SIERRA MADRE GOLD AND SILVER LTD.

Management's Discussion and Analysis of the Financial Position and Results of Operations for the Year Ended December 31, 2023

April 29, 2024

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 Guitarra silver-gold mine and related exploration concessions and has an option interest in the Tepic silver-gold 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 Guitarra silver-gold mine by acquiring 100% 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 IFRS Accounting 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 has been deemed to be the continuation of the Company, and control of the assets and operations of the Company were 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 Annual Management's Discussion and Analysis ("MD&A") is dated and is effective April 29, 2024 and provides information on the Company's activities for the year ended December 31, 2023, and subsequent activity to the date of this report. Consequently, this MD&A should be read in conjunction with the Company's December 31, 2023, audited consolidated financial statements, prepared in accordance with IFRS.

All amounts herein are expressed in U.S. dollars, unless otherwise stated in Canadian dollars ("CAD") or Mexican pesos ("MXN").

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 were recognized and measured in the consolidated balance sheets at their pre-Transaction carrying amounts;
- The identifiable assets and liabilities of the Company were 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 has been 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 has been 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 was 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
Intercompany elimination (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. Under the terms of the SPA, First Majestic has assumed full responsibility for the dispute and by March 29, 2023, had posted a letter of credit supported by an underlying bond as security for the dispute with the Servicio de Administracion Tributaria in the amount of $5,548,000. Under the terms of the SPA, First Majestic is responsible for any funding obligations, including the bonding costs and all other costs, related to the tax dispute.

The consideration for the deemed issuance of shares was based on the fair value of the Company's shares using the share price of a brokered private placement financing completed concurrently with the Transaction. The share price of the concurrent financing of CAD $0.65 per share was considered to be the most reliable indicator of fair value. The fair value of the deemed issuance of stock options was determined using the Black-Sholes Option-Pricing Model. The Company's identifiable assets and liabilities were recognized at their fair value. The difference between the consideration paid and the net identifiable assets received was 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 was 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, were translated from Canadian dollars to U.S. dollars using a translation of convenience based on the exchange rate in effect at that date.

Overall Performance and Outlook

Highlights of the Company's activities during the period under review are presented:

- Beginning in July 2023, the focus of the Company became mainly targeted at developing a new resource estimate for the Guitarra silver-gold mine (see *"Mineral Interests"*), acquiring and refurbishing certain mobile equipment, plant maintenance and improvements, 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 at Guitarra;
- During the year ended December 31, 2023, the Company expended $740,965 on various studies, geological mapping and analysis of the Guitarra mine; $327,052 on acquiring and refurbishing certain underground equipment; $459,534 for exploration and evaluation ("E&E") activities on the eastern district of the Guitarra concessions; and $2,907 thousand on care and maintenance activities on the mine;
- In May 2023, the Company completed the share portion of the second tranche of the concurrent financing by issuing 1,300,000 shares at a price of CAD $0.65 per share for gross proceeds of $623 thousand;
- In November 2023, the Company closed the subscription receipts portion of the second tranche of the concurrent financing by issuing 5,123,092 common shares at a price of CAD $0.65 per subscription receipt for gross proceeds of $2,447,097; and
- The Company has elected to proceed with test mining and processing to determine actual operating costs and metal recoveries in order to access the economic viability of resuming commercial operations.

In light of the recently completed and pending financings, the Company looks forward to advancing the Guitarra mine towards the initiation of test mining in the third quarter of 2024.

Selected Annual Information

The following table summarizes selected financial information for the Company for each of the three most recent fiscal years prepared in accordance with IFRS:

		2023		2022		2021
Cash and cash equivalents	$	1,929,549	$	88,242	$	17,936
Current assets	$	3,319,770	$	707,648	$	639,666
Mining interests	$	15,660,081	$	15,370,205	$	18,955,680
Exploration and evaluation assets	$	10,203,451	$	5,885,539	$	5,820,047
Plant and equipment	$	1,253,926	$	969,720	$	1,062,987
Total assets	$	30,478,627	$	28,105,121	$	32,027,319
Due to former parent company	$	-	$	9,619,551	$	-
Current liabilities	$	827,205	$	9,790,989	$	207,364
Long term liabilities	$	2,949,152	$	2,629,862	$	13,572,941
Total shareholders' equity	$	26,702,270	$	15,684,270	$	18,247,014
Care and maintenance expense ("C&M")	$	2,906,736	$	2,964,007	$	2,938,355
Deferred income tax (recovery) expense	$	246,725	$	(1,413,509)	$	91,868
Loss for the year	$	39,999,050	$	2,562,744	$	3,289,628
Basic and diluted loss per share	$	0.32	$	0.04	$	0.06
Weighted-average shares outstanding (000's)		124,340		59,367		59,367

Cash increased from 2022 to 2023 due to the proceeds of the 2023 equity raises exceeding the cash outflows for operating and investing activities.

The reduction in mining interests and total assets from 2021 to 2022 was driven by the disposal of a 2% net smelter royalty interest ("NSR") in the Guitarra mine for approximately $3 million, pursuant to the terms of the SPA. The balance increased by approximately $0.3 million in 2023 due to approximately $0.8 million in capitalized development costs, net of a $0.5 million reduction flowing from a change in the decommissioning liability.

E&E assets increased by approximately $4.3 million due to the RTO acquisition of the Tepic and La Tigra properties in the amount of approximately $6.1 million and approximately $1.1 million in capitalized E&E costs, net of an approximate $2.9 million impairment of the La Tigra property taken after the Company was unable to renegotiate the terms of the underlying option agreement.

The current portion of the amount due to former parent company increased by approximately $9.6 million in 2022, based on maturity dates, and was then capitalized in full during 2023 to share capital, under the terms of the SPA.

Long-term liabilities decreased from 2021 to 2022 due to the capitalization of intercompany debt owing to First Majestic, the additional reduction in 2023 due to the capitalization of the remaining debt in 2023 pursuant to the SPA.

Share capital increased in 2023 as a result of the shares issued under the SPA, applying the RTO accounting. Share capital also increased due to the closing of the related concurrent financing tranches.

Losses for the years ended December 31, 2023 and 2022 were mainly related to the care and maintenance activities at the Guitarra mine. The loss increased significantly in 2023 as a result of the RTO transaction cost and the impairment recorded on the La Tigra project.

Discussion of Fourth Quarter

The Company had a loss of $4,695,897, for the quarter ended December 31, 2023, as compared to a loss of $68,574 for the quarter ended December 31, 2022. Significant items included in the current and comparative losses for the three-month periods ended December 31 are as follows:

		2023		2022
Care and maintenance – general	$	789,410	$	489,873
Care and maintenance – mining concession fees		(132,213)		214,091
Care and maintenance – former parent		-		6,001
Total care and maintenance	$	657,197	$	709,965
Accretion – decommissioning liability	$	58,245	$	51,023
Foreign exchange loss	$	168,091	$	392,656
Interest expense – former parent	$	-	$	118,576
General, administrative and other	$	626,060	$	27,677
Impairment	$	2,906,681	$	-
Finance income	$	(24,440)	$	-
Deferred tax expense (recovery)	$	275,658	$	(1,247,903)

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 that would be ready for 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 $299,537 in general care and maintenance expense reflects the impacts of certain wage rate increases, including the renewal of the union contract, and staffing increases as we commenced the work required to return the mining and plant equipment to its pre-idled state after the extended period of general care and maintenance, and necessary repairs in the underground mine. Costs related to improvements have been capitalized since commencing in July 2023.

Mining concession fees are paid in January and July each year and were expected to be in the range of $850 thousand per year, based on the current Mexico peso – U.S. dollar exchange rate and the 2022 per-hectare assessment rate, which 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 Guitarra concessions and reduced the property size from 39,714 hectares to 25,320 hectares, which decreased the annual expectation for mining concession fees to approximately $602 thousand per year, based on the June 30, 2023, Mexico peso – U.S. dollar exchange rate and the 2023 per-hectare assessment rate. The credit reported in the fourth quarter of $132,313 resulted from the reclassification of all concession fees on a pro rata basis to the capitalized mine development costs at Guitarra and the E&E costs at the east district of Guitarra, commencing July 2023 when the Company began working towards a potential restart of the mine.

The Company recorded a foreign exchange loss of $168,091 in the quarter ended December 31, 2023, as compared to a foreign exchange loss of $392,656 in the quarter ended December 31, 2022. The loss in the quarter ended December 31, 2023, was driven by the impact of the increase in the Mexican peso – U.S. dollar exchange rate, on the net peso denominated liabilities of the Company during the period. The foreign exchange loss in the fourth quarter of 2022 was driven by the impact of the increase in the Mexican peso – U.S. dollar exchange rate, on the net peso denominated liabilities of the Company during the period.

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, commencing in the second quarter of 2023, was to begin 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.

The Company elected not to make the $250,000 option payment on the La Tigra property due on June 21, 2023, notified the owner of the property, and requested negotiations to amend the option agreement. To date, the Company has been unsuccessful in re-negotiating the terms of the option agreement and accordingly the accumulated costs of $2,906,681 were written-off in the fourth quarter of 2023.

In the fourth quarter of 2022, the Company reported a $1,247,903 deferred income tax recovery, related to foreign exchange movements on the Mexican peso denominated tax liability as well as the impact of the NSR sale in the fourth quarter. For the fourth quarter of 2023, the Company reported a $275,658 deferred income tax expense, related to consumer price index and foreign exchange movements on the Mexican peso denominated liability.

Results of Operations – Year ended December 31

The Company had a loss of $39,999,050 for the year ended December 31, 2023, as compared to a loss of $2,562,744 for the year ended December 31, 2022. Significant items included in the current and comparative losses for years ended December 31, are as follows:

		2023		2022
Care and maintenance – general	$	2,389,045	$	1,897,272
Care and maintenance – mining concession fees		512,763		764,187
Care and maintenance – former parent		4,928		302,548
Total care and maintenance	$	2,906,736	$	2,964,007
Accretion – decommissioning liability	$	223,615	$	198,646
Foreign exchange loss	$	493,633	$	406,032
Interest expense – former parent	$	92,923	$	317,627
General, administrative and other	$	2,052,925	$	74,264
RTO transaction cost	$	31,072,747	$	-
Impairment	$	2,906,681	$	-
Finance income	$	(101,305)	$	-
Deferred tax expense (recovery)	$	246,725	$	(1,413,509)

The decrease of $57,271 in total care and maintenance expense was mainly driven by the decrease in charges from the former parent for certain studies undertaken in the first quarter of 2022, as such studies were discontinued by the former parent in 2023 pending the completion of the SPA, and the capitalization of concession fees commencing July 1, 2023, partially offset by the impact of additional general care and maintenance since the completion of the SPA as the Company investigated the possibility of a mine re-start.

Specifically, the general care and maintenance expense increase of $491,773 reflects the impacts of certain wage rate increases, including the renewal of the union contract, and staffing increases as we commenced the work required to return the mining and plant equipment to its pre-idled state after the extended period of general care and maintenance, and necessary repairs in the underground mine.

The decrease in mining concession fees was driven by two main factors: the fees for the second half of the 2023 year were significantly less than the first half of the 2023 year due to a decrease in the overall size of the Guitarra property from 39,714 hectares to 25,320 hectares; and the fees for the first half of 2023 were approximately 8% higher than the fees in 2022. Further, the concession fees for the second half of 2023 were capitalized as to $23,776 to the Guitarra mining interests and $268,066 to the Guitarra east district E&E asset on the basis that the Company is developing these assets in anticipation of a potential restart of the mine.

G&A increased significantly year on year. 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 subsequent 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 included for the comparative period or for the first quarter of 2023.

The Company recorded a foreign exchange loss of $493,633 in the year ended December 31, 2023, as compared to a foreign exchange loss of $406,032 in the year ended December 31, 2022. The loss in the year ended December 31, 2023, was driven by the impact of the increase in the Mexican peso – U.S. dollar exchange rate, on the net peso denominated liabilities of the Company during the year. The foreign exchange loss in the year ended December 31, 2022, was driven by the impact of the increase in the Mexican peso – U.S. dollar exchange rate, on the net peso denominated liabilities of the Company during the period.

During the year ended December 31, 2023, the Company was charged $92,923 (year ended December 31, 2022 - $317,627) 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 subsequent quarters of 2023 and no further funding or interest expense was incurred.

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"*).

The Company elected not to make the $250,000 option payment due on the La Tigra property on June 21, 2023, notified the owner of the property, and requested negotiations to amend the option agreement. To date, the Company has been unsuccessful in re-negotiating the terms of the option agreement and accordingly the accumulated costs of $2,906, 681 were written-off in the fourth quarter of 2023.

In the year ended December 31, 2022, the Company reported a $1,413,509 deferred income tax recovery, related to foreign exchange movements on the Mexican peso denominated tax liability, and Mexican consumer price index ("CPI") impacts on the tax base, as well as the impact of the NSR sale in the fourth quarter of 2022. The $246,725 deferred income tax expense for the year ended December 31, 2023, was driven by foreign exchange and Mexican CPI impacts on the tax base.

Cash Flows

The main components of the Company's cash flows for the years ended December 31, 2023 and 2022 include the following:

	2023	2022
Loss for the year	$ (39,999,050)	$ (2,562,744)
Items not involving cash	34,839,081	(613,173)
Changes in non-cash working capital items	(176,606)	1,168,587
Purchase of plant and equipment	(327,052)	-
Capitalized mine development costs	(740,965)	-
Capitalized exploration and evaluation	(831,470)	(65,492)
Restricted cash	-	(331,710)
Cash acquired on RTO	832,100	-
Lease payments	(8,310)	(16,266)
Shares issued for cash, net	7,116,022	-
Advances from former parent	899,964	2,493,064
Increase in cash position	$ 1,603,714	$ 72,266

The increase in the loss for the year and the impact on the items not affecting cash were mainly driven by the $31,072,747 non-cash RTO transaction cost, resulting from the excess of the consideration paid over the fair value of the net assets acquired in the Transaction and the $2,906,681 impairment loss on La Tigra.

Cash used for operating activities was $5,336,575 for the year ended December 31, 2023, and was higher than the $2,007,330 used in the year ended December 31, 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, and the use of cash related to the increases in non-cash working capital in the legal parent.

Cash used in investing activities for the year ended December 31, 2023 was $459,534 for E&E activities on the east district of the Guitarra concessions, including the capitalization of $268,066 in concession fees from July 1, 2023. The Company also expended $255,255 on Tepic and $116,681 on La Tigra as compared to $65,492 on La Guitarra and $nil on the Tepic and La Tigra projects in the comparative year. It should be noted that although E&E activities were conducted at Tepic and La Tigra in the comparative year, the consolidated financial statements only reflect such activity after the date of the RTO. During the year ended December 31, 2023, the Company also used $327,052 of cash for refurbishing certain underground equipment, acquiring certain mobile equipment and a new server for the mine as compared to $nil in 2022. The Company also expended $740,965 in the year ended December 31, 2023, on various studies, geological mapping and analysis of the Guitarra mine. 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 $2,476,798 in the year ended December 31, 2022, to $8,007,676 in the year ended December 31, 2023. The increase was mainly related to the $7,116,022 of net proceeds from the concurrent financing partially offset by the year-over-year decrease of $1,593,100 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 quarters listed, which have been prepared in accordance with IFRS, as applicable to quarterly reporting:

	Dec. 31, 2023 (Q4) ($)	Sep. 30, 2023 (Q3) ($)	Jun. 30, 2023 (Q2) ($)	Mar. 31, 2023 (Q1) ($)	Dec 31, 2022 (Q4) ($)	Sep. 30, 2022 (Q3) ($)	Jun. 30, 2022 (Q2) ($)	Mar. 31, 2022 (Q1) ($)
Revenues	-	-	-	-	-	-	-	-
Care and maintenance expenses	657,197	794,937	724,683	729,919	709,965	637,825	650,842	965,375
Foreign exchange loss (gain)	168,091	242,452	29,222	53,868	392,656	(134,036)	601	146,811
RTO transaction cost (adjustment)	-	-	(453,950)	31,526,697	-	-	-	-
Impairment	2,906,681	-	-	-	-	-	-	-
Loss for the period	4,695,897	1,840,393	932,735	32,530,025	68,574	629,426	795,523	1,069,221
Total assets	30,478,627	39,672,959	42,342,127	40,424,834	28,105,121	32,069,136	32,165,631	32,411,749
Total non-current liabilities	2,949,152	8,093,548	8,793,962	8,302,559	2,629,862	16,531,528	15,919,454	15,327,593
Loss per share – basic and diluted	0.03	0.01	0.01	0.52	0.00	0.01	0.01	0.02
Weighted average number of shares (i)	146,504,261	143,998,401	143,141,252	62,577,673	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, including the addition of the shares issued by the Company subsequent to the closing of the SPA.

The substantial increase in loss and comprehensive loss and loss per share in the first quarter of 2023 was caused 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 First Majestic of the working capital and VAT adjustments related to the RTO.

The substantial increase in loss and comprehensive loss in the fourth quarter of 2023 was caused by the impairment of La Tigra, as previously described.

Care and maintenance costs have generally 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 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 inflated once per year based on the published Mexican inflation rates. The base concession fees decreased by approximately $342 thousand per annum, commencing July 2023, as a result of an extensive review conducted by the Company on the Guitarra concessions, which resulted in a reduction from 39,714 hectares to 25,320 hectares. Commencing July 1, 2023, the Company recommenced capitalizing the Guitarra concession fees to mine development and east district E&E. The general increase in 2023 reflects the impact of additional general care and maintenance since the completion of the SPA as the Company began to investigate the possibility of a re-start. 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 net monetary assets or liabilities, which are denominated in Mexican pesos. In the first quarter of 2022, the rate increased, which drove the reported loss for the quarter. The loss in the fourth quarter of 2022 related to the rate increase in the quarter. The losses in the 2023 quarters resulted from increases in the exchange rate during 2023, on the net peso denominated liability balances of La Guitarra.

The Company elected not to make the $250,000 option payment due on the La Tigra property on June 21, 2023, notified the owner of the property, and requested negotiations to amend the option agreement. To date, the Company has been unsuccessful in re-negotiating the terms of the option agreement and accordingly the accumulated costs of $2,906,681 were written-off in the fourth quarter of 2023.

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 total assets in Q4 2023, reflects the replacement of the restricted cash with a bonded letter of credit (provided by First Majestic) and the impairment of the La Tigra property.

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.

Financial Position and Liquidity

The Company does not currently have profitable operations, the Guitarra silver-gold mine has been on care and maintenance since August 3, 2018, and the Tepic property is in the E&E 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 capital stock, debt, or a combination thereof.

The Company’s cash on hand increased from $88,242 at December 31, 2022 to $1,929,549 as at December 31, 2023, primarily as a result of the $7,116,022 of net proceeds from the concurrent financing and the $832,100 of cash acquired in the RTO transaction exceeding the cash used in operating and investing activities. The cash advances from the former parent company funded 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 fund the care and maintenance costs at the Guitarra mine, the exploration programs on the east district of the Guitarra concessions, Tepic and La Tigra E&E expenditures, the purchases and refurbishments of equipment for the Guitarra mine, and the G&A of the Company.

The working capital position (current assets less current liabilities) improved from a deficiency of $9,083,341 as at December 31, 2022 to a positive $2,492,565 as at December 31, 2023. The increase in working capital is mainly due to the capitalization of $11,099,209 of intercompany debts owing to the former parent company during the first quarter of 2023, the $7,116,022 of net proceeds from the concurrent financing, and the $832,100 of cash acquired in the RTO transaction, net of the care and maintenance costs, exploration programs, mine development costs, and G&A costs noted above.

With the CAD $1 million equity financing in March 2024, the $0.5 million bridge financing in April 2024, and the $5.0 million project financing (subject to final lender board approval), the Company has concluded that its current working capital is sufficient to cover its present obligations and planned expenditures over the ensuing twelve months.

Financial Instruments

The Company’s financial instruments include cash and cash equivalents, receivables, accounts payable, payroll and payroll withholding taxes payable, 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, of $1,929,549 (December 31, 2022 - $88,242) is held through current operating and savings bank accounts, with major Canadian financial institutions with high investment grade ratings and through major banks in Mexico, which also have high investment grade ratings.

Capital Resources and Commitments

The Company has ongoing cash requirements to meet its overhead and care and maintenance costs. In addition, the current claim area requires semi-annual payments of mining concession fees in the range of approximately $633 thousand per annum, based on the 2024 assessment rate of MXN 212.36 per hectare and the December 31, 2023 exchange rate. 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. Following the completion of the SPA, the capital requirements of the Company have been met by 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.

During March 2024, the Company closed an equity financing of 3,571,500 common shares for gross proceeds of CAD $1,000,020. The Company paid a cash commission of CAD $15,000.

During April 2024, the Company raised approximately $500,000 by issuing three demand promissory notes bearing interest at 15% per annum.

On April 29, 2024, the Company agreed upon a senior secured $5,000,000 project financing loan, to be advanced in early May 2024, bearing interest at 15% per annum and due in full in 24 months. The loan is subject to approval from the board of directors of the lender. Interest for the first six months is not payable until the maturity of the loan. Interest payments on the loan commence after the first six months on a monthly basis. The financing will be for further development of the Guitarra mine and for general working capital purposes in support of the Guitarra mine project. There are no early payment penalties.

With the subsequent financings and the expectation of positive cash flows from mining operations, the Company believes it has sufficient working capital for at least twelve months commencing December 31, 2023.

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 March 29, 2023, working capital, 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 December 31, 2023 is as follows:

	Intended Use	Actual Use
Exploration and evaluation – Tepic and La Tigra	$ 534,408	$ 371,936
Exploration and evaluation – Phase 1 – La Guitarra	932,979	209,534
Exploration and evaluation – Phase 2 – La Guitarra (i)	4,402,161	1,317,737
Care and maintenance – La Guitarra (i)	1,527,484	2,176,817
G&A	1,531,125	1,947,313
Working capital/unspent funds	366,483	2,127,147
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 consolidated 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. 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)
Private placement – November 2023	5,123,092	2,447,097
Private placement – Share issuance costs	-	(42,939)
Balance – December 31, 2023	149,121,493	$ 157,040,086

Share Issuances

On March 24, 2023 (pre-RTO), 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 (post-RTO), 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, 949 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.

During November 2023, the Company closed the subscription receipts portion of the concurrent financing by issuing 5,123,092 common shares at a price of CAD $0.65 per subscription receipt for gross proceeds of $2,447,097. The Company incurred legal and other expenses of $42,939.

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. At December 31, 2023, there was a total of 6,192,533 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, December 31, 2023	5,514,949	0.73
Exercisable, December 31, 2023	5,514,949	0.73

At December 31, 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 December 31, 2023, the weighted-average remaining life for the outstanding stock options was 2.42 years.

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

	April 29, 2024	December 31, 2023	December 31, 2022
Shares issued and outstanding	152,692,993	149,121,493	59,366,886
Outstanding stock options	5,070,000	5,070,000	-
Outstanding agents' compensation options	444,949	444,949	-
Diluted shares outstanding	158,207,942	154,636,442	59,366,886

During March 2024, the Company closed an equity financing of 3,571,500 common shares for gross proceeds of CAD $1,000,020. The Company paid a cash commission of CAD $15,000.

Note 14 to the Company's December 31, 2023, consolidated 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 December 31, 2023 audited consolidated financial statements, only the key management remuneration of the legal parent subsequent to March 29, 2023 is recognized in the consolidated financial statements. Key management includes directors and officers.

The compensation paid or payable to key management and parties related to them for the years ended December 31 is as follows:

	2023	2022
Accounting	$ 77,773	$ -
Administration (exploration and evaluation)	52,500	-
Director fees	57,071	-
Geological (exploration and evaluation)	27,776	-
Management fees	279,985	-
	$ 495,105	$ -

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 subsequent to March 29, 2023, is recognized in the audited consolidated 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 years ended December 31 are as follows:

	2023	2022
Care and maintenance – Majestic Services S.A. de C.V. (i)	$ 4,928	$ 302,548
Interest expense – CFM (i)	92,923	317,627
Capitalized exploration expense – Majestic Services S.A. de C.V. and CFM	-	65,492
	$ 97,851	$ 685,667

(i) A subsidiary of First Majestic.

Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements at December 31, 2023 or as at the date of this report.

Proposed Transactions

The Company had no proposed transactions at December 31, 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 the audited consolidated 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 the consolidated 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 or modified effective March 29, 2023, on the completion of the RTO transaction:

Principles of consolidation

The consolidated 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.

New IFRS Pronouncements

Amendments to IAS 1 – *Presentation of Financial Statements – Classification of liabilities as current or non-current and non-current liabilities with covenants*

Amendments were issued to IAS 1 – *Presentation of Financial Statements* which removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. A company classifies a liability as non-current if it has a right to defer settlement for at least 12-months after the reporting period. The amendments clarify how a company classifies a liability that includes a counterparty conversion option, which could be recognized as either equity or a liability separately from the liability component under IAS 32 – *Financial Instruments Presentation*. Further modification was issued in October 2022 for amendments in non-current liabilities with covenants. Only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. The Company early-adopted these amendments on January 1, 2023 without impact to its consolidated financial statements.

Amendments to IAS 12 – *Income Taxes – Deferred taxes on initial recognition*

The amendments to IAS 12 require companies to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments typically apply to transactions such as leases for the lessee and decommissioning and restoration obligations related to assets in operation. The Company adopted these amendments on January 1, 2023 without impact to its consolidated financial statements.

Other

Several other amendments and interpretations were applied for the first time in 2023 but did not have an impact on the consolidated financial statements of the Company, while the standards and amendments to standards and interpretations which have been issued but are not yet effective are not expected to have a significant effect on the Company's consolidated financial statements. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective other than noted above.

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 fair values of exploration assets acquired in an asset purchase agreement; determination of impairment indicators for its mining interests, exploration and evaluation assets and plant and equipment; determining decommissioning liabilities; and the determination of its functional currency.

The determination of the fair values of exploration and evaluation assets acquired in an asset purchase agreement, involves significant judgement in relation to the valuation methodology employed, including management's selection of replacement cost as the most representative indicator of the fair values.

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's decommissioning liability represents management's best estimate of the present value of the future cash outflows required to settle the liability. Management assesses these provisions on an annual basis or when new information becomes available. This assessment includes the estimation of the future rehabilitation costs, the timing of these expenditures, inflation, and the impact of changes in discount rates, interest rates and foreign exchange rates. The actual future expenditures may differ from the amounts currently provided if the estimates made are significantly different than actual results or if there are significant changes in environmental and/or regulatory requirements in the future.

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.

Disclosure for Companies without Significant Revenue

Consistent with other companies in the mineral exploration industry, the Company has no source of operating revenue. The statements of loss and comprehensive loss included in the Company's December 31, 2023 consolidated financial statements provide a breakdown of the general and administrative expenses for the year under review in Note 15 to those consolidated financial statements. Notes 8, 9 and 10 to the consolidated financial statements include further details of the mine development, exploration and evaluation costs, and plant and equipment expenditures incurred on its mineral properties.

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 equivalents 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, restricted cash, and other receivables totalling $2,022,019 represents the Company's maximum exposure to credit risk, at December 31, 2023 (December 31, 2022 - $5,218,651).

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. At December 31, 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, at December 31, 2023, a 10% decrease in the number of Mexican pesos required to buy a Canadian dollar would result in a gain of approximately $6,000. Based on the Company's monetary assets and liabilities denominated in U.S. dollars in the Canadian dollar functional entities, at December 31, 2023, a 10% decrease in the number of U.S. dollars required to buy a Canadian dollar would result in a gain of approximately $21,000.

At December 31, 2023, the Company carried cash, VAT receivable, accounts payable and accruals 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, at December 31, 2023, a 10% decrease in the number of Mexican pesos required to buy a U.S. dollar would result in a loss of approximately $159,000 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 property is 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), at December 31, 2023, was $2,492,565. The Company estimates that together with its recently completed and pending financings that its current working capital provides sufficient working capital for its present obligations and planned activities for at least twelve months commencing December 31, 2023.

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, which earns 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

La Guitarra silver-gold mine ("La Guitarra" or "the Project") 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 25,320 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 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 transitioned to the mapping of the La Guitarra mine area. Over 51 kilometres of structures containing variably 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 database commenced. The database contains over 236,500 meters of drilling in 1,408 holes. The database 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") and 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 Mineral Resource Estimate for the La Guitarra Project summarized here is from the technical report titled "NI 43-101 La Guitarra Technical Report, La Guitarra Mineral Resource Estimate, Guitarra Silver-Gold Project, Temascaltepec, Estado de Mexico" with an effective date of October 24, 2023, which was prepared for Sierra Madre Gold and Silver by Dave Thomas, P. Geo., and Cristian Garcia, P.Eng. of TechSer Mining Consultants Ltd. in accordance with NI 43-101 and is available under Sierra Madre's SEDAR+ profile at www.sedarplus.ca"www.sedarplus.ca. David Thomas and Cristian Garcia are independent qualified person ("QP's") as defined by National Instrument 43-101.

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 was undertaken, and it was determined that there may be a possibility for mining operations to commence sooner than originally anticipated. The previous timeline for the commencement of production was predicated on purchasing new underground mining equipment with attendant long lead times for delivery. On-site mining equipment was identified for rebuilds/refurbishments and the Company re-hired a maintenance chief and a team of mechanics, who had previously worked at the mine, for the rebuild or refurbishment work. The work on the refurbishments has significantly advanced, with two scoop trams and one jumbo drill completed. Rebuild work on a low-profile underground haul truck and 3 additional scoops trams is underway.

On January 29, 2024, the Secretaria de la Defensa Nacional ("SEDENA") approved La Guitarra's 2024 explosives permit. This explosives permit must be renewed on an annual basis and was a milestone event for any potential resumption of operation. All other operating permits are current and in good standing. In accordance with recommendations made by officials with SEDENA, improvements to the underground powder magazines have been completed.

Compressed 6-inch air lines have been installed from the stationary compressors near the main San Rafael portal to the La Cruz portal, a distance of over one kilometre with a 240-metre gain in elevation. Compressors and electrical substations have been serviced and are operational.

Minimizing initial development costs continues to be one of the key factors being used to develop the near-term plan for advancement of the Project. As areas are identified and scheduled in the development plan, the existing haulage ways, access drives and ramps are being inspected for safety and rock stability, cleaned and readied.

All circuits in the processing plant are undergoing maintenance and rehabilitation work which would be required for the resumption of operations. In the grinding circuit, the three ball mills are being relined, all parts of the central drive shaft mechanisms overhauled, and the motors cleaned and tested. A fourth ball mill with limited capacity will not be rebuilt at this time.

Overall, the crushing circuit was found to be in good shape with no costly equipment replacement or major repair items identified. Normal maintenance and overhaul work is ongoing. The fine ore storage bin has had the interior dividers and portions of the walls replated with heavy steel. Conveyor belts and associated motors have been serviced and wear and tear items have been replaced where needed.

The flotation circuit is in good shape. Some piping is being replaced and the pumps are being overhauled and serviced. The Wemco flotation cells are in very good shape, needing only some replating work, along with normal maintenance. The refurbishment of plumbing and concentrate flow channels in the Denver cell circuit is nearly complete. No repair work requiring a significant outlay of capital has been identified in the recovery plant.

Currently, the identified capacities and expansion choke points in the four circuits making up the processing plant are:

- Crushing - 640 tonnes per day, second cone crusher needed for expanded capacity;
- Grinding - 516 tonnes per day, a new ball mill will be needed for additional throughput;
- Flotation - 620 tonnes per day plus an additional 580 tonnes per day, conditioner tank needs replumbing, flotation tanks have a total joint 1,200 tonnes per day capacity with some physical re-arrangement; and
- Concentrate Filtration and Drying - 620 tonnes per day, assuming the historical ore processed to concentrate produced mass reduction of 95%, filters are the limiting factor.

Refurbishment and repair of all plant circuits is expected to be completed in the third quarter of this year. Once completed, test mining and processing of mineralized material will begin to evaluate the economic feasibility of restarting commercial production at the Guitarra mine complex. Test mining will establish the cost of employing long hole mining methods and the extraction of old backfill material. Testing of the recovery circuit will establish both expected silver and gold recoveries and plant operating costs. The identified operating costs and metal recoveries will then be used to evaluate the feasibility of resuming production.

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, a Mexican subsidiary of the Company entered into an agreement providing it with the option to purchase a 100% interest in the Tepic project. Terms of the option included, keeping the concessions in good standing during the term of the agreement and paying the owner US$450,000 in semi-annual payments of US$50,000 over four years. As at the date of this report, all semi-annual payments required under the agreement have been completed and completion of the option to purchase of the property can be satisfied 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 NSR be granted, the Company would 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, to a maximum of US$3,000,000 for the entire NSR.

During 2022, a Phase-2 drill program of 28 holes was completed and results were released for the first 16 holes during April and May 2022, and 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, community relations efforts continued 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 were 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.

It is expected that the expenditures at Tepic will be significantly reduced for the near term, as the focus of efforts and resources shifts to 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 consisted of seven mining concessions totaling 357 hectares covering most of the historical mines in the Distrito Minero Del Tigre.

In June 2021, a Mexican subsidiary of the Company entered into an option agreement on La Tigra that called for payments totalling US$1,500,000 over a three-year period, during which a NI 43-101 compliant technical report containing a resource estimation was required in order to retain the option rights. To date, payments of US$375,000 have been made under the agreement.

During 2022, a Phase-1 drill program of 13 holes was completed as well as mapping, surface sampling, and trenching programs. In the second half of 2022 and into the second quarter of 2023, exploration work continued, including 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 Mexican subsidiary of the Company elected not to make the $250,000 payment due on June 21, 2023, notified the owner of the property of its intention to terminate the option agreement, and requested negotiations to amend the option agreement. To date re-negotiations have been unsuccessful and accordingly the $2,906, 681 of accumulated costs have been written-off in the year ended December 31, 2023.

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

Investment in securities of the Company should be considered speculative due to the high-risk nature of the Company’s business and the present stage of the Company’s development. There is no assurance that the Company's exploration activities will result in the discovery of an economically viable mineral deposit. The Company's interest in the Tepic, La Tigra, and La Guitarra mineral properties is subject to various risks. There can be no assurance that there are not title defects affecting the interest of the Company in the properties. There is no assurance that the Company will be capable of exercising its option to acquire an interest in the properties. Should minimum required expenditures not be maintained by the Optionor on the properties, the Company could lose its interest in the Tepic and La Tigra properties. The Company has incurred losses to date and while management considers the Company’s current financial resources to be sufficient to cover planned administrative and exploration expenses beyond the next twelve months, the Company is exposed to liquidity risk in the longer term. There is no assurance such additional funding will be available to the Company through future equity financings and any additional equity financings may result in substantial dilution thereby reducing the marketability of the Company's common shares. The Company's activities are subject to the risks normally encountered in the mining exploration business. The economics of exploring, developing and operating resource properties are affected by many factors including the cost of exploration and development operations, variations of the grade of any ore mined, the rate of resource extraction, fluctuations in the price of resources produced, government regulations relating to royalties, taxes and environmental protection. The Company may become subject to liability for hazards against which it is not insured. The Tepic property, the La Tigra property, and the La Guitarra property have been previously explored and mined. It is possible that previous operations have resulted in pollution or other environmental hazards that the Company could become responsible for. The Company completed its transaction to acquire La Guitarra, a formerly operating silver-gold mine, and the La Guitarra property will be subject to the same title, economic, and environmental risks as the Tepic and La Tigra properties. The Company competes with other mining companies with greater financial and technical resources. Certain of the Company's directors and officers serve as directors or officers of other public and private resource companies, and to the extent that such other companies may participate in ventures in which the Company may participate, such directors and officers of the Company may have a conflict of interest.

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

Operational Risks

Exploration Highly Speculative

Resource exploration, development, and operations are highly speculative and characterized by a number of significant risks, which even a combination of careful evaluation, experience and knowledge may not mitigate or eliminate, including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but from finding mineral deposits which, though present, are insufficient in quantity and quality to return a profit from production. Few properties that are explored are ultimately developed into producing mines.

Substantial expenditures are required to establish mineral resources and mineral reserves through drilling, to develop metallurgical processes to extract the metal from mineral resources, and in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. The Company will rely in part upon consultants and others for exploration, development, construction and operating expertise.

No assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; mineral prices, which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals, and environmental protection.

The exact effect of these factors cannot accurately be predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital. Such restrictions may have a material adverse effect on the Company's business and results of operation.

Foreign Operation and Political Risk

The Company conducts business in Mexico. There is no guarantee against any future political, or economic instability in Mexico or neighboring countries that might adversely affect the Company. Risks the Company may face in operating in foreign jurisdictions include unforeseen government actions, acts of god, terrorism, hostage taking, military repression, extreme fluctuations in currency exchange rates, high rates of inflation, labour unrest, the risks of war or civil unrest, expropriation and nationalization, renegotiation or nullification of existing concessions, licenses, permits and contracts, illegal mining, changes in taxation policies, restrictions on foreign exchange and repatriation, and changing political conditions, currency controls, export controls, and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction or other events.

All or any of these factors, limitations, or the perception thereof could impede the Company's activities, result in the impairment or loss of part or all of the Company's interest in the properties, or otherwise have an adverse impact on the Company's valuation and stock price.

Mining Operations Risks

The grade of any ore ultimately mined from a mineral deposit may differ from that produced from drilling results. Production volumes and costs can be affected by such factors as the proximity and capacity of processing facilities, permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. Short-term factors relating to ore reserves, such as the need for orderly development of ore bodies or the processing of new or different grades, may also have an adverse effect on the results of operations.

Moreover, there can be no assurance that minerals recovered in small scale laboratory tests will be achieved under production scale conditions. Although precautions to minimize risks will be taken, processing operations are subject to hazards such as equipment failure or failure of tailings impoundment facilities, which may result in environmental pollution and consequent liability.

Mining operations generally involve a high degree of risk. The Company may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. The payment of such liabilities may have a material adverse effect on the Company's financial position.

Dangers Inherent to Mining Activities

The Company's operations will be subject to all the hazards and risks normally encountered in the exploration, development and production of natural resources, including, without limitation, fires, power outages, labour disruptions, flooding, explosions, cave-ins, landslides and other geotechnical instabilities, equipment failure or structural failure, metallurgical and other processing problems and other conditions involved in the mining of minerals, any of which could result in damage to, or destruction of, the Company's mines, plants and equipment, personal injury or loss of life, environmental damage, delays in mining, increased production costs, asset write-downs, monetary losses and legal liability. The occurrence of any of these events could result in a prolonged interruption in the Company's operations that would have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources, water supplies and, in certain cases, air access are important determinants for capital and operating costs. The lack of availability on acceptable terms or the delay in the availability of any one or more of these items could prevent or delay exploitation or development of the Company's projects and may require the Company to construct alternative infrastructure (for example, powerlines and other energy-related infrastructure). If adequate infrastructure is not available in a timely manner, there can be no assurance that the exploitation of the Company's projects will be commenced or completed on a timely basis, if at all; the resulting operations will achieve the anticipated production volume, or the construction costs and ongoing operating costs associated with the exploitation and/or development of the Company's mines and other projects will not be higher than anticipated. In addition, unusual weather phenomena, sabotage, terrorism, nongovernmental organization and governmental or other community or indigenous interference in the maintenance or provision of such infrastructure could adversely affect the Company's business, operations and profitability.

Future increases in metal prices may lead to renewed increases in demand for exploration, development and construction services and equipment used in mineral exploration and development activities. Such increases could result in delays if services or equipment cannot be obtained in a timely manner due to inadequate availability and may cause delays due to the need to coordinate the availability of services or equipment, any of which could materially decrease project exploration and development and/or increase production costs and limit profits.

Governmental Regulations, Licenses and Permits

The Company's mining, exploration and development projects are subject to extensive laws and regulations. Such laws and regulations govern various matters which may include exploration, development, production, price controls, exports, taxes, mining royalties, environmental levies, labor standards, expropriation of property, maintenance of mining claims, land use, land claims of local people, water use, waste disposal, power generation, protection and remediation of the environment, reclamation, historic and cultural resource preservation, mine safety, occupational health, and the management and use of toxic substances and explosives, including handling, storage and transportation of hazardous substances.

Such laws and regulations may require the Company to obtain licenses and permits from various governmental authorities. Failure to comply with applicable laws and regulations, including licensing and permitting requirements, may result in civil or criminal fines, penalties or enforcement actions, including orders issued by regulatory or judicial authorities enjoining or curtailing operations, requiring corrective measures, requiring the installation of additional equipment, requiring remedial actions or imposing additional local or foreign parties as joint venture partners, any of which could result in significant expenditures or loss of income by the Company. The Company may also be required to compensate private parties suffering loss or damage by reason of a breach of such laws, regulations, licensing requirements or permitting requirements. Further, there can be no assurance that the Company will be able to obtain or maintain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at the Company's projects.

Evolving Foreign Trade Policies

New tariffs and evolving trade policy between the United States and other countries, including China, México and Canada, may have an adverse effect on the Company's business and results of operations. There is currently significant uncertainty about the future relationship between the United States and various other countries, including China, México and Canada, with respect to trade policies, treaties, government regulations and tariffs. Any increased restrictions on international trade or significant increases in tariffs on goods could potentially disrupt the Company's supply chains and impose additional costs on the Company's business.

Although management has determined that there have been no material effects to date on its operations regarding these developments, management cannot predict future potentially adverse developments in the political climate involving Canada, the United States and México and thus these may have an adverse and material impact in the future on the Company's operations and financial performance.

Environmental and Health and Safety Regulation

The Company's operations are subject to extensive laws and regulations governing environmental protection promulgated by governments and government agencies. Environmental regulation provides for restrictions on, and the prohibition of, spills and the release and emission of various substances related to mining industry operations which could result in environmental pollution.

The Company is required to obtain governmental permits and in some instances air, water quality, waste disposal, hazardous substances and mine reclamation permits. Although the Company makes provisions for environmental compliance and reclamation costs, it cannot be assured that these provisions will be adequate to discharge the Company's future obligations for these costs. Failure to comply with applicable environmental laws may result in injunctions, damages, suspension or revocation of permits and imposition of penalties. In addition, certain types of operations require submissions of, and approval of, environmental impact assessments. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees.

Climate change regulations may become more onerous over time as governments implement policies to further reduce carbon emissions, including the implementation of taxation regimes based on aggregate carbon emissions. Some of the costs associated with reducing emissions can be offset by increased energy efficiency and technological innovation. However, the cost of compliance with environmental regulation and changes in environmental regulation have the potential to result in increased cost of operations, reducing the profitability of the Company's operations.

While responsible environmental stewardship is a top priority for the Company, there can be no assurance that the Company has been or will be at all times in complete compliance with such laws, regulations and permits, or that the costs of complying with current and future environmental laws and permits will not materially and adversely affect the Company's business, results of operations or financial condition.

Health and Safety Hazards

Workers involved in mining operations are subject to many inherent health and safety risks and hazards,including, but not limited to, rock bursts, cave-ins, floods, falls of ground, tailings dam failures, chemical hazards, mineral dust and gases, use of explosives, noise, electricity and moving equipment (especially heavy equipment) and slips and falls, which could result in occupational illness or health issues, personal injury, and loss of life, and/or facility and workforce evacuation. These risks cannot be eliminated completely and are controlled through the Company's safety management systems, and may adversely affect the Company's reputation, business and future operations.

Tailings Storage Facility Management

In order to manage the risk in the operation of the mining tailings storage facility ("TSF"), the Company will invest in technologies and practices that safely facilitate the handling and storage of mine tailings, in particular the operation of press filters and belt filters. La Guitarra has two permitted tailings facilities including a fully permitted but not constructed or operational dry stack facility and an operating conventional tailing storage facility, which is monitored continuously and audited annually to meet all federal and state safety guidelines.

La Guitarra complies with applicable regulations, which establish the procedure to characterize tailings deposits, as well as the specifications and criteria for the characterization and preparation of the deposit sites, construction, operation and closure of tailings deposits. During construction of La Guitarra's conventional TSF, the American Society for Testing and Materials standards was applied. In addition, the design and operation of La Guitarra's TSF is guided by international standards such as the Canadian Dam Association ("CDA"), where the minimum required operational stability factors are established. The design and current stability conditions have also been reviewed by third party consultants through the Dam Safety Inspection reports, carrying out the risk analysis and classification according to international standards of both the CDA and the International Commission on Large Dams.

Mining is an extractive industry that deals with inherent uncertainties of natural and environmental factors; therefore, the Company may be exposed to liability if accidents and/or contamination arise as a result of any failure in its TSF. Such failures could result from various risks and hazards, including natural hazards like earthquakes and flooding, uncertainty in the behavior of rock formations beneath the TSF foundations, industrial accidents and involuntary failures in the design and management of the TSF.

Title to Properties

The validity of mining or exploration titles or claims or rights, which constitute most of the Company's mineral interests, can be uncertain and may be contested. The Company has used reasonable commercial efforts to investigate the Company's title or claim to its property, however, no assurance can be given that applicable governments will not revoke or significantly alter the conditions of the applicable exploration and mining titles or claims and that such exploration and mining titles or claims will not be challenged or impugned by third parties.

Local Groups and Civil Disobedience

In Mexico, an Ejido is a form of communal ownership of land recognized by Mexican federal laws. Following the Mexican Revolution, beginning in 1934 as an important component of agrarian land reform, the Ejido system was introduced to distribute parcels of land to groups of farmers known as Ejidos. While mineral rights are administered by the federal government through federally issued mining concessions, in many cases, an Ejido may control surface rights over communal property. An Ejido may sell or lease lands directly to a private entity, it also may allow individual members of the Ejido to obtain title to specific parcels of land and thus the right to rent, distribute, or sell the land. While the Company and La Guitarra have agreements with the Ejidos that may impact their respective property, some of these agreements may be subject to renegotiation from time to time. Changes to the existing agreements may have a significant impact on operations at the Company's properties.

The Company's operations have in the past and may in the future be subject to protest, roadblocks, or other forms of civil disobedience or public expressions against its activities, including action by employees. There can be no assurance that there will not be further disruptions to workforce availability or site access at our project in the future, which could negatively impact production from the Property and, ultimately, the long-term viability of the Property, any of which may have a material adverse impact on our operations.

Community Relations and Social License to Operate

The Company's relationships with communities near where the Company will operate are critical to ensure the future success of existing operations and the construction and development of future projects. There is an increasing level of public interest worldwide relating to the perceived effect of mining activities on the environment and on communities impacted by such activities. Certain NGOs, some of which oppose globalization and resource development, are often vocal critics and attempt to interfere with the mining industry and its practices, including the use of cyanide and other hazardous substances in processing activities. Adverse publicity generated by such NGOs or others related to extractive industries generally, or their operations specifically, could have an adverse effect on the Company's reputation or financial condition and may impact the Company's relationship with the community in which it operates. While the Company believes that it operates in a socially responsible manner, there is no guarantee that the Company's efforts in this respect will mitigate this potential material risk.

Political and Country Risk

The Company will conduct its mining operations in México, and as such the Company's operations are exposed to various levels of political and economic risks by factors outside of the Company's control. These potential factors include but are not limited to: mining royalty and various tax increases or claims by governmental bodies, expropriation or nationalization, foreign exchange controls, high rates of inflation, extreme fluctuations in currency exchange rates, import and export regulations, cancellation or renegotiation of contracts, environmental and permitting regulations, illegal mining operations by third parties on the Company's property, labor unrest and surface access issues. The Company currently has no political risk insurance coverage against these risks.

The Company is unable to determine the potential impact of these risks on its future financial position or results of operations. Changes, if any, in mining or investment policies or shifts in political attitude in México may substantively affect the Company's exploration, development and production activities.

Violence and other Criminal Activities in México

Certain areas of México have experienced outbreaks of localized violence, thefts, kidnappings and extortion associated with drug cartels and other criminal organizations in various regions. Any increase in the level of violence, or a concentration of violence in areas where the project and property of the Company is located, could have an adverse effect on the results and the financial condition of the Company.

Uninsured and Uninsurable Risks

The Company's involvement in the exploration for and development of natural resource properties may result in the Company becoming subject to liability for certain risks including, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, floods, earthquakes, pollution, blow-outs, property damage, personal injury or other hazards. Although the Company may obtain insurance in accordance with industry standards to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities.

In addition, such risks may not, in all circumstances, be insurable or, in certain circumstances, the Company may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to the Company. The occurrence of a significant event that the Company is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on the Company's financial position, results of operations or prospects. No assurance can be given that insurance to cover the risks to which the Company's activities will be subject will be available at all or at economically feasible premiums. Insurance against environmental risks (including potential for pollution or other hazards as a result of the disposal of waste products occurring from production) is not generally available to the Company or to other companies within the industry. The payment of such liabilities would reduce the funds available to the Company. Should the Company be unable to fund fully the cost of remedying an environmental problem, the Company might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy.

Reclamation Obligations

Reclamation requirements are designed to minimize long-term effects of mining exploitation and exploration disturbance by requiring the operating company to control possible deleterious effluents and to re-establish to some degree pre-disturbance land forms and vegetation. The Company will be subject to such requirements for our activities on the Property. Any significant environmental issues that may arise, however, could lead to increased reclamation expenditures and could have a material adverse impact on the Company's financial resources.

During the year ended December 31, 2023, La Guitarra reassessed its reclamation obligation based on updated LOM estimates, rehabilitation, and closure plans. The total discounted amount of estimated cash flows required to settle La Guitarra's estimated obligations is $2.4 million, which has been discounted using a risk-free rate 9.29%.

The present value of the reclamation liability may be subject to change based on management's current and future estimates, changes in the remediation technology or changes to applicable laws and regulations. Such changes will be recorded in our accounts as they occur.

The costs of performing the decommissioning and reclamation must be funded by the Company's operations. These costs can be significant and are subject to change. The Company cannot predict what level of decommissioning and reclamation may be required in the future by regulators. If the Company is required to comply with significant additional regulations or if the actual cost of future decommissioning and reclamation is significantly higher than current estimates, this could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Key Personnel

Recruiting and retaining qualified personnel is critical to the Company's success. The Company will be dependent on the services of key executives including the Company's Chief Executive Officer, Chief Operating Officer, VP

Exploration and other highly skilled and experienced executives and personnel focused on managing the Company's interests. The number of persons skilled in mining, exploration, development and finance of mining properties is limited and competition for such persons can be intense.

As the Company's business activity grows, the Company will require additional key operational, financial, administrative and mining personnel. Although the Company believes it will be successful in attracting, training and retaining qualified personnel, there can be no assurance of such successes. If the Company is not successful in attracting and training and in retaining qualified personnel, the efficiency of the Company's operations could be affected, which could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Employee Relations

The Company's ability to achieve its future goals and objectives will be dependent, in part, on maintaining positive relations with its employees and minimizing employee turnover. Some employees are represented by a union and La Guitarra has experienced labor strikes and work stoppages in the past, which were resolved in a relatively short period. However, in some instances, labor strikes and work stoppages may take longer to resolve. Such work stoppages may have a material adverse effect on future production from the mine and on the Company's business, results of operations and financial condition. There can be no assurance that the Company will not experience future labor strikes or work stoppages or that, if it does, that such labor strikes or work stoppages will be resolved speedily. Union agreements are periodically renegotiated and there can be no assurance that any future union contracts will be on terms favorable to the Company. Any labor strikes, work stoppages or adverse changes in such legislation or in the relationship between the Company and its employees may have a material adverse effect on the Company's business, results of operations and financial condition. In addition, relations between the Company and its employees may be impacted by changes to labour legislation, which may be introduced by the relevant governmental authorities.

The Company believes that its current policies are appropriate and that its management and employees are acting in compliance with such policies, however breaches of these policies may result in the Company being held liable for the actions of its management or employees.

Expatriate and Nationals' Skills Risk

The Company's development programs in Mexico and elsewhere rely on attracting and retaining expatriate and nationals with mining experience to staff key operations and administration management positions. The Company's inability to attract and retain personnel with the skills and experience to manage the operation and train and develop staff, due to the intense international competition for such individuals, may adversely affect its business, future operations and financial condition.

Competition Risks

The mineral exploration and mining business is competitive in all of its phases. The Company will compete with numerous other companies and individuals, including competitors with greater financial, technical and other resources than the Company, in the search for and the acquisition of attractive mineral properties. The ability of the Company to acquire properties in the future will depend not only on its ability to develop the Property, but also on its ability to select and acquire suitable properties or prospects for mineral exploration. There is no assurance that the Company will continue to be able to compete successfully with its competition in acquiring such properties or prospects.

Conflicts of Interest

Certain of the directors of the Company serve as directors of other companies or have significant shareholdings in other companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's Board, a director who has such a conflict will abstain from voting for or against the approval of such a participation or such terms.

From time to time several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In accordance with the laws of the Province of British Columbia, the directors of the Company will be required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

Anti-Corruption and Anti-Bribery Laws

The Company's operations are governed by, and involve interactions with, various levels of government in Mexico and therefore subject to anti-corruption and anti-bribery laws, including the Corruption of Foreign Public Officials Act (Canada) and the Foreign Corrupt Practices Act (US) and similar laws in México which prohibit a company and its employees or intermediaries from bribing or making improper payments to foreign officials or other persons to obtain or retain business or gain some other business advantage. In addition, the recent introduction of the Extractive Sector Transparency Measures Act (Canada) in Canada seeks to increase transparency and deter corruption in the extractive sector by requiring extractive entities active in Canada to publicly disclose, on an annual basis, specific payments made to all governments in Canada and abroad.

If the Company becomes subject to an enforcement action or is found to be in violation of such laws, this may have a material adverse effect on the Company's reputation, result in significant penalties or sanctions, and have a material adverse effect on the Company's operations, business and financial condition. The Company cannot predict the nature, scope or effect of future regulatory requirements to which the Company's operations might be subject or the manner in which existing laws might be administered, interpreted or changed.

Critical Operating Systems

Cyber threats have evolved in severity, frequency and sophistication in recent years, and target entities are no longer primarily from the financial or retail sectors. Individuals engaging in cybercrime may targe corruption of systems or data, or theft of sensitive data. La Guitarra's mine and mill are for the most part automated and networked such that a cyber-incident involving the Company's information systems and related infrastructure could negatively impact its operations. A corruption of the Company's financial or operational data or an operational disruption of its production infrastructure could, among other potential impacts, result in: (i) loss of future production or accidental discharge; (ii) expensive remediation efforts; (iii) distraction of management; (iv) damage to the Company's reputation or its relationship with suppliers and/or counterparties; or (v) in events of noncompliance, which events could lead to regulatory fines or penalties. Any of the foregoing could have a material adverse effect on the Company's business, results of operations and financial condition.

Availability of Equipment and Access Restrictions

Mineral exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Company and may delay exploration and development activities.

Financial Risks

No History of Earnings

The Company has no history of any operating earnings. The likelihood of success of the Company must be considered in light of the problems, expenses and difficulties, complications and delays frequently encountered in connection with the establishment of any business. The Company will have limited financial resources and there is no assurance that additional funding will be available to it for further exploration and development of its projects or to fulfil its obligations under the Agreement. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its properties with the possible dilution or loss of such interest. Further, revenues, financings and profits, if any, will depend upon various factors, including the success, if any, of exploration programs and general market conditions for natural resources. There is no assurance that the Company can operated profitably or that it will successfully implement its plans. **The Company had a negative operating cash flow in its most recently completed financial year and may continue to for the foreseeable future. The Company may not have enough funds to carry out all of the recommended exploration on the Property described in the Technical Report, and additional financings may be required.**

Substantial Capital Requirements and Liquidity

It is anticipated the Company will make substantial capital expenditures for the acquisition, exploration, development and production of natural resources in the future. The Company may have limited ability to expend the capital necessary to undertake or complete its projects or to fulfill the Company's obligations under any applicable agreements. There can be no assurance that debt or equity financing, or cash generated by operations, will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Company. Moreover, future activities may require the Company to alter its capitalization significantly. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's financial condition, results of operations or prospects.

Additional Requirements for Capital

Substantial additional financing may be required if the Company is to be successful in pursuing its objectives, including acquisition, exploration, and development activities. Commodity prices, environmental rehabilitation or restitution, revenues, taxes, transportation costs, capital expenditures, operating expenses, geological results and the political environment are all factors which will have an impact on the amount of additional capital that may be required. Any additional equity financing may be dilutive to investors and debt financing, if available, may involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company, if at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion, forfeit its interest in some or all of the optioned properties, incur financial penalties, or reduce or terminate its operations.

Metal Prices May Fluctuate

The Company’s future revenue will be primarily dependent on the sale of silver and gold and movements in the spot price of silver or gold may have a direct and immediate impact on the Company’s income and the value of related financial instruments. The Company’s sales will be directly dependent on commodity prices. Metal prices have historically fluctuated widely and are affected by numerous factors beyond the Company’s control including international economic and political trends, including the ongoing hostilities in Ukraine, expectations for inflation, currency exchange rate fluctuations, interest rates, global and regional supply and demand, consumption patterns, speculative market activities, worldwide production and inventory levels, and sales programs by central banks.

Depending on metal prices, projected cash flow from planned mining operations may not be sufficient and the Company could be forced to continue the current idling of the mine and mill and continue its ongoing care and maintenance activities, permanently close the mine and initiate reclamation activities or sell its property. Future production from the Company’s mining properties is dependent on metal prices that are adequate to make the property economic.

Furthermore, Mineral Reserve estimations and Life of Mine ("LOM") plans using significantly lower metal prices could result in material write-downs of the Company’s investment in its mineral interests and increased reclamation, and closure charges. In addition to adversely affecting the Company’s possible future reserve estimates and its financial condition, declining metal prices may impact operations by requiring a reassessment of the feasibility of the mining interests. Even if the Property is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Price Volatility of Other Commodities

The Company’s future cost of operations and profitability will also be affected by the market prices of commodities that are consumed or otherwise used in connection with the Company’s operations, such as LNG, diesel fuel, electricity, explosives and other reagents and chemicals, steel and cement. Prices of such consumable commodities may be subject to volatile price movements over short periods of time and are affected by factors that are beyond the Company’s control, such as changes in legislation and the ongoing hostilities in Ukraine and sanctions imposed by many nations on Russia and Belarus. Increases in the prices for such commodities could materially adversely affect the Company’s results of operations and financial condition.

Global Financial Conditions

Global financial markets are experiencing extreme volatility as a result of the ongoing hostilities in Ukraine and sanctions imposed by nations on Russia and Belarus. Events in global financial markets, and the volatility of global financial conditions, will continue to have an impact on the global economy.

Many industries, including the mining sector, are impacted by market conditions. Some of the key impacts of financial market turmoil include devaluations and high volatility in global equity, commodity, foreign exchange and precious metal markets and a lack of market liquidity. Financial institutions and large corporations may be forced into bankruptcy or need to be rescued by government authorities. Access to financing may also be negatively impacted by future liquidity crises throughout the world. These factors may impact the Company’s ability to obtain equity or debt financing and, where available, to obtain such financing on terms favorable to the Company. Increased levels of volatility and market turmoil could have an adverse impact on the Company’s operations.

Future Sales or Issuances of Equity Securities

The Company expects to rely primarily on the issuance of securities to fund its operations and shareholders will experience immediate dilution resulting from all Share issuances. The Company may sell additional equity securities in subsequent offerings (including through the sale of securities convertible into equity securities). The Company cannot predict the size of future issuances of equity securities or the size and terms of future issuances of debt instruments or other securities convertible into equity securities or the effect, if any, that future issuances and sales of such securities will have on the market price of the Shares.

Additional issuances of such securities may involve the issuance of a significant number of Shares at prices less than the current market price for the Shares. Issuances of substantial numbers of Shares, or the perception that such issuances could occur, may adversely affect prevailing market prices of the Shares.

VAT Receivables

The Company will be subject to credit risk through VAT receivables collectible from the government of Mexico. Due to legislative rules and a complex collection process, there is a risk that the Company's VAT receivable balance may not be refunded, or payment will be delayed. Even though La Guitarra has in the past recovered VAT routinely, VAT recovery in Mexico remains a highly regulated, complex and, at times, lengthy collection process.

Counterparty and Market Risks

There is no assurance that the Company will be successful in entering into or re-negotiating sales contracts with brokers and metal traders or refining companies and retail purchasers on acceptable terms, if at all. If the Company is not successful in entering into or re-negotiating such sales contracts, it may be forced to sell some or all of its products, or greater volumes of its products than it may desire in adverse market conditions, thereby reducing the Company's future revenues on a per ounce basis.

In addition, should any counterparty to any sales contract not honor such contract or become insolvent, the Company may incur losses for products already shipped, may be forced to sell greater volumes of products, may be forced to sell at lower prices than could be obtained through sales on the spot market, or may not have a market for its products. The Company's future operating results may be materially adversely impacted as a result. Moreover, there can be no assurance that the Company's products will meet the qualitative requirements under future sales contracts or the requirements of buyers.

Impairments

It is possible that material changes could occur that may adversely affect management's ability to realize the estimated cash generating capability of the carrying value of non-current assets which may have a material adverse effect on the Company. Impairment estimates are based on management's cash generating assumptions of its operating units, and sensitivity a

Controls and procedures

The CEO and CFO of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the audited consolidated financial statements and respective accompanying Management's Discussion and Analysis. In contrast to the certificate for non-venture issuers under NI 52-109 (Certification of disclosure in an Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. Disclosure controls and procedures ("DC&P") are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting ("ICFR") are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

TSX-V listed companies are not required to provide representations in the interim and annual filings relating to the establishment and maintenance of DC&P and ICFR, as defined in NI 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding the absence of misrepresentations and fair disclosure of financial information. Investors should be aware that inherent limitations on the ability of certifying officers of a TSX-V issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Cautionary Note

This document contains "forward-looking information" which includes, but is not limited to, statements with respect to the future 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