SIERRA MADRE GOLD AND SILVER LTD.

Interim Management's Discussion and Analysis of the Financial Position and Results of Operations for the Three and Nine Months Ended September 30, 2023

November 15, 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 under the ticker symbol "SM" on April 19, 2021 and for existing or new U.S. shareholders on the OTCQX Best Market under the symbol "SMDRF" on July 28, 2023. The Company owns the La Guitarra silver-gold mine and related exploration concessions and has option interests in the Tepic silver-gold property and the La Tigra gold-silver property located in the State of Nayarit, Mexico.

On March 29, 2023, the Company completed the terms of a Share Purchase Agreement ("SPA") for the acquisition of the La Guitarra silver-gold mine and acquired all of the outstanding shares of La Guitarra Compania Minera, S.A. de C.V. ("La Guitarra") from Corporacion First Majestic, S.A. de C.V. ("CFM"), a wholly owned subsidiary of First Majestic Silver Corp. ("First Majestic") (the "Transaction").

The acquisition of La Guitarra has been accounted for as a reverse acquisition ("RTO") as defined by the regulators and as determined under International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). Although the Company remains the legal parent, La Guitarra has been determined to be the accounting acquirer. Consequently, La Guitarra will be deemed to be the continuation of the Company, and control of the assets and operations of the Company will be deemed to have been acquired by La Guitarra in consideration for the deemed issuance of the shares retained by the existing shareholders of the Company (see *"Reverse Acquisition Transaction"*).

This Interim Management's Discussion and Analysis ("MD&A") is dated and is effective November 15, 2023 and provides information on the Company's activities for the three and nine months ended September 30, 2023, and subsequent activity to the date of this report. Consequently, this MD&A should be read in conjunction with the Company's September 30, 2023 condensed consolidated interim financial statements, prepared in accordance with IFRS as applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. This MD&A should also be read in conjunction with the audited financial statements of La Guitarra Compania Minera S.A. de C.V. as at and for the year ended December 31, 2022, prepared in accordance with IFRS, and filed by the Company on SEDAR on May 1, 2023.

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, 2022 MD&A and audited consolidated financial statements, available for viewing at www.sedarplus.ca. Please also 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. Given the material impact of the recent RTO transaction on the Company's financial statements and operations, in addition to disclosures required by the Quarterly Highlights regime, the Company has chosen to provide an increased level of disclosure in this MD&A to provide readers with sufficient background and context in order to assess the impact of the Transaction.

Highlights

Highlights of the Company's activities during the period under review are presented below - all amounts are presented in U.S. dollars unless otherwise stated in Canadian dollars ("CAD"):

- During the quarter ended September 30, 2023, the Company expended $795 thousand (quarter ended September 30, 2022 - $638 thousand) on care and maintenance activities on the mine, including concession fees of $168 thousand (quarter ended September 30, 2022 - $184 thousand);
- Beginning in July 2023, the focus of the Company became mainly targeted at developing a new resource estimate for the La Guitarra silver-gold mine (see *"Mineral Interests"*), acquiring and refurbishing certain mobile equipment and work towards a new mine plan;
- On November 1, 2023, the Company announced a 373% increase in measured and indicated silver-equivalent ounces to 27.2 million ounces and a 204% increase in inferred silver-equivalent ounces to 20.2 million ounces for the La Guitarra silver-gold mine. We expect to complete and file a new NI 43-101 compliant resource report in the fourth quarter of 2023; and
- The November 1, 2023 announcement also indicated that the next step to in advancing La Guitarra will be to establish a mine and restart plan ("Mine Plan"), expected to be completed in the first quarter of 2024. The new Mine Plan will consist of a capital and operating cost study, the results of which will be used to evaluate the economic potential of the mine.

Reverse Acquisition Transaction

An RTO involving a non-public enterprise and a non-operating public enterprise is a capital transaction in substance, rather than a business combination. The Company's activities prior to the Transaction were limited to the management of cash resources, maintenance of its listing, and exploration activities, which do not constitute a business. Since the Transaction did not meet the definition of a business combination in accordance with IFRS 3: *Business Combinations*, the Transaction has been accounted for as an asset acquisition in accordance with IFRS 2: *Share-based Payments* as follows:

- The assets and liabilities of La Guitarra are recognized and measured in the consolidated balance sheets at their pre-Transaction carrying amounts;

- The identifiable assets and liabilities of the Company are recognized at fair value at the closing date of the Transaction. The fair value of the Company was determined based on the equity interests deemed to have been issued by La Guitarra to provide the shareholders of the Company with the same proportional interest in the common shares of the Company as they had prior to completion of the Transaction;

- The excess of the consideration paid over the fair value of the identifiable assets and liabilities of the Company was charged to profit or loss as an RTO transaction cost; and

- Deficit and other shareholders' equity balances recognized in the consolidated balance sheets reflect those of La Guitarra, the accounting parent and consolidated share equity is determined by adding the fair value of the Company, being the fair value of the equity instruments retained by the existing shareholders of the Company, to the balance of La Guitarra's share equity immediately prior to the Transaction. However, the legal capital structure shown in the consolidated statements reflects that of the Company, the legal parent. Accordingly, the share structure of La Guitarra is retrospectively restated to reflect the legal capital structure of the Company, using the exchange ratio established in the SPA, plus the number of common shares deemed issued by the Company to effect the Transaction.

The consideration paid in the Transaction is made up of the following:

Fair value of 64,130,678 common shares of the Company at CAD $0.65 per share (retained by the shareholders of the Company, deemed issued by La Guitarra)	$ 30,818,380
Fair value of the vested portion of 5,485,000 stock options of the Company (retained by the shareholders of the Company, deemed issued by La Guitarra)	1,828,402
Legal, filing, and consulting costs	458,304
Working capital and value-added tax ("VAT") adjustments	329,378
Provision (i)	5,548,000
Total consideration paid	$ 38,982,464

(i) On January 9, 2018, La Guitarra received a ruling from the Manzanillo Customs Tax Authority assessing a tax penalty of $4.1 million (78.4 million Mexican pesos) for allegedly failing to comply with Mexican Customs Law on a concentrate shipment made in March 2017. La Guitarra filed an appeal with the Federal Tax Court. On September 17, 2020, the Federal Tax Court in Durango granted La Guitarra a definitive injunction against collection. Based on advice from legal advisors, La Guitarra believes they were in compliance with the applicable Mexican law and therefore no liability was recognized in the financial statements. As at March 31, 2023, La Guitarra had posted cash as collateral for a bond held with the Servicio de Administracion Tributaria for $5,548,000 (99.4 million Mexican pesos). Pursuant to the SPA, any funds released from the collateral bond after the closing date must be remitted to the former parent or be applied to settle any amounts determined under the appeal process. As under the terms of the SPA the amount on deposit must either be paid to settle any amounts determined to be payable under the customs dispute or any remaining balance must be remitted to First Majestic, a full provision has been recorded, in the amount of $5,548,000 as at March 31, 2023. First Majestic has assumed full responsibility and all related costs of this dispute with the tax authorities, including funding any further required increases of the funds posted as collateral for the bond. To September 30, 2023, the peso denominated restricted cash and the related peso denominated provision have both increased, due to foreign exchange, to $5,707,083.

The consideration for the deemed issuance of shares is based on the fair value of the Company's shares using the share price of the concurrent financing of CAD $0.65 per share, as this is considered to be the most reliable indicator of fair value. The fair value of the deemed issuance of stock options is determined using the Black-Sholes Option-Pricing Model. The Company's identifiable assets and liabilities are recognized at their fair value. The difference between the consideration paid and the net identifiable assets received is recognized as a transaction cost in profit and loss.

The excess of the consideration paid over the fair value of the identifiable assets and liabilities of the Company at March 29, 2023 is as follows:

Current assets, including cash of $832,100	$ 1,788,785
Fair value of the Tepic mineral property	3,600,000
Fair value of the La Tigra mineral property	2,540,000
Fair value of equipment	42,754
Current liabilities	(61,822)
Fair value of net identifiable assets acquired	7,909,717
RTO transaction cost	31,072,747
Total consideration paid	$ 38,982,464

The identifiable assets and liabilities of the Company as at March 29, 2023, have been translated from Canadian dollars to U.S. dollars using a translation of convenience based on the exchange rate in effect at that date.

The fair values of the Tepic and La Tigra mineral properties, as reported above, are preliminary and are still being assessed and could be revised.

Results of Operations – Three months ended September 30

The Company had a loss of $1,840,393, for the quarter ended September 30, 2023, as compared to a loss of $629,426 for the quarter ended September 30, 2022. Significant items included in the current and comparative losses for the three-month periods ended September 30 are as follows:

		2023		2022
Care and maintenance – general	$	626,974	$	448,543
Care and maintenance – mining concession fees		167,963		184,075
Care and maintenance – former parent		-		5,207
Total care and maintenance	$	794,937	$	637,825
Accretion – decommissioning liability	$	54,354	$	49,230
Foreign exchange loss (gain)	$	242,452	$	(134,036)
Interest expense – former parent	$	-	$	113,547
General and administrative	$	723,010	$	509
Community relations	$	62,390	$	-
Finance income	$	(43,100)	$	-
Deferred tax expense (recovery)	$	476	$	(40,871)

Care and maintenance expense includes the wages and benefits of staff directly engaged in the site activities to maintain the plant, equipment, and property in a state capable of being re-started upon a reasonable period of planning and re-commissioning procedures. Care and maintenance expense also includes the supplies and materials consumed in the process of maintaining the plant, equipment, and property, including the ongoing water treatment costs. The increase of $157 thousand in total care and maintenance expense was mainly driven by increases in the staffing complement and certain wage increases along with maintenance parts and supplies as we continue to address necessary maintenance requirements in the plant and the underground in anticipation of the next steps at La Guitarra. Partially offsetting this increase was a $16 thousand decrease in mining concession fees as a result of our claim reductions done in July 2023.

Mining concession fees are paid in January and July each year and are expected to be in the range of $672 thousand per year ($168 thousand per quarter), based on the June 30, 2023, Mexico peso – U.S. dollar exchange rate and the current per-hectare assessment rate. The assessment rate is subject to Mexican consumer price index adjustments. Effective for the semi-annual fees due in July 2023, the Company undertook an extensive review of the La Guitarra concessions and reduced the property size from 39,714 hectares to 23,305 hectares.

General, administrative and other expenses (“G&A”) increased significantly quarter on quarter. There were several key drivers of this increase but the most significant was the impact of completing the RTO at the end of the first quarter of 2023. The impact on the second and third quarters of 2023 was to commence recording the expenses of the legal parent company from the date it was deemed to have been acquired in the RTO transaction. As a result, none of the legal parent company’s G&A has been reported for the comparative period. Legal fees were approximately $15 thousand higher in the third quarter of 2023 due to the ongoing costs related to the Company’s legal challenge of the recent Mexican mining law changes (see *“Amendments to mining and other related laws in Mexico”*) and certain labour matters. The Company also incurred $272 thousand in investor relations expenditures in the third quarter of 2023, in order to keep our investors informed during and following the period of the trading halt. There were no investor relations expenses in the comparative three-month period, due to the impact of the RTO, whereby such costs in the legal parent are not included in the comparative quarter. Accounting and audit fees increased by $103 thousand in the third quarter of 2023 versus the comparable period, due to the impact of the RTO. Office expenses also increased by $108 thousand related to the same RTO impact and the opening of a new administrative office in Mexico.

Beginning from July 1, 2023, we have begun to separate out our community relations costs, with the rational being that the costs are now related to our social license to work towards re-opening the mine. During the quarter ended September 30, 2023, we incurred $62 thousand in direct support to the local communities and via consultant fees for maintaining our governmental and community relations.

During the quarter ended September 30, 2023, the Company was charged $nil (quarter ended September 30, 2022 - $113,547) of interest expense on the amounts advanced by CFM. All amounts owing to CFM were capitalized in the first quarter of 2023 eliminating further interest charges.

Finance income represents interest earned on the Company’s cash and cash equivalents, which are invested in interest bearing deposits.

Results of Operations – Nine months ended September 30

The Company had a loss of $35,303,153 for the nine months ended September 30, 2023, as compared to a loss of $2,494,170 for the nine months ended September 30, 2022. Significant items included in the current and comparative losses for the nine-month periods ended September 30 are as follows:

		2023		2022
Care and maintenance – general	$	1,599,635	$	1,407,399
Care and maintenance – mining concession fees		644,976		550,096
Care and maintenance – former parent		4,928		296,547
Total care and maintenance	$	2,249,539	$	2,254,042
Accretion – decommissioning liability	$	165,370	$	147,623
Foreign exchange loss	$	325,542	$	13,376
Interest expense – former parent	$	92,923	$	199,051
General and administrative	$	1,426,865	$	48,417
Community relations	$	62,390	$	-
RTO transaction cost	$	31,072,747	$	-
Finance income	$	(76,865)	$	-
Deferred tax recovery	$	(28,933)	$	(182,186)

The decrease of $6 thousand in total care and maintenance expense was mainly driven by the $292 thousand decrease in charges from the former parent for certain studies undertaken in the first quarter of 2022, partially offset by the impacts of the inflationary increase on the mining concession fees and renewals of certain short-term surface access right agreements. The concession fees would have increased significantly more if we had not reduced the concessions by 41% in July 2023. General care and maintenance expense increase of $192 thousand was mainly driven by increases in the staffing complement and certain wage increases along with maintenance parts and supplies as we continue to address necessary maintenance requirements in the plant and the underground in anticipation of the next steps at La Guitarra.

G&A increased significantly period on period. There were several key drivers of this increase but the most significant was the impact of completing the RTO at the end of the first quarter of 2023. The impact on the second and third quarters of 2023 was to commence recording the expenses of the legal parent company from the date it was deemed to have been acquired in the RTO. As a result, none of the legal parent company's G&A has been reported for the comparative period or for the first quarter of 2023. Legal fees were approximately $135 thousand higher due to the non-recurring costs related to the Mexican anti-trust process that had to be completed to close the RTO, as well as the ongoing costs related to the Company's legal challenge of the recent Mexican mining law changes (see *"Amendments to mining and other related laws in Mexico"*) and certain labour matters. The Company also incurred $414 thousand in investor relations expenditures in the nine months ended September 30, 2023, in order to keep our investors informed during the period of the trading halt. There were no investor relations expenses in the comparative nine-month period, due to the impact of the RTO, whereby such costs in the legal parent are not included in the comparative period. Accounting and audit fees increased by $188 thousand in the nine months ended September 30, 2023, versus the comparative period, due to the impact of the RTO. Office expenses also increased by $165 thousand related to the same RTO impact and the opening of a new administrative office in Mexico.

The Company recorded a foreign exchange loss of $326 thousand in the nine months ended September 30, 2023, as compared to a foreign exchange loss of $13,376 in the nine months ended September 30, 2022. The loss in the nine months ended September 30, 2023, was driven by the increase in the Mexican peso – U.S. dollar exchange rate, from 0.0513 on December 31, 2022, to 0.0574 on September 30, 2023, on the net peso denominated liabilities of the Company during the period.

During the nine months ended September 30, 2023, the Company was charged $92,923 (nine months ended September 30, 2022 - $199,051) of interest expense on the amounts advanced by CFM. All amounts owing to CFM were capitalized in the first quarter of 2023, no interest was charged in the second quarter of 2023 and no further funding or interest expense is anticipated.

The Company recorded an RTO transaction cost of $31,072,747, being the excess of the consideration paid over the fair value of the net identifiable assets acquired (see *"Reverse Acquisition Transaction"*).

Finance income represents interest earned on the Company's cash and cash equivalents, which are invested in interest bearing deposits.

Cash Flows

The main components of the Company's cash flows for the nine months ended September 30, 2023 and 2022 include the following:

		2023		2022
Loss for the period	$	(35,303,153)	$	(2,494,170)
Items not involving cash		31,712,050		157,016
Changes in non-cash working capital items		(639,763)		607,815
Purchase of plant and equipment		(265,741)		-
Capitalized mine development costs		(319,940)		-
Capitalized exploration and evaluation		(481,825)		-
Cash acquired on RTO		832,100		-
Lease payments		-		(16,578)
Shares issued for cash, net		4,711,864		-
Subscription receipts, net		2,415,772		-
Advances from former parent		899,964		2,433,382
Increase in cash position	$	3,561,328	$	687,465

The increase in the loss for the period and the impact on the items not affecting cash were mainly driven by the $31 million of non-cash RTO transaction costs, resulting from the excess of the consideration paid over the fair value of the net assets acquired in the Transaction. The loss also increased as a result of the impact of the RTO, whereby none of the legal parent company's G&A has been reported for the comparative period or for the first quarter of 2023.

Cash used for operating activities of $4,231 thousand for the nine months ended September 30, 2023, was higher than the $1,729 thousand used in the nine months ended September 30, 2022. The key drivers of the increase are the inclusion of the G&A expenditures of the legal parent since the late first quarter close of the RTO transaction, the higher legal costs incurred at La Guitarra due to the anti-trust process completed in Mexico, as well as the legal challenges to the new Mexican mining laws and certain labour matters, and the use of cash related to the increases in non-cash working capital in the legal parent.

Cash used in investing activities was $163 thousand in the nine months ended September 30, 2023 ($nil in the comparative period) for exploration and evaluation activities on the eastern block of the La Guitarra concessions. The Company also incurred $154 thousand on Tepic and $165 thousand on La Tigra, as compared to $nil on the Tepic and La Tigra projects in the comparative period. It should be noted that although exploration and evaluation activities were conducted at Tepic and La Tigra in the comparative period, the condensed consolidated interim financial statements only reflect such activity after the date of the RTO. During the nine months ended September 30, 2023, the Company also incurred and capitalized $320 thousand for mine development, focused on the development of a new resource estimate and ultimately leading to a new Mine Plan for the La Guitarra mine site, as compared to $nil in the nine months ended September 30, 2022. The Company also capitalized approximately $34 thousand of depreciation on equipment used in the mine development activities. We expect to complete and file a new NI 43-101 compliant resource report in the fourth quarter of 2023, and an updated life of Mine Plan is expected to be completed in the first half of 2024. The Company also used $266 thousand of cash on acquiring and refurbishing certain mobile equipment and a new server for the mine during the current nine-month period. As part of the RTO transaction, the Company acquired $832,100 of cash held by the legal parent at the date of the RTO.

Cash provided by financing activities increased from $2,417 thousand in the nine months ended September 30, 2022, to $8,028 thousand in the nine months ended September 30, 2023. The increase mainly relates to the $4,712 thousand of net share capital proceeds and the net subscription receipt proceeds of $2,416 thousand from the concurrent financing partially offset by the period-over-period decrease of $1,533 thousand in advances received from CFM, the former parent company and its subsidiaries, as a result of closing the RTO in late March 2023.

Quarterly Financial Data

The Company has no operating revenue. Selected financial information set out below is based on and is derived from the unaudited condensed interim financial statements of the Company for each of the other quarters listed, which have been prepared in accordance with IFRS, as applicable to quarterly reporting:

	Sep. 30, 2023 (Q3) ($)	Jun. 30, 2023 (Q2) ($)	Mar. 31, 2023 (Q1) ($)	Dec 31, 2022 (Q4) ($)	Sep. 30, 2022 (Q3) ($)	Jun. 30, 2022 (Q2) ($)	Mar. 31, 2022 (Q1) ($)	Dec 31, 2021 (Q4) ($)
Revenues	-	-	-	-	-	-	-	-
Care and maintenance expenses	794,937	724,683	729,919	709,965	637,825	650,842	965,375	678,295
Foreign exchange loss (gain)	242,452	29,222	53,868	392,656	(134,036)	601	146,811	(94,237)
RTO transaction cost (adjustment)	-	(453,950)	31,526,697	-	-	-	-	-
Loss for the period	1,840,393	932,735	32,530,025	68,574	629,426	795,523	1,069,221	717,607
Total assets	39,672,959	42,342,127	40,424,834	28,105,121,	32,069,136	32,165,631	32,411,749	32,027,319
Total non-current liabilities	8,093,548	8,793,962	8,302,559	2,629,862	16,531,528	15,919,454	15,327,593	13,572,941
Dividends declared or paid	-	-	-	-	-	-	-	-
Loss per share – basic and diluted	0.01	0.01	0.52	0.00	0.01	0.01	0.02	0.01
Weighted average number of shares (i)	143,998,401	143,141,252	62,577,673	59,366,886	59,366,886	59,366,886	59,366,886	59,366,886

(i) The weighted average shares have been determined based on the outstanding shares of La Guitarra, to the closing of the SPA, retrospectively restated using the exchange ratio established in the SPA.

The substantial increase in loss and comprehensive loss and loss per share in the first quarter of 2023 was caused primarily by the $31,526,697 RTO transaction cost recorded in the period (see *"Reverse Acquisition Transaction"*). In the second quarter of 2023 this expense was reduced by $453,950 on final agreement with FM of the working capital and VAT adjustments related to the RTO.

Care and maintenance costs have historically been in the $700 thousand to $800 thousand range per quarter, including the semi-annual Mexican mining concession fees. The amount of the concession fees related to La Guitarra has generally increased year to year, as each payment is based on the per hectare rate and the foreign exchange rate in effect at the date of payment. The per hectare rate is adjusted once per year based on the published Mexican inflation rates. Following an extensive review conducted by the Company on the La Guitarra concessions, we reduced the property from 39,714 hectares to 23,305 hectares in July 2023. Based on these claim reductions, we expect the base concession fees to be approximately $672 thousand per year ($168 thousand per quarter), subject to changes in the per hectare rate and foreign exchange impacts. The quarter ended March 31, 2022, included significant related party charges for technical services, provided to the mine by the former parent company, in the amount of $285,252.

Foreign exchange gains and losses are driven by fluctuations from quarter to quarter in the U.S. dollar-Mexican peso exchange rate and in the Company's net monetary assets or liabilities, which are denominated in Mexican pesos.

The increase in total assets from Q4 2022 to Q1 2023 reflects the closing of the RTO and the acquisition of the assets of the legal parent company, including the Tepic and La Tigra properties at their estimated fair values.

The decrease in non-current liabilities in Q4 2021 was due to the capitalization to share capital of $5.9 million of amounts owing to CFM. The decrease in non-current liabilities in Q4 2022 was due to the reclassification of the amounts owing to CFM from non-current to current liabilities based on the due dates. Ultimately, the amount owing to CFM of $11.1 million was capitalized to share capital in Q1 2023. The increase in non-current liabilities in Q1 2023 was due to the provision recorded of $5.8 million related to the restricted cash and the ongoing excise tax dispute with the Mexican tax authorities. The increase in non-current liabilities in Q2 2023 was due to foreign exchange in the quarter on the peso denominated excise tax provision. First Majestic has assumed full responsibility over this dispute and the related restricted funds can only be used to pay any final settlement with the tax authorities or once fully settled, will be paid to First Majestic.

Financial Position and Liquidity

The Company does not currently have profitable operations, the La Guitarra silver-gold mine has been on care and maintenance since August 3, 2018, and the Tepic and La Tigra properties are in the exploration and evaluation stage. Therefore, the Company 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 common shares.

The Company's cash and cash equivalents increased from $88 thousand as at December 31, 2022 to $3,534 thousand as at September 30, 2023, primarily as a result of the $4,712 thousand of net share capital proceeds and the $2,416 net subscription receipts proceeds from the concurrent financing, and the $832,100 of cash acquired in the RTO transaction. The cash advances from the former parent company covered the care and maintenance and general and administrative costs of the mine up to the date of the RTO. Following the completion of the RTO, the cash raised in the concurrent financing and the cash acquired in the RTO have been used to cover the care and maintenance costs at the La Guitarra mine, the exploration programs on the east block at the La Guitarra concessions, Tepic and La Tigra exploration and holding costs, the purchases and refurbishment of equipment at the La Guitarra mine, and the G&A of the Company.

The working capital position (current assets less current liabilities) improved from a deficiency of $9,083 thousand as at December 31, 2022 to a positive $4,774 thousand as at September 30, 2023.

The Company has concluded that its working capital of $4,774 thousand as at September 30, 2023 is sufficient to cover its present obligations and commitments over the ensuing twelve months. The Company anticipates that it will need to raise additional funds to place the mine back into production, with such additional funding to be determined based on the new Mine Plan, should it indicate that the resources are economic.

Financial Instruments

The Company's financial instruments include cash and cash equivalents, restricted cash, receivables, accounts payable, payroll and withholding taxes payable, and due to the former parent company, which are measured at amortized cost. The carrying values approximate their fair values due to the short-term nature of these instruments.

Cash and cash equivalents and restricted cash includes $9,241 thousand (December 31, 2022 - $5,219 thousand) held through current operating and savings bank accounts and guaranteed investment certificates with major Canadian financial institutions with high investment grade ratings and through major banks in Mexico, which also have high investment grade ratings. It should be noted that the restricted cash of $5,707 thousand can be used only to settle the related provision.

Capital Resources and Commitments

The Company has ongoing cash requirements to meet its overhead and care and maintenance costs. In addition, the current claim areas for La Guitarra, Tepic and La Tigra requires semi-annual payments of mining concession fees in the range of approximately $370 thousand, which are due in January (Q1) and July (Q3) of each year. To the closing of the SPA, the capital requirements of the Company had been met by advances and equity infusions from its former parent company. Since the closing of the SPA, the Company the capital needs of the Company have been met through equity financings. 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.

Use of Funds

The Company's management information circular dated November 8, 2022, established an intended use of the funds from the concurrent financing. The amounts have been updated to reflect the actual and anticipated proceeds from the concurrent financing, the working capital at March 29, 2023, and the conversion to U.S. dollars using the rate in effect at March 29, 2023. A summary of the intended use against actual expenditures to date at September 30, 2023 is as follows:

	Intended Use	Actual Use
Exploration and evaluation – Tepic and La Tigra	$ 534,408	$ 348,333
Exploration and evaluation – Phase 1 – La Guitarra	932,979	162,587
Exploration and evaluation – Phase 2 – La Guitarra (i)	4,402,161	585,681
Care and maintenance - La Guitarra (i)	1,527,484	1,519,620
G&A	1,531,125	1,321,253
Working capital/unspent funds	366,483	4,213,010
Spent from October 1, 2022 to RTO closing	(1,144,156)	-
Total	$8,150,484	$8,150,484

(i) Reallocated $709,800 of concession fees budgeted in Phase 2 rather than care and maintenance in the Intended Use to coincide with the reporting in the interim financial statements.

Outstanding Share Data

As required under IFRS accounting related to an RTO, the outstanding number of shares tracks that of the legal parent but the dollar amount tracks that of the legal subsidiary, La Guitarra. In accordance with the reverse acquisition, completed on March 29, 2023, the Company issued 69,063,076 of its common shares under the SPA. The share capital presented in the financial statements represents that of La Guitarra, the accounting parent, except as to the legal capital structure, which has been retrospectively restated by multiplying the number of outstanding shares of La Guitarra by the exchange ratio established in the SPA, to reflect the number of outstanding shares issued by the Company, the legal parent. Loss-per-share amounts have also been retrospectively restated to reflect the RTO transaction.

The details are as follows:

	Number of Shares	Share Capital
Balance – December 31, 2021 and 2022	59,366,886	$ 108,144,970
Capitalization of advances - CFM	9,696,190	11,099,209
Balance – prior to closing the Transaction	69,063,076	119,244,179
Deemed shares issued in RTO transaction	64,130,678	30,818,380
Private placement – March 2023	9,504,647	4,567,515
Private placement – cash share issuance costs	-	(421,342)
Private placement – fair value of agents' compensation options	-	(114,203)
Private placement – May 2023	1,300,000	622,789
Private placement – cash share issuance costs	-	(57,098)
Private placement – fair value of agents' compensation options	-	(24,292)
Balance – September 30, 2023	143,998,401	$ 154,635,928

Share Issuances

On March 24, 2023, the Company increased the variable capital issued to CFM by $11,099,209 (205.9 million pesos) and recorded a $11,099,209 reduction in advances owing to CFM. The number of shares issued for the capitalization of the loan has been retrospectively restated using the exchange ratio established in the SPA.

On March 30, 2023, the Company received $4,567,515 from its escrow agent in respect of the first tranche of the concurrent financing, a brokered private placement. The Company issued 9,504,647 common shares in exchange for the subscription receipts issued at CAD $0.65 per subscription receipt, which included 119,647 subscription receipts of the over-allotment option. In addition to legal and other expenses of the agents totalling $241,712, the Company paid commissions of $124,920, a corporate finance fee of $54,710, and issued 366,950 compensation options to the agents. Each compensation option is exercisable into one common share of the Company at a price of CAD $0.65 per share for a period of 24 months following the conversion of the subscription receipts. The fair value of the compensation options was estimated at $114,203 using the Black-Scholes Option-Pricing.

During May 2023, the Company closed the second tranche of the concurrent financing by issuing 1,300,000 common shares at a price of CAD $0.65 per subscription receipt for gross proceeds of $622,789. In addition to legal and other expenses of the agents totalling $19,731, the Company paid commissions of $37,367 and issued 78,000 compensation options to the agents. Each compensation option is exercisable into one common share of the Company at a price of CAD $0.65 per share for a period of 24 months. The fair value of the compensation options was estimated at $24,292 using the Black-Scholes Option-Pricing Model.

Subscription receipts

During May 2023, as part of closing the second tranche of the concurrent financing, the Company issued 5,123,092 subscription receipts at a price of CAD $0.65 per subscription receipt for gross proceeds of $2,450,338. The Company had the right to cancel the subscription receipts at any time up to November 14, 2023, by providing a termination notice to the holders and returning the funds to the subscription receipt holders, plus interest at the rate of 10% per annum. Due to the expiry of the notice period, each subscription receipt will automatically convert into one common share of the Company on November 17, 2023. The Company paid legal costs totalling $34,566 in respect of the subscription receipts.

Shares Held in Escrow

A total of 20,641,776 shares held by directors, officers and seed shareholders of the Company were held in escrow and subject to release as to 10% on October 19, 2021, with tranches of 15% being released each six months thereafter. As at September 30, 2023, there was a total of 9,288,799 shares remaining in escrow (December 31, 2022 - 12,385,065).

Stock Options

The Company has an incentive stock option plan that complies with the rules of the TSX-V, limiting the total number of incentive stock options to 10% of the issued common shares. Stock options may be issued at the discretion of the board of directors, exercisable during a period not exceeding ten years. Vesting provisions and exercise price are at the discretion of the board of directors, subject to the policies of the TSX-V. Details of the related exercise prices and the weighted average exercise price is as follows:

	Number	CAD
Outstanding, immediately prior to the closing of the Transaction	5,485,000	$0.74
Agents' options issued	444,949	$0.65
Expired	(415,000)	$0.74
Outstanding, September 30, 2023	5,514,949	$0.73
Exercisable, September 30, 2023	5,514,949	$0.73

At September 30, 2023, the Company had outstanding stock options enabling holders to acquire common shares as follows:

	Number of Shares	Exercise Price (CAD)		Expiry Date
Options	4,570,000	$	0.74	April 26, 2026
	500,000	$	0.74	April 29, 2027
Agents' compensation options	366,949	$	0.65	March 30, 2025
	78,000	$	0.65	May 31, 2025
	5,514,949			

At September 30, 2023, the weighted-average remaining life for the outstanding stock options was 2.58 years.

A summary of the Company's outstanding equity instruments follows:

	November 15, 2023	September 30, 2023	December 31, 2022
Shares issued and outstanding	143,998,401	143,998,401	64,130,678
Outstanding stock options	5,070,000	5,070,000	5,485,000
Outstanding agents' compensation options	444,949	444,949	-
Diluted shares outstanding	149,513,350	149,513,350	69,615,678

Note 10 to the Company's September 30, 2023, condensed consolidated interim financial statements provides additional details regarding share capital and stock option activity for the period.

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. Due to the RTO accounting, as described in Notes 1 and 3 to the Company's September 30, 2023, condensed consolidated interim financial statements, only the key management remuneration of the legal parent from March 29, 2023, is recognized in these condensed consolidated interim financial statements. Key management includes directors and officers. The compensation paid or payable to key management and parties related to them for the three and six-month periods ended September 30 is as follows:

		2023		2022
Accounting	$	72,416	$	-
Administration (exploration and evaluation)		30,000		-
Director fees		60,161		-
Geological (exploration and evaluation)		41,778		-
Management fees		288,251		-
	$	492,606	$	-

In addition, the Company recorded share-based compensation of $3,400 (2022 - $nil), which relates to incentive stock options granted to directors and officers. Due to the RTO accounting, only the share-based compensation of the legal parent from March 29, 2023, is recognized in the condensed consolidated interim financial statements. Share-based compensation is a non-cash item calculated using the Black-Scholes Option-Pricing Model.

The Company had transactions with related corporations, which were undertaken in the normal course of operations. Details for the three months ended September 30 are as follows:

		2023		2022
Care and maintenance - Majestic Services S.A. de C.V. (i)	$	-	$	5,207
Interest expense – CFM (i)		-		113,547
	$	-	$	118,754

The Company had transactions with related corporations, which were undertaken in the normal course of operations. Details for the nine months ended September 30 are as follows:

		2023		2022
Care and maintenance - Majestic Services S.A. de C.V. (i)	$	4,928	$	296,547
Interest expense – CFM (i)		92,923		199,051
	$	97,851	$	495,598

(i) A subsidiary of First Majestic.

Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements as at September 30, 2023 or as at the date of this report.

Proposed Transactions

The Company had no proposed transactions as at September 30, 2023 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

As these condensed consolidated interim financial statements have been prepared with La Guitarra as the continuing entity, the accounting policies are those of La Guitarra as disclosed in Note 2 of its financial statements as at and for the year ended December 31, 2022, prepared in accordance with IFRS and filed on the SEDAR site of the Company on May 1, 2023. The following policies of the Company have been adopted effective March 29, 2023, on the completion of the RTO transaction:

Principles of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and the accounts of its wholly owned subsidiaries, La Guitarra (a Mexican company), Pita Exploration Limited (a British Columbia company), Pita Exploration, S. de R.L. de C.V. (a Mexican company), and Minera Sierra Madre Oro Y Plata, S. de R.L. de C.V. (a Mexican company).

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant inter-company transactions, balances, and unrealized foreign exchange translation gains or losses have been eliminated.

Foreign currency translation

The presentation currency of the Company is the U.S. dollar. The functional currency of the Company and all of its subsidiaries, except La Guitarra, is the Canadian dollar. The functional currency of La Guitarra is the U.S. dollar. Transactions denominated in foreign currencies are translated at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the reporting date. Translation gains and losses are reflected in profit or loss for the period.

Canadian functional operations are translated into U.S. dollars using the period-end exchange rate for assets and liabilities, and the average exchange rate for income and expenses. All resulting exchange differences are recognized in other comprehensive income or loss.

Loss per share

Basic loss per share is calculated using the weighted-average number of shares outstanding during the period. The Company computes the dilutive effect of options, warrants and similar instruments and its effect on earnings per share is calculated based on the use of the proceeds that would be obtained upon exercise of in-the-money options, warrants and similar instruments. It is assumed that the proceeds would be used to purchase common shares at the average market price during the period. Stock options and share purchase warrants are not included in the computation of diluted loss per share due to their anti-dilutive effect.

Share capital

Share capital issued for non-monetary consideration is recorded at the fair value of the non-monetary consideration received, or at the fair value of the shares issued if the fair value of the non-monetary consideration cannot be measured reliably, on the date of issue. The Company uses the residual value approach in respect of unit offerings, whereby the amount assigned to the warrant is the excess, if any, of the unit price over the trading price of the Company's shares at the date of issuance.

Share-based compensation

The Company uses the fair value method whereby share-based compensation costs are recognized over the vesting periods for grants of all stock options and direct awards of stock. Any consideration paid by the option holders to purchase shares is credited to share capital. The Company uses the Black-Scholes Option-Pricing Model to estimate the fair value of its share-based compensation. The fair value of each grant is measured at the grant date and, where vesting is not immediate, each tranche is recognized over the vesting period. In situations where options are granted to non-employees and some or all of the services provided cannot be specifically valued, the services are measured at the fair value of the share-based compensation. At each reporting period-end, the amount recognized as an expense is adjusted to reflect the actual number of options that are expected to vest.

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 impairment indicators for its mining assets and the determination of its functional currency.

Management considers both external and internal sources of information in assessing whether there are any indications that the Company's plant and equipment and mining interests are impaired. External sources of information management considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of its plant and equipment and mining interests. Internal sources of information management consider include the manner in which mining properties and plant and equipment are being used or are expected to be used and indications of economic performance of the assets.

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.

The Company has considered all primary and secondary indicators under IFRS and determined that the functional currency of the Company and all its subsidiaries, except La Guitarra, is the Canadian dollar.

The Company has further considered all primary and secondary indicators under IFRS and determined that the functional currency of La Guitarra, is the U.S. dollar While transactions conducted in Mexico are typically denominated in either the Mexican peso or the U.S. dollar, the Company previously generated revenues from operations which were denominated in U.S. dollars and has historically been dependent upon its parent company for financing of care and maintenance and other operating costs and such funding has been and is expected to continue to be denominated in U.S. dollars.

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.

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 and cash equivalent 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 major banks in Mexico, which also have high investment grade ratings. The carrying value of the Company's cash and cash equivalents, restricted cash, and receivables totalling $9,333 thousand represents the Company's maximum exposure to credit risk as at September 30, 2023 (December 31, 2022 - $5,219 thousand).

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.

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 September 30, 2023, the Company carried cash and accounts payable balances denominated in Mexican pesos and U.S. dollars in the Canadian dollar functional entities, 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 in the Canadian dollar functional entities as at September 30, 2023, a 10% decrease in the number of Mexican pesos required to buy a Canadian dollar would result in a gain of approximately $1,500. Based on the Company's monetary assets and liabilities denominated in U.S. dollars in the Canadian dollar functional entities as at September 30, 2023, a 10% decrease in the number of U.S. dollars required to buy a Canadian dollar would result in a gain of approximately $37 thousand.

As at September 30, 2023, the Company carried cash, restricted cash, VAT receivable, accounts payable, decommissioning liability and provision balances denominated in Mexican pesos in the U.S. dollar functional entity, which are subject to currency risk due to fluctuations in the exchange rates with the U.S. dollar. Due to the volatility of the exchange rates between the Mexican peso and the U.S. dollar, such currency risk could result in future gains or losses to the Company. Based on the Company's net monetary liabilities denominated in Mexican pesos in the U.S. dollar functional entity as at September 30, 2023, a 10% decrease in the number of Mexican pesos required to buy a U.S. dollar would result in a loss of approximately $172 thousand and a 10% increase would have the converse effect.

Liquidity Risk

The Company does not currently have profitable operations, the La Guitarra silver-gold mine has been on care and maintenance since August 3, 2018, and the Tepic and La Tigra properties are in the exploration and evaluation stage. 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-term and long-term obligations as and when they fall due. Cash projections are regularly updated to reflect the dynamic nature of the business. Since the completion of the Transaction, the Company's capital requirements have been met by equity subscriptions. Although the Company has been successful in the past in obtaining such 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.

The Company's working capital (current assets less current liabilities) as at September 30, 2023 was $4,774 thousand. The Company estimates that its current working capital provide sufficient working capital for its present obligations and commitments for at least twelve months commencing September 30, 2023. The Company anticipates that it will need to raise additional funds to place the mine back into production, with such additional funding to be determined based on the new Mine Plan, should it indicate that the resources are economic.

Interest Rate Risk

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

Mineral Interests

La Guitarra

The La Guitarra silver-gold mine is located in the historic Temascaltepec mining district in the municipalities of Temascaltepec, San Simón de Guerrero and Valle de Bravo, Estado de México, México. In July of 2023, after the Company completed an extensive review of the La Guitarra concessions, the property size was reduced from 39,714 hectares to 23,305 hectares.

In January 2023, the Company was granted full access to the project by First Majestic. Geologic and technical staff were relocated from the Company's other projects and we commenced a district-wide 1:2,000 geologic mapping program. The mapping program began in the eastern portion of the Temascaltepec mining district and in late March 2023 we began the mapping of the La Guitarra mine area. Over 51 km of structures containing mineralized quartz veins, breccias, and stockwork zones with hundreds of adits, shafts, prospect pits, and trenches have been delineated. Details of this work are contained in the Company's September 14, 2023 press release (https://sierramadregoldandsilver.com/read/auto-news-1694689441 and under the Company's profile on the SEDAR website at www.sedarplus.ca).

Concurrent with the mapping program, an audit of the La Guitarra drill hole data base commenced. The data base contains over 236,500 meters of drilling in 1,408 holes. The data base was checked to historic hard copy and electronic files and appended where necessary. This work together with geologic modeling was used by TechSer Mining Consultants Ltd. ("TechSer") of Vancouver B.C. to prepare an updated, independent Mineral Resource Estimate prepared in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101") completed by David Thomas, P.Geo. and QP Geology, and Cristian Garcia, P.Eng. and QP Mining. The following summarizes the estimated project wide resources:

Class	Tonnes	AgEq (g/t)	Ag (g/t)	Au (g/t)	AgEq Ozs	Ag Ozs	Au Ozs
Indicated	3,842,000	220	146	0.96	27,207,000	18,073,000	118,000
Inferred	4,105,000	153	113	0.52	20,199,000	14,937,000	68,000

(1) Notes for Mineral Resource Estimate:

1. *Canadian Institute of Mining Metallurgy and Petroleum* ("CIM") definition standards were followed for the resource estimate.
2. The 2023 resource models used nominal cutoff grades which are based on mining and milling costs of US$50 for cut and fill mining, US$38 per tonne for long-hole.
3. A net payable recovery of 70% (historical plant recovery plus an allowance for smelter deductions, refining costs, and concentrate transportation).
4. Silver price of US$22 and a gold price of $1700 and a Gold Silver Ratio of 77.27:1.
5. Assays were capped at 825 g/t for silver and 6.55 g/t for gold.
6. Variable cut-off by deposit:
    a. Nazareno and Coloso - Block Model 135 AgEq cut-off grade (COG) and a 1 m Minimum True Thickness;
    b. Guitarra – Polygonals Estimates 135 g/t AgEq COG and a 1 m Minimum Horizontal Width;
    c. Los Angeles - Block Model Long Hole Mining 90 g/t AgEq COG;
    d. Mina De Agua - East District Polygonal Estimate 135 g/t AgEq COG or 90 g/t AgEq COG and > 2 m Horizontal Width;
    e. The tailings used a 30 g/t AgEq COG.
7. Mineral Resources that are not mineral reserves do not have economic viability.
8. Numbers may not add due to rounding.
9. *The estimate of mineral resources may be materially affected by: metal prices and exchange rate assumptions; changes in local interpretations of mineralization geometry and continuity; changes to grade capping, density and domain assignments; changes to geotechnical, mining and metallurgical recovery assumptions; ability to maintain environmental and other regulatory permits and ability to maintain the social license to operate.*
10. The 2023 resource estimate is prepared by David Thomas P.Geo. and Q.P. and Cristian Garcia P.Eng. and QP, of TechSer in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects. David Thomas and Cristian Garcia are independent qualified person ("QP's") as defined by National Instrument 43-101. A full technical report, which is being prepared in accordance with National Instrument 43-101 *Standards of Disclosure for Mineral Projects*, will be filed and available under the Company's SEDAR profile at www.sedar.com within 45 days of this news release.

Details of this resource estimate can be found in the Company's press release dated November 1, 2023 (https://sierramadregoldandsilver.com/read/auto-news-1698847564 and under the Company's profile on the SEDAR website at www.sedarplus.ca).

An assessment of the processing plant and available equipment continues, with the goal of determining if there may be a possibility for mining operations to commence sooner than originally anticipated. Previous timelines for the advancement toward the re-start of production was predicated on purchasing new underground mining equipment with attendant long lead times for delivery. On-site mining equipment has been identified for rebuilds and contractor bids and assessments have been obtained - a maintenance chief and mechanics have been hired. One scoop tram has been rebuilt and a new motor installed and work on a second one is nearly complete. Two jumbo drills have been identified for rebuilding and work on one has commenced. A processing plant supervisor with previous experience running the plant was hired along with additional plant mechanics. Equipment was evaluated and repair begun where necessary. Several areas have been identified where plant efficiency and/or capacity could potentially be increased.

For a more detailed description of the La Guitarra property of the Company, refer to the discussion in the Information Circular dated November 9, 2022, under "Information Concerning the Property". The related complete technical report is filed under the Company's profile on the SEDAR website at www.sedarplus.ca.

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 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.

During 2022, the Company completed a Phase-2 drill program of 28 holes and released the drill hole results for the first 16 holes during April and May 2022, filed under the Company's profile on the SEDAR website at www.sedarplus.ca. In the second half of 2022 and into the first quarter of 2023, the Company continued its community relations efforts and the exploration work consisting of geological mapping, rock sampling, trenching, and surveying, mapping, and sampling of historic workings. During the second quarter of 2023, the geological team conducting the exploration programs at Tepic was transferred to the La Guitarra site. On August 15, 2023, the Company released drill results on a further 6 holes from the 2022 drill program, https://sierramadregoldandsilver.com/read/auto-news-1692097407.

In July 2023, the Company paid the required concession fees. We expect our expenditures at Tepic to be significantly reduced for the second half of 2023 as we focus our efforts and resources on La Guitarra.

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.

During 2022, the Company completed a Phase-1 drill program of 13 holes and advanced its mapping, surface sampling, and trenching programs. In the second half of 2022 and into the second quarter of 2023, the Company continued exploration work completing geological mapping, rock sampling, trenching, and surveying, mapping, and sampling of historic underground workings. Final results of the Phase 1 drilling program were released on July 13, 2023, filed under the Company's profile on the SEDAR website at www.sedarplus.ca.

The Company elected not to make the $250,000 payment due on June 21, 2023, notified the owner of the property and opened negotiations to amend the option agreement. Should the Company be unsuccessful in these negotiations it may require abandonment of the Company's interest in the project.

In July 2023, the Company paid the required concession fees. We expect our expenditures at La Tigra to be significantly reduced for the second half of 2023 as we seek to renegotiate the option agreement and in order to focus our efforts and resources on La Guitarra.

Management

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

Risk Factors

For a description of the Risk Factors of the Company, refer to the Annual MD&A for the year ended December 31, 2022, and the Management Information Circular ("MIC") dated November 9, 2022, for additional risks and in particular pages 28-48 of that MIC, filed under the Company's profile on the SEDAR website at www.sedarplus.ca.

Amendments to mining and other related laws in Mexico

The Mexican Government enacted a decree amending several provisions of the mining law (the "Decree"), which became effective on May 9, 2023.

The Decree amends the mining and water laws, including: i) life of mining concession, ii) the process to obtain new mining concessions, iii) water use and availability, iv) new social and environmental requirements, v) the authorization of any mining concession's transfer, vi) new penalties and cancellation of mining concessions due to non-compliance with the applicable laws, vii) the automatic dismissal of any application for new concessions, viii) new financial instruments or collateral requirements, among other amendments. These amendments may have an impact on our current and future exploration activities and operations in Mexico and the extent of such impact is yet to be determined but could be material for the Company.

On June 7, 2023, the Senators of the opposition parties (PRI, PAN and PRD) filed a constitutional action against the Decree, which is pending to be decided by Plenary of the Supreme Court of Justice. Additionally, during the second quarter of 2023, the Company filed amparo lawsuits covering La Guitarra, Tepic and La Tigra, challenging the constitutionality of the Decree. Those amparo lawsuits are pending to be decided by the District Courts.

Cautionary Note

This document contains "forward-looking information" which includes, but is not limited to, statements with respect to the conversion of the subscription receipts, future re-start of production at the mine, 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 and any required operating permits on a timely basis; that the Company is able to obtain financing for the re-start of its mining operations at la Guitarra on reasonable terms; that the Company is able to procure equipment and supplies in sufficient quantities and on a timely basis; that any re-start timetables for the La Guitarra mine and the related capital cost plans are not incorrectly estimated or affected by unforeseen circumstances; 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 surface rights agreements on La Guitarra property and that the Company maintains 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, the actual timing and capital costs related to re-starting mining activities at La Guitarra; actual results of current exploration activities; future metal prices; accidents, labour disputes and other risks of the mining industry; the risk that the concessions and operating permits for the La Guitarra property are not renewed; delays in obtaining governmental or regulatory approvals or financing or in the completion of the current care and maintenance activities or the future re-start and exploration activities; and that the concessions for the Tepic and/or La Tigra properties are not renewed. 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

"Alexander Langer"

Alexander Langer, President & CEO