g/t Au and 18.7 g/t Ag (11.0 g/t AuEq). Channel sample intervals from underground workings are sample width with true width estimated to be >90%. The surface trenching program at La Tigra continued with LTZ19 returning 8.9 meters of 3.27 g/t gold including 2.7 meters of 6.74 g/t gold and 2.1 meters of 4.52 g/t gold. The trench began and ended in mineralization. Geologic and surveying activities have focused on mapping and sampling the underground workings in the 200 level of the El Tigre mine, as well as opening and securing the 300 level for additional channel sampling to further enhance drill target definition.

On May 24, 2022, the Company announced the results from the first three holes of its maiden drill program where drilling intersected 32 metres (10 to 42 m) grading 1.0 g/t Au and 3.8 g/t Ag (1.05 g/t AuEq) including four metres (11 to 15 m) grading 3.03 g/t Au and 1.0 g/t Ag (3.04 g/t AuEq) at the El Tigre Mine, 5.1 m (25.4 to 30.5 m) grading 2.21 g/t Au and 23.7 g/t Ag (2.52 g/t AuEq) at El Tigre North and 4.45 m (27.35 to 31.8 m) grading 2.72 g/t Au and 7.2 g/t Ag (2.82 g/t AuEq). Intervals are length-weighted averages from uncut assays with gold-silver ratio used to calculate AuEq of 1 g/t Au to 75 g/t Ag and the length calculated using a 0.15 AuEq external cut off.

The Phase-1 drill program at La Tigra has defined a 3.5 km long structural corridor with stacked northwest striking structures. These stacked veins and breccias will allow some holes to test multiple targets. Drill targets will be methodically tested and, as new assay data is acquired and incorporated into the project database, additional drilling will be undertaken. The structures at La Tigra dip at 40º to 45º and holes 1 and 2 were drilled at -45º and hole 3, -53º. As such the true width of the intersections are approximately +90% of the intersected length. Due to the positive results of exploration activities, the Company filed for an additional mining concession covering 1,653 hectares. The area covered by the Sabra concession application lies to the west of the current La Tigra project and significantly expands the footprint of the project. A district-scale mapping and sampling program will be undertaken to locate prospective mineralized outcrops.

In the second half of 2022 the Company continued exploration work on the La Tigra project completing geological mapping, rock sampling, trenching, and surveying, mapping, and sampling of historic workings as well as finalizing the maiden drilling program. Final results for this work are pending.

Management

The Company is dependent upon the personal efforts and commitments of its existing management team. 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 has completed a transaction to acquire La Guitarra, a formerly operating silver-gold mine, and closed the first tranche of a concurrent financing. There is no assurance that the second tranche of the financing will complete. The La Guitarra property will be subject to the same title, economic, and environmental risks as the Tepic and La Tigra properties. 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.

Please refer to the Company's Management Information Circular ("MIC") filed on SEDAR on November 9, 2022 for additional risks and in particular pages 28-48 of that MIC.

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 consolidated financial statements and the audited annual consolidated financial statements and respective accompanying Management's Discussion and Analysis. In contrast to the certificate for non-venture issuers under 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"

Alexander Langer, President & CEO