

SIERRA MADRE GOLD AND SILVER LTD.
Interim Management’s Discussion and Analysis
Quarterly Highlights
for the Three Months Ended March 31, 2024

May 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, listed on the TSX Venture Exchange under the ticker symbol “SM” and under the symbol “SMDRF” on the OTCQX Best Market. 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.

This Interim Management’s Discussion and Analysis (“MD&A”) is dated and is effective May 29, 2024, and provides information on the Company’s activities for the three months ended March 31, 2024, and subsequent activity to the date of this report. Consequently, this MD&A should be read in conjunction with the Company’s March 31, 2024 condensed consolidated interim financial statements, prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IFRS”), as applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. This MD&A should also be read in conjunction with the audited consolidated financial statements of the Company as at and for the year ended December 31, 2023, prepared in accordance with IFRS, and filed by the Company on SEDAR on April 29, 2024.

The Company has elected to provide interim MD&A disclosure under the “Quarterly Highlights” regime as set out in Section 2.2.1 of National Instrument 51-102F1. Discussion of the Company, its operations and associated risks is further described in the Company’s filings, which include the December 31, 2023 MD&A and audited consolidated financial statements, available for viewing at www.sedarplus.ca.

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

QUARTERLY HIGHLIGHTS AND OUTLOOK

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

- In March 2024, the Company completed a non-brokered private placement by issuing 3,571,500 common shares at a price of CAD \$0.28 per share for proceeds of \$738,513;
- In April 2024, the Company arranged bridge financing loans of approximately \$500,000 due on demand with interest at 15% per annum. These loans were repaid in full in May 2024;
- The Company received proceeds of \$5,000,000 in May 2024 from First Majestic Silver Corp. under a two-year senior secured project financing loan bearing interest at 15% per annum (see “*Capital Resources and Commitments*”);
- In May 2024, the Company granted 7,575,000 stock options with an exercise price of \$0.50 per share to directors, officers, employees, and consultants, subject to certain vesting provisions;
- 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 operations;
- The Company has completed a detailed, internal test mine plan.

Given the recent financing completed in May 2024, the Company looks forward to continuing with preparations at the Guitarra mine and advancing towards the initiation of test mining in the near future.

REVERSE ACQUISITION TRANSACTION

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

The acquisition of La Guitarra has been accounted for as a reverse acquisition (“RTO”) whereby the Company, the legal acquirer, acquired all of the issued and outstanding shares of La Guitarra, the legal subsidiary. Although the

Company remains the legal parent, La Guitarra is considered to be the accounting acquirer. Consequently, the Company's consolidated financial statements represent the continuation of the financial statements of La Guitarra except as to share capital structure, which has been retroactively restated to reflect the legal capital of the Company using the exchange ratio established in the SPA.

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
Inter-company elimination	<u>5,548,000</u>
Total consideration paid	<u>\$ 38,982,464</u>

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 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 is as follows:

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

FINANCIAL PERFORMANCE

Results of Operations – Three months ended March 31

The Company had a loss of \$1,303,102, for the quarter ended March 31, 2024, as compared to a loss of \$32,530,025 for the quarter ended March 31, 2023. Significant items included in the current and comparative losses for the three-month periods ended March 31 are as follows:

	2024	2023
Care and maintenance – general	\$ 553,693	\$ 458,902
Care and maintenance – mining concession fees	-	266,089
Care and maintenance – former parent	-	4,928
Total care and maintenance	<u>\$ 553,693</u>	<u>\$ 729,919</u>
Accretion – decommissioning liability	\$ 55,342	\$ 53,415
Foreign exchange loss	\$ 48,921	\$ 53,868
Interest expense – former parent	\$ -	\$ 92,923
General and administrative	\$ 496,329	\$ 105,612
Community relations	\$ 29,213	\$ -
RTO transaction cost	\$ -	\$ 31,526,697
Deferred tax expense (recovery)	<u>\$ 32,050</u>	<u>\$ (34,271)</u>

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-start 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 2024 increase in general care and maintenance expense reflects the impacts of certain wage rate increases, including the renewal of the union contract. Costs related to improvements have been capitalized since July 2023 when the Company began working towards a potential restart of the mine.

Mining concession fees are paid in January and July each year and are expected to be in the range of \$602 thousand per year, based on the current Mexico peso – U.S. dollar exchange rate and the 2023 per-hectare assessment rate, which is subject to Mexican consumer price index adjustments. The Company began capitalizing all concession fees on a pro rata basis to mine development costs at Guitarra and the exploration and evaluation (“E&E”) costs at the east district of Guitarra, commencing in July 2023.

General, administrative and other expenses (“G&A”) increased significantly quarter on quarter. The key driver of this increase 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 quarter.

Cash Flows

The main components of the Company’s cash flows for the three months ended March 31 include the following:

	2024	2023
Loss for the period	\$ (1,204,826)	\$ (32,530,025)
Items not involving cash	166,906	31,717,725
Changes in non-cash working capital items	(59,738)	11,567
Purchase of plant and equipment	(263,767)	(11,218)
Capitalized mine development costs	(530,017)	(55,220)
Capitalized exploration and evaluation	(139,707)	(110,440)
Cash acquired on RTO	-	832,100
Shares issued for cash, net	709,594	4,146,173
Advances from former parent	-	899,964
(Decrease) increase in cash and cash equivalents	\$ (1,321,555)	\$ 4,900,626

The decrease in the loss for the current quarter and the impact on the items not affecting cash were mainly driven by the \$31,526,697 non-cash RTO transaction cost recorded in the first quarter of 2023, resulting from the excess of the consideration paid over the fair value of the net assets acquired in the Transaction.

Cash used for operating activities was \$1,097,658 for the quarter ended March 31, 2024, and was higher than the \$800,733 used in the quarter ended March 31, 2023. The key driver of the increase is the inclusion of the G&A expenditures of the legal parent for the current quarter, which were not included in the comparative quarter due to the completion of the RTO transaction late in the first quarter of 2023.

Cash used in investing activities increased for the quarter ended March 31, 2024 due to the Company’s focus on preparing the mine for a possible re-start. The current quarter includes cash of \$139,707 used for E&E activities, which includes capitalized concession fees, \$530,017 used in mine development, and \$263,767 used in acquiring mining and mobile equipment and refurbishing certain underground equipment.

Cash provided by financing activities decreased from \$5,878,237 in the quarter ended March 31, 2023, to \$709,594 in the quarter ended March 31, 2024. During the quarter ended March 31, 2023, the Company closed a tranche of the concurrent financing for net proceeds of \$4,146,173, received advances from the former parent company of \$899,964, and acquired cash of \$832,100 as a result of closing the RTO in late March 2023. During the quarter ended March 31, 2024, the Company closed a non-brokered private placement for net proceeds of \$709,594.

FINANCIAL CONDITION

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 exploration and evaluation stage. Therefore, the Company is subject to many risks common to comparable companies including a lack of revenues, under-capitalization, cash shortages, and limitations with respect to personnel, financial, and other resources. Without operating revenues, the Company is subject to liquidity risk and dependent upon meeting its future capital requirements through the issuance of common shares.

The Company's cash and cash equivalents decreased from \$1,930 thousand as at December 31, 2023 to \$578 thousand as at March 31, 2024, primarily as a result of the \$1,098 thousand of cash used in operating activities and \$933 thousand used in investing activities exceeding the \$710 thousand of cash received from financing activities. The former parent company covered the care and maintenance and general and administrative costs of the mine up to the date of the RTO. Following the completion of the Transaction, the cash raised by the Company has been used to cover the care and maintenance costs at the Guitarra mine, the mine development costs, the exploration programs on the east block at the Guitarra concessions, the fees on the Company's owned and optioned concessions, Tepic exploration and holding costs, the purchases and refurbishment of equipment at the Guitarra mine, and the G&A of the Company.

Accordingly, the Company's working capital position (current assets less current liabilities) decreased from \$2,493 thousand as at December 31, 2023 to \$1,191 thousand as at March 31, 2024.

With the \$5.0 million project financing received in May 2024, the Company has concluded that its current working capital is sufficient to cover its present obligations and planned expenditures for at least twelve months commencing March 31, 2024.

Capital Resources and Commitments

The Company has ongoing cash requirements to meet its overhead and care and maintenance costs. To the closing of the SPA, the capital requirements of the Company had been met by advances and equity infusions from La Guitarra's former parent company. Since the closing of the SPA, the capital needs of the Company have been met through equity and debt 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 April 2024, the Company raised approximately \$500,000 by issuing three demand promissory notes, bearing interest at 15% per annum. During May 2024, these bridge loans together with interest thereon were repaid in full.

On May 8, 2024, the Company received \$5,000,000 under a senior secured project financing loan from First Majestic, bearing interest at 15% per annum and due in full in 24 months. 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 is 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.

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.

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

	May 29, 2024	March 31, 2024	December 31, 2023
Shares issued and outstanding	152,692,993	152,692,993	149,121,493
Outstanding stock options	12,645,000	5,070,000	5,070,000
Outstanding agents' compensation options	444,949	444,949	444,949
Diluted shares outstanding	165,782,942	158,207,942	154,636,442

In May 2024, the Company granted incentive stock options to directors, officers, employees, and consultants to purchase up to 7,350,000 common shares of the Company at the price of \$0.50 per share for a period of five years. The Company also granted options to certain consultants to purchase up to 225,000 common shares at a price of \$0.50 per share for a period of two years. These option grants are subject to certain vesting provisions.

Note 9 to the Company's March 31, 2024, condensed consolidated interim financial statements provides additional details regarding share capital and stock option activity for the period.

RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

The Company had transactions with related persons or corporations, which were undertaken in the normal course of operations. Due to the RTO accounting, as described in Notes 1 and 3 to the Company's March 31, 2024 condensed consolidated interim financial statements, only the key management remuneration of the legal parent from March 29, 2023 forward is recognized in the financial statements. Key management includes directors and officers. The compensation paid or payable to key management and parties related to them for the three-month periods ended March 31 is as follows:

	2024	2023
Accounting	\$ 27,809	\$ -
Administration (exploration and evaluation)	22,500	-
Director fees	17,056	-
Geological (exploration and evaluation)	35,039	-
Management fees	66,741	-
	\$ 169,145	\$ -

At March 31, 2024, there was \$140,979 of compensation and expense claims owing to directors and various members of management.

The Company had transactions with related corporations, which were undertaken in the normal course of operations. Details for the three months ended March 31 are as follows:

	2024	2023
Care and maintenance - Majestic Services S.A. de C.V. (i)	\$ -	\$ 4,928
Interest expense – CFM (i)	-	92,923
	\$ -	\$ 97,851

(i) A subsidiary of First Majestic.

MAJOR OPERATING MILESTONES

During the period under review, the Company secured a \$5 million project financing loan and advanced the Guitarra mine closer to a possible re-start decision. In conjunction with the financing arrangement, management has developed a new internal test mine plan.

OTHER

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. The Company had no off-balance sheet arrangements or proposed transactions as at March 31, 2024 or as at the date of this report.

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.Geol. 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 – Polygons 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 and refurbishment work. The work on the refurbishments has significantly advanced, with three scoop trams and one jumbo drill completed. Rebuild work on a low-profile underground haul truck and two 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 operations. 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 material 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 material 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 of 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. 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 Guitarra site. On August 15, 2023, the Company released drill results on a further 6 holes from the 2022 drill program.

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 Guitarra.

La Tigra

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 were written-off in the year ended December 31, 2023.

TECHNICAL

Gregory F. Smith, P. Geo. British Columbia and director of the Company is the Company's designated Qualified Person in accordance with National Instrument 43-101 and has reviewed the technical data provided in this MD&A.

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