

SIERRA MADRE GOLD AND SILVER LTD.

Interim Management's Discussion and Analysis

Quarterly Highlights

For the Three and Nine Months Ended September 30, 2022

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. ("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 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. (see *Proposed Transactions*).

This Interim Management's Discussion and Analysis ("MD&A") is dated November 24, 2022 and provides information on the Company's activities for the three and nine months ended September 30, 2022, and subsequent activity to the date of this report. Consequently, this MD&A should be read in conjunction with the Company's September 30, 2022 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.

The Company has 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, 2021 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 surface rights agreement and drill permits for its La Tigra project;
- completed the final US\$50,000 payment on its Tepic option agreement in April 2022;
- granted 500,000 stock options to consultants in April 2022;
- continued its 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 its Phase-2 drill program at Tepic;
- completed 13 holes of its Phase-1 drill program at La Tigra;
- signed a definitive agreement in May 2022 (amended October 2022), subject to regulatory and shareholder approvals and certain other conditions precedent, to acquire the La Guitarra silver-gold mine in Mexico from First Majestic Silver Corp. for US\$35 million in common shares of the Company at a deemed price of \$0.65 per share (see *Proposed Transactions*);
- 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. The Company closed the first tranche of the placement in September 2022 (see *Proposed Transactions*).

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

FINANCIAL CONDITION

The Company had cash on hand of \$3,190,824 and working capital (current assets less current liabilities) of \$3,050,025 as at September 30, 2022.

Liquidity and Financial Resources

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 \$3,190,824 as at September 30, 2022 as a result of cash used in operating activities (\$6,559,709), investing activities (\$386,962), and financing activities (\$68,828). Its working capital position decreased from \$10,581,767 as at December 31, 2021 to \$3,050,025 as at September 30, 2022 due primarily to the Company's operating costs for the period.

During the nine-month period, the Company paid or accrued administrative expenses of \$2,590,386 and exploration and evaluation expenditures of \$4,175,535, excluding non-cash depreciation and share-based compensation. The expenditures for the current period 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. Management considers the Company's current working capital to be sufficient to meet its overhead requirements and planned exploration activities on Tepic and La Tigra 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.

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 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\$262,500. 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 PERFORMANCE

Loss and comprehensive loss

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

| | 2022 | 2021 |
|-------------------------------------|--------------|--------------|
| General and administrative expenses | \$ 1,100,433 | \$ 496,292 |
| Depreciation | 8,603 | 861 |
| Share-based compensation | 53,769 | 746,043 |
| Exploration and evaluation expenses | 1,379,824 | 600,234 |
| Loss for the quarter | \$ 2,542,629 | \$ 1,843,430 |

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

| | 2022 | 2021 |
|-------------------------------------|--------------|--------------|
| General and administrative expenses | \$ 2,590,386 | \$ 1,583,951 |
| Depreciation | 10,122 | 1,435 |
| Share-based compensation | 472,042 | 2,235,412 |
| Exploration and evaluation expenses | 4,175,535 | 1,685,361 |
| Loss for the period | \$ 7,248,085 | \$ 5,506,159 |

Upon obtaining its stock exchange listing in April 2021 and with completing the concurrent financing, the Company increased its corporate and exploration activities significantly. Accordingly, results of operations for the current nine-month period reflect an additional quarter of increased general and administrative expenses and exploration expenditures over those of the comparative period.

General and administrative expenses for the current quarter and nine-month period, excluding depreciation and share-based compensation, are significantly higher than for the comparative periods due to a substantial increase in activity both corporately, with the move to acquire the La Guitarra project, and in the field, with multiple exploration and drill programs underway. Many expense items are relatively consistent in aggregate with some fluctuations due to the timing of investor relations and promotions, stock exchange, and transfer agent fees. Consulting fees were higher due to the Company hiring consultants to assist with its expansion plans and preparations for adding the La Guitarra project. In addition, there were substantial increases in accounting and management fees due to the payment of bonuses in August 2022 in recognition of the additional time commitments and efforts made by the Company's management team.

Additionally, general and administrative expenses for the current nine-month period, excluding depreciation and share-based compensation, reflect a reduction in legal costs experienced after obtaining its stock exchange listing. After obtaining its listing, the Company subsequently launched promotional campaigns and attended conferences to increase investor and market awareness of the Company's listing, which resulted in significantly higher costs for investor relations, promotions, and travel.

In April 2021, the Company granted 4,985,000 stock options subject to vesting provisions, which resulted in a significant share-based compensation expense (a non-cash item) for the comparative quarter and nine-month period. In April 2022, the Company granted 500,000 stock options subject to vesting provisions resulting in a reduced expense for the current quarter and nine-month period as compared to 2021.

Exploration expenditures increased significantly in 2022 as the Company was much more active 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 nine months ended September 30, 2022 of \$1,939,462 at Tepic and \$2,236,073 at La Tigra. Expenditures for 2021 consisted of \$1,196,583 incurred at Tepic and \$488,778 incurred at La Tigra.

Cash Flows

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

| | 2022 | 2021 |
|---|----------------|----------------|
| General and administrative expenses | \$ (2,590,386) | \$ (1,583,951) |
| Exploration and evaluation expenses | (4,175,535) | (1,685,361) |
| Changes in non-cash working capital items | 206,212 | (352,109) |
| Purchase of equipment | (71,101) | (7,655) |
| Payment of deferred financing and transaction costs | (384,689) | (310,065) |
| Repayment of advances made by a director | - | (59,191) |
| Cash received from the issuance of shares | - | 2,310 |
| | \$ (7,015,499) | \$ (3,996,022) |

Cash used for general and administrative and exploration and evaluation expenses was significantly higher in the current period as detailed above. Cash provided by changes in non-cash working capital items for the current period is primarily due to a draw-down of prepaid expenses and an increase in accounts payable due to legal and consulting costs in respect of the La Guitarra acquisition. Cash used in changes in non-cash working capital items for the comparative period includes an increase in prepaid expenses due to certain advances made for investor relations and promotional initiatives that were in progress at September 30, 2021 as well as an increase in receivables and a decrease in accounts payable. During the current period, the Company paid deferred costs relating to its intended acquisition of the La Guitarra mine 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.

PROPOSED TRANSACTIONS

On May 24, 2022, the Company signed a definitive agreement, subject to regulatory approval, shareholder approval, and certain conditions precedent, to acquire a 100% interest in the La Guitarra silver-gold mine (“La Guitarra”) in Mexico (the “Transaction”) from First Majestic Silver Corp. (“First Majestic”). The agreement, as amended October 28, 2022, provides for the Company to issue 69,063,076 common shares (the “Consideration Shares”) to First Majestic at a deemed price of \$0.65 per share for total consideration of approximately US\$35 million, plus certain contracted working capital adjustments. The Company anticipates that the transaction will constitute a reverse take-over. The Consideration Shares issued to First Majestic will be subject to certain resale restrictions and First Majestic will have 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 will retain a 2% net smelter returns royalty (“NSR”) on all mineral production from La Guitarra, subject to the Company’s right to buy back one-half of the NSR for US\$2,000,000 at any time. First Majestic will also have 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.

To September 30, 2022, the Company had incurred and deferred legal and consulting costs totalling \$320,557 in respect of the Transaction. Should the Transaction not be completed as contemplated, these costs will be expensed in the period that the Transaction is terminated.

As a condition of completing the Transaction, the Company is required to complete a minimum financing of \$10 million. The Company has 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 have 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 will be placed into escrow until the Transaction is completed and all escrow conditions are satisfied at which time each subscription receipt will automatically convert into one common share of the Company. The Company will pay 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, including 119,647 of the 2,307,750 allowable over-allotment, 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. These funds will be released to the Company upon completion of the Transaction and satisfaction of all escrow conditions, less \$123,334 being the remaining 50% of the agents’ commission. Should the financing not close as contemplated, the agents will not receive the remaining 50% of their commission, the Company will be required to deposit \$251,879 into escrow, and the subscribers of the subscription receipts will have the full amount of their subscriptions returned.

The final tranche of the financing is expected to complete upon closing of the Transaction.

To September 30, 2022, the Company had incurred and deferred certain commissions, legal, and other costs totalling \$374,163 in respect of the financing. These costs have been deferred and will be recorded as share issuance costs upon completion of the financing. Should the financing not be completed as contemplated, these costs will be expensed in the period that the financing is terminated.

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:

| | 2022 | 2021 |
|---|---------------------|-------------------|
| Accounting – former chief financial officer | \$ 90,000 | \$ 90,000 |
| - bonus | 138,000 | - |
| Director fees | 81,000 | 54,000 |
| Exploration and evaluation: | | |
| - Administration – relative of a director | 28,867 | 12,595 |
| - Administration – director – bonus | 103,500 | - |
| - Geological – director | 67,500 | 67,500 |
| Management fees: | | |
| - company controlled by the chief executive officer | 180,000 | 180,000 |
| - bonus | 276,000 | - |
| - chief operating officer | 108,000 | 108,000 |
| - bonus | 165,600 | - |
| - company controlled by the chief financial officer | 20,000 | - |
| - bonus | 103,500 | - |
| | <u>\$ 1,361,967</u> | <u>\$ 512,095</u> |

In addition, the Company recorded share-based compensation of \$272,635 (2021 - \$1,653,145), 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 September 30, 2022 condensed interim consolidated financial statements.

As at September 30, 2022, accounts payable includes \$43,027 due to a director of the Company for management fees/expenses paid subsequent to the period-end.

OUTSTANDING SHARE DATA

Details of the Company's outstanding shares, options, and warrants is as follows:

| | November 24 2022 | September 30 2022 | December 31 2021 |
|-------------------------------|---------------------|----------------------|---------------------|
| Shares issued and outstanding | 64,130,678 | 63,943,008 | 63,943,008 |
| Outstanding warrants | - | 1,946,945 | 1,946,945 |
| Outstanding stock options | 5,485,000 | 5,485,000 | 4,985,000 |
| Diluted shares outstanding | <u>69,615,678</u> | <u>71,374,953</u> | <u>70,874,953</u> |

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.

As at September 30, 2022, there was a total of 15,481,332 shares held by directors, officers, and seed shareholders that remain in escrow and subject to hold periods.

Note 3 to the Company's September 30, 2022 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. Exploration programs are conducted with the assistance of consultants and contractors and in adherence to 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 interest 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 surface rights agreement and drill permits for its La Tigra project; completed the final US\$50,000 payment due under its Tepic option agreement; continued its mapping, surface sampling, trenching, and underground channel sampling programs at its Tepic and La Tigra projects; added additional ground at La Tigra; completed 26 holes of its Phase-2 drill program at Tepic; completed 13 holes of its Phase-1 drill program at La Tigra; signed a definitive agreement to acquire the La Guitarra silver-gold mine from First Majestic; and signed an agency agreement to raise up to \$10 million in a brokered private placement closing the first tranche of \$6,178,021 in September 2022.

MINERAL PROPERTIES

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

Tepic

The Tepic project is located approximately 27 km south-southeast from the city of Tepic, the capital of the State of Nayarit, Mexico. The project consists of five mining concessions totaling 2,612.5 hectares.

In December 2017, the Company entered into an agreement providing it with the option to purchase a 100% interest in the Tepic project. During the term of the option the Company was required to keep the concessions in good standing and pay the owner US\$450,000 in semi-annual payments of US\$50,000 over four years. In April 2022, the Company completed the final payment required under the agreement and is currently in a position to 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% 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.Geo., and Derek Loveday, P.Geo. of Stantec Consulting International LLC.

In November of 2020 an inventory of all the Cream core stored in a warehouse in Tepic was undertaken and a core photo library was begun. Satellite imagery was purchased for the construction of a detailed project topographic map. 1:2000 geologic mapping began in December of 2020. In August 2021 the Company completed a 2,136-meter Phase-1 reverse circulation drill program at Tepic consisting of 21 holes. Reverse circulation ("RC") drilling methods were employed as the previous operator experienced poor core recovery, especially within the mineralized zones of interest.

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

and are length-weighted averages from uncut assays reported at a 30 g/t Ag cut-off with AgEq calculated using 70 g/t Ag to 1 g/t Au.

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

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

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

On March 3, 2022, the Company announced that a second core rig was mobilized to Tepic. This second rig is smaller and more portable than the first while maintaining the depth capacity and large core diameter that the Company requires. The decision to mobilize a second rig was a result of the success of the trenching program, which identified several additional drill targets. The second 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 have the potential to significantly add to future mineral reserves. Hole TDH006 also intersected mineralization from a known vein beyond a previously interpreted fault such that the 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 TDH008 through TDH012 from the Phase-2 drill program. All twelve holes drilled intersected silver and gold mineralization using a +75 g/t AgEq external cutoff. 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 tested new targets over two kilometers away from the historic resource area. Highlights included 3.05 metres grading 743 g/t AgEq and 4.5 metres grading 402 g/t AgEq.

On May 5, 2022, the Company announced results of the last four drill holes from the first round of exploration drilling. Highlights included 6.35 metres grading 424 g/t AgEq and 6.05 metres grading 470 g/t AgEq including 3.85 metres grading 656 g/t AgEq and 2.30 metres grading 1,070 g/t AgEq, both in hole TDH014. The weighted-average grade of the intercepts, excluding the "Includes" intervals, is 215.0 g/t Ag, 1.14 g/t Au and 301 g/t AgEq. The average width is 3.66 metres. Excluding intercepts less than 1.8 metres, the weighted average is 222.3 g/t Ag, 1.14 g/t Au and 307 g/t AgEq with an average width of 4.80 metres.

To date, a total of 26 diamond drill holes have been completed on a series of targets as part of the Phase-2 drill program at Tepic. The Company continues with surface geological mapping, rock sampling, trenching and surveying, as well as rehabilitation and sampling of previously completed underground workings associated with historical mining activities, designed to advance a series of additional targets on the Tepic Project.

La Tigra

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

In June 2021, the Company entered into an option agreement in respect of the La Tigra project. The agreement calls for payments totalling US\$1,500,000 over a three-year period during which the Company is required to complete an NI 43-101 compliant technical report containing a resource estimation. The Company must inform the current owner at least 90 days before, and not sooner than 180 days before the last payment is made, of its intention to exercise its option to acquire the property. The Company has made all of the option payments required under this agreement to date, totalling US\$262,500.

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 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 included 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. Satellite imagery was purchased for the construction of a detailed project topographic map – 1:2000 geologic mapping began in July 2021. The project has excellent infrastructure and is road accessible, located ten kilometres off of a paved highway.

On October 28, 2021, the Company reported that assays had been received for 319 reconnaissance samples with values ranging from <0.005 to 18.2 g/t Au. The average gold grade of all samples received to date is 0.48 g/t Au

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

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

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

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

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

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

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

On May 12, 2022, the Company announced assays received for 154 channel samples taken from Level 200 of the historic El Tigra 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. Additionally, LTZ19 returned 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.

On May 24, 2022, the Company announced results for the first three holes of the initial drill program at La Tigra. Results are highlighted by 32.0 metres (starting at 10 m) grading 1.05 g/t AuEq, which consists of 1.00 g/t Au and 3.8 g/t Ag. Additional intervals include 5.1 metres grading 2.52 g/t AuEq from 25.4 m (2.21 g/t Au and 23.7 g/t Ag) and 9.0 metres grading 0.58 g/t AuEq (0.46 g/t Au and 9.2 g/t Ag). All intervals are length-weighted averages from uncut assays, with gold equivalents calculated using a gold silver ratio of 1 g/t Au to 75 g/t Ag. The Phase-1 drill program at La Tigra was designed using the data acquired from extensive surface mapping, sampling, and trenching programs. This work 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.

Exploration continues on the La Tigra Project. A total of 13 diamond drill holes have been completed to date. Ongoing work consists of mapping and surface sampling, trenching and rehabilitation, and sampling of previously completed underground workings associated with historical mining activities. The current exploration program is designed to evaluate and prioritize additional drilling targets.

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 or La Tigra properties are not renewed; delays in obtaining governmental or regulatory approvals or financing or in the completion of exploration activities. In addition, there is no assurance that the pending acquisition of the La Guitarra silver-gold mine will be approved or completed or that the concurrent financing will close as contemplated. 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