

SIERRA MADRE GOLD AND SILVER LTD.
Interim Management’s Discussion and Analysis
Quarterly Highlights
for the Three and Nine Months Ended September 30, 2024
November 8, 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, currently in the test mining phase, as well as 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 effective November 8, 2024, and provides information on the Company’s activities for the three and nine months ended September 30, 2024, and subsequent activity to the date of this report. Consequently, this MD&A should be read in conjunction with the Company’s September 30, 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 quarter under review are presented below:

- Effective July 1, 2024, the Company ended the care and maintenance (“C&M”) phase at Guitarra and commenced the test mining and milling phase to assess the test mining results related to the resource defined at Guitarra in anticipation of a return to commercial production, upon the successful completion of the testing phase;
- On July 12, 2024, the Company signed a binding off-take agreement with Swiss-based global minerals trader MRI Trading AG (“MRI”) for 100% of concentrate sales from the Guitarra silver-gold mine for a 24-month term;
- The Company produced approximately 48,761 ounces of silver (“Ag”) and approximately 539 ounces of gold (“Au”) in the three months ended September 30, 2024, or approximately 94,820 Ag equivalent ounces, based on the ratio of Au and Ag prices realized for each shipment in the quarter;
- The Company averaged \$28.90 per Ag ounce sold and \$2,474 per Au ounce sold in the quarter ended September 30, 2024;
- After refining and smelting charges, the Company recorded net revenues of \$2,535,617 in the quarter or approximately \$26.74 per Ag equivalent ounce; and
- Cost of sales were \$2,287,587 for the quarter or approximately \$24.13 per Ag equivalent ounce sold. The Company expects its mine operating costs to decrease as the test mining phase continues and the mining and milling operations approach levels closer to targeted expectations.

The Company is pleased with the results of the test-mining phase to date and with the way the mining team has dealt with the various issues that result from the re-start of an existing mine as well as the weather problems and power interruptions that invariably result from the seasonal weather at the mine-site. With the end of the rainy season in Mexico and the experience gained in the first three months of test mining, the Company looks forward to more continuous, efficient, and cost-effective operations in the coming months. The team at Guitarra continues to fine-tune the mining and milling processes with a view to reaching commercial production as soon as possible.

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 (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 pre-RTO option holders 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 it was 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 September 30

The Company had a loss of \$947,092 for the quarter ended September 30, 2024, as compared to a loss of \$1,840,393 for the quarter ended September 30, 2023. Significant items included in the current and comparative losses for the three-month periods are as follows:

	2024	2023
Revenues	\$ 2,535,617	\$ -
Cost of sales	(2,287,587)	-
Gross profit	\$ 248,030	\$ -
Amortization and accretion	\$ 68,746	\$ 56,563
Care and maintenance	\$ -	\$ 794,937
Community relations	\$ 25,021	\$ 62,390
Environmental	\$ 126,702	\$ -
Finance income	\$ (2,147)	\$ (43,100)
Foreign exchange loss	\$ 52,302	\$ 242,452
General and administrative	\$ 520,712	\$ 726,675
Interest expense	\$ 55,250	\$ -
Provisional pricing adjustments	\$ 133,374	\$ -
Share-based compensation	\$ 477,867	\$ -
Deferred tax expense	\$ 5,791	\$ 476

Revenues

Revenues consist of the sale of silver/gold concentrates from the Guitarra silver-gold mine. The Company made its first delivery of concentrate to the designated warehouse on July 26, 2024, and to September 30, 2024, the Company completed eight sub-lot deliveries totalling approximately 497 dry metric tonnes (“DMT”) of silver/gold concentrates containing an estimated 48,761 ounces of Ag and an estimated 539 ounces of Au. Ag revenues for the quarter ended September 30, 2024 totalled approximately \$1,409 thousand (\$28.90 per ounce) and Au revenues totalled approximately \$1,334 thousand (\$2,474 per ounce).

The Company receives advance payments on the sub-lots from MRI and to September 30, 2024, had collected approximately \$2,126 thousand of the provisional invoices issued to MRI.

Revenue on provisionally priced sales is recognized based on estimates of the fair value of the consideration receivable based on forward market prices and estimated quantities at the date of each sub-lot delivery. At each reporting date, provisionally priced metal is marked to market based on the forward selling price for the quotational period stipulated in the contract. At September 30, 2024, the Company assessed the marked to market adjustment of the provisional invoices outstanding at that date and has recorded a provisional pricing gain of approximately \$133,374. The gain is not reported within revenues but rather within other income and expenses of the Company.

Revenues for the quarter ended September 30, 2024 consisted of:

Silver	\$ 1,409,324
Gold	1,334,258
	<u>2,743,582</u>
Smelting and refining costs	<u>(207,965)</u>
	<u>\$ 2,535,617</u>

Cost of sales

Cost of sales for the quarter ended September 30, 2024 consisted of:

Production costs	
Consumables and materials	\$ 508,416
Contracted services	322,009
Energy	214,935
Insurance	82,024
Labour costs	819,055
Mine and plant maintenance	340,804
Other costs	17,782
	<hr/>
	2,305,025
Other costs	
Transportation and other selling costs	63,058
Mine royalty expense	50,599
Production taxes	14,104
Finished goods inventory changes	(145,199)
	<hr/>
	2,287,587
Ag equivalent ounces sold	<hr/>
	94,820
Per Ag equivalent ounce	<hr/>
	\$ 24.13

In early June 2024, the Company commenced test underground mining at Guitarra, including underground development work, and on June 25, 2024 commenced test milling of mined material including commissioning activities. The test mining and milling activities are designed to provide further information on the current actual mining and milling costs to further assess the internal mine plan. We expect to continue with the test mining, test milling, underground development and commissioning activities until the asset is consistently reaching the operating levels intended by management.

During the quarter ended September 30, 2024, our production costs per Ag equivalent ounce sold were higher than our internal mine plan estimates due to a significant portion of the production in the quarter coming from lower-grade material mined in conjunction with development activities. We also experienced significant downtime during the quarter due to power outages related to lightening in the rainy season. The rainy season is expected to end during the fourth quarter. There was also downtime related to equipment availability as was anticipated as we operated the plant and underground equipment on a more continuous basis. Development work continues to progress, and we anticipate accessing intended production faces during the fourth quarter. Accordingly, we look forward to obtaining more meaningful test mining costs and head grades. As the expected head grades of the mineralized material within the resource exceeds the mineralized material mined in the third quarter of 2024, we anticipate our mining costs to decrease on a per-ounce basis in the fourth quarter.

Other expenses (income)

Commencing in the third quarter of 2024, the C&M phase of the mine had ended and we entered into a test mining and milling phase. As a result, we are no longer reporting further C&M expense and the ongoing water treatment is reported within environmental cost. The balance of costs previously reported under care and maintenance expense are being reported as test mining or milling expenses.

Results of Operations – Nine months ended September 30

The Company had a loss of \$4,037,792 for the nine months ended September 30, 2024, as compared to a loss of \$35,303,153 for the nine months ended September 30, 2023. Significant items included in the current and comparative losses for the nine-month periods are as follows:

	2024	2023
Revenues	\$ 2,535,617	\$ -
Cost of sales	(2,287,587)	-
Gross profit	\$ 248,030	\$ -
Amortization and accretion	\$ 194,545	\$ 171,610
Care and maintenance	\$ 903,094	\$ 2,249,539
Community relations	\$ 105,304	\$ 62,390
Environmental	\$ 126,702	\$ -
Finance income	\$ (9,117)	\$ (76,865)
Financing costs	\$ 218,737	\$ -
Foreign exchange (gain) loss	\$ (106,165)	\$ 325,542
General and administrative	\$ 1,613,831	\$ 1,429,950
Interest expense	\$ 83,600	\$ 92,923
Provisional pricing adjustments	\$ (133,374)	\$ -
RTO transaction cost	\$ -	\$ 31,072,747
Share-based compensation	\$ 1,290,629	\$ 4,250
Deferred tax expense (recovery)	\$ 13,135	\$ (28,933)

Revenues and cost of sales

All revenues and mine operating costs commenced in the third quarter of 2024 – see the discussion above related to the quarter ended September 30, 2024.

Other expenses (income)

C&M 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. C&M expense also includes the supplies and materials consumed in the process of maintaining the plant, equipment, and property. The decrease in general care and maintenance expense in the 2024 nine-month period as compared to the 2023 nine-month period reflects the change in the focus of the Company from maintaining the equipment and facilities to advancing the mine towards the test mining and milling phase. C&M activities significantly scaled down in the first and second quarters of 2024 and ended upon the full engagement of the test mining and milling at the beginning of the third quarter of 2024 – see the discussion above related to the quarter ended September 30, 2024. Water treatment costs, which were reported within C&M up to June 30, 2024, are now reported within environmental costs and totalled \$126,702 for the quarter and the nine-months ended September 30, 2024.

General and administrative expenses (“G&A”) increased significantly period on period. There were several key drivers of this increase but the most significant was the impact of completing the RTO at the end of the first quarter of 2023. The impact on the second and third quarters of 2023 was to commence recording the expenses of the legal parent company from the date it was deemed to have been acquired in the RTO. As a result, none of the legal parent company’s G&A has been reported for the first quarter of 2023.

The Company recorded an RTO transaction cost of approximately \$31.1 million in 2023, being the excess of the consideration paid over the fair value of the net identifiable assets acquired (see “*Reverse Acquisition Transaction*”).

In addition, during the nine-month period ended September 30, 2024, the Company:

- incurred certain due diligence and legal costs and paid a transaction break-fee of \$100 thousand in respect of a proposed financing that was terminated by the Company;
- recorded a \$106 thousand foreign exchange gain due to the impact of a weakening Mexican peso on the translation of net monetary liabilities denominated in Mexican pesos;
- accrued approximately \$300 thousand of interest on the \$5 million loan advanced by First Majestic in May 2024 (see “*Capital Resources and Commitments*”). The Company capitalized interest of approximately \$224 thousand related to the qualifying portion of the First Majestic loan. During the nine months ended September 30, 2023, the Company was charged approximately \$93 thousand 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 thereafter and no further funding or interest expense is anticipated from CFM;

- recognized approximately \$1,291 thousand in respect of stock options granted in May 2024;
- recorded other comprehensive loss of \$166 thousand in respect of currency translation adjustments. This compares to other comprehensive loss of \$10 thousand recorded in the comparative period.

Cash Flows

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

	2024	2023
Loss for the period	\$ (4,037,792)	\$ (35,303,153)
Items not involving cash	1,228,177	31,712,050
Changes in non-cash working capital items	(1,457,263)	(639,763)
Purchase of plant and equipment	(1,488,313)	(265,741)
Capitalized mine development costs	(1,395,272)	(319,940)
Capitalized exploration and evaluation	(548,833)	(481,825)
Cash acquired on RTO	-	832,100
Shares issued for cash, net	1,073,205	4,711,864
Subscription receipts	-	2,415,772
Proceeds from loans	5,503,648	-
Repayment of bridge loans	(503,648)	-
Advances from former parent	-	899,964
(Decrease) increase in cash and cash equivalents	\$ (1,626,091)	\$ 3,561,328

The decrease in the loss for the current nine-month period and the impact on the items not affecting cash were mainly driven by the \$31 million non-cash RTO transaction cost recorded in 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 \$4,267 thousand for the nine months ended September 30, 2024, and was consistent with the \$4,231 thousand used in the nine months ended September 30, 2023. Although the net result was consistent with the comparative period there were substantial differences within the overall use of funds. The loss for the current period was significantly lower than the comparative period due mainly to the \$31 million non-cash RTO transaction cost recorded in 2023. In addition, the \$2,536 thousand of revenues from La Guitarra offset most of the operating costs of La Guitarra during the third quarter of 2024. Partially offsetting these items were the significant increase in non-cash working capital items related to the trade accounts receivable increase in the third quarter of 2024, the significant increase in inventories related to the test mining and milling, and the increase in VAT receivable. The Company continues to work with its advisors and the Mexican tax authorities to access these refunds as the continued delays in obtaining the VAT refunds is placing a strain on the Company's cash resources.

Cash used in investing activities increased for the nine months ended September 30, 2024 due to the Company's focus on commencing the test mining and milling phase in preparation for a possible full re-start of the Guitarra mine later in 2024. The current nine months includes cash of \$1,488 thousand (2023 - \$266 thousand) used in acquiring mining and mobile equipment and refurbishing certain underground equipment, \$1,395 thousand (2023 - \$320 thousand) used in mine development, and \$549 thousand (2023 - \$482 thousand) used for E&E activities, which includes capitalized concession fees.

Cash provided by financing activities decreased from \$8,028 thousand in the nine months ended September 30, 2023 to \$6,073 thousand in the nine months ended September 30, 2024. During the nine-months ended September 30, 2024, the Company received proceeds of \$5 million from First Majestic under a project financing loan and closed two non-brokered private placements for net proceeds of approximately \$1,073 thousand. The Company also received and repaid bridge loans of approximately \$504 thousand. During the nine months ended September 30, 2023, the Company closed a tranche of the concurrent financing, relating to the RTO transaction, for net proceeds of approximately \$4,712 thousand, received net subscription receipt proceeds of \$2,416 thousand from the concurrent financing, received advances of approximately \$900 thousand from the former parent company, and acquired \$832 thousand of cash upon completion of the RTO transaction.

FINANCIAL CONDITION

Financial Position and Liquidity

The Company does not currently have profitable operations as the Guitarra silver-gold mine was on C&M from August 3, 2018 to June 30, 2024 when a test mining and milling phase commenced, and the Tepic property is in the exploration and evaluation stage. Although the Company has recently transitioned Guitarra from C&M to test mining and milling, 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 ongoing operating revenues, the Company is subject to liquidity risk and dependent upon meeting its future capital requirements through the issuance of common shares or debt.

The Company's cash and cash equivalents decreased from \$1,930 thousand as at December 31, 2023 to \$336 thousand as at September 30, 2024 as a result of the \$4,267 thousand of cash used in operating activities and \$3,432 thousand used in investing activities exceeding the \$6,073 thousand of cash received from financing activities as detailed above.

The Company's working capital position (current assets less current liabilities) decreased from \$2,493 thousand as at December 31, 2023 to \$2,158 thousand as at September 30, 2024. Although the Company's current liabilities increased by approximately \$540 thousand related to the commencement of test mining and milling, this was more than offset by the \$711 thousand increase in VAT receivable as discussed above, the \$538 thousand increase in trade receivables from MRI on the concentrate sales, and the \$425 thousand increase in concentrate inventories and general supplies related to the test mining and milling.

With the \$5.0 million project financing loan received in May 2024, the commencement of test mining and milling, and the proceeds of concentrate sales to date, the Company has concluded that its current working capital, together with its anticipated cash flows from test mining and milling are sufficient to cover its present obligations and planned expenditures for at least twelve months commencing September 30, 2024.

Capital Resources and Commitments

The Company has ongoing cash requirements to meet its test mining and milling, overhead, community relations and environmental costs. 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.

On May 8, 2024, the Company received \$5 million 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. There are no early payment penalties. First Majestic is the former parent of La Guitarra and a significant shareholder of the Company.

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:

	November 8, 2024	September 30, 2024	December 31, 2023
Shares issued and outstanding	153,942,993	153,942,993	149,121,493
Outstanding stock options	12,645,000	12,645,000	5,070,000
Outstanding agents' compensation options	444,949	444,949	444,949
Diluted shares outstanding	167,032,942	167,032,942	154,636,442

In March 2024, the Company issued 3,571,500 common shares under a non-brokered private placement and in September the Company issued 1,250,000 common shares under an additional non-brokered private placement. In May 2024, the Company granted 7,575,000 incentive stock options to directors, officers, employees, and consultants, subject to certain vesting provisions. Note 11 to the Company's September 30, 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 September 30, 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 nine-month periods ended September 30 is as follows:

	2024	2023
Accounting	\$ 88,216	\$ 72,416
Administration	67,500	30,000
Director fees	50,724	60,161
Geological	24,811	41,778
Management fees	333,015	288,251
	<u>\$ 564,266</u>	<u>\$ 492,606</u>

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

	2024	2023
Interest expense – First Majestic	\$ 300,000	\$ -
Interest expense – CFM (i)	-	92,923
Care and maintenance - Majestic Services S.A. de C.V. (i)	-	4,928
	<u>\$ 300,000</u>	<u>\$ 97,851</u>

(i) A subsidiary of First Majestic.

MAJOR OPERATING MILESTONES

During the period under review, the Company:

- secured a \$5 million project financing loan in May 2024 and advanced the Guitarra mine closer to a possible full re-start decision;
- developed a new internal mine plan;
- commenced test mining at Guitarra in early June 2024 and began to stockpile mineralized material on June 20, 2024;
- signed a binding off-take agreement on July 12, 2024 with Swiss-based global minerals trader MRI for 100% of the concentrate sales from Guitarra for a 24-month term;
- began concentrate shipments to MRI on July 24, 2024 and to September 30, 2024 had delivered eight sublot deliveries totalling approximately 497 DMT of silver/gold concentrates containing an estimated 48,761 ounces of Ag and an estimated 539 ounces of Au;
- produced approximately 29,355 tonnes of mineralized material or approximately 319 tonnes per day from the test mining activities during the quarter ended September 30, 2024, including an average of 377 tonnes per day in September; and
- processed approximately 28,474 tonnes of mineralized material or approximately 310 tonnes per day from the test milling activities during the quarter ended September 30, 2024, including an average of 355 tonnes per day in September.

OTHER

Other than working capital (defined herein as current assets less current liabilities), the Company does not currently present any non-IFRS or other financial measures in its financial disclosures. The Company had no off-balance sheet arrangements or proposed transactions as at September 30, 2024 or as at the date of this report.

MINERAL INTERESTS

La Guitarra

The Guitarra silver-gold mine is located in the historic Temascaltepec mining district in the municipalities of Temascaltepec, San Simón de Guerrero and Valle de Bravo, Estado de México, México

In January 2023, the Company was granted full access to the project by First Majestic with the acquisition of La Guitarra being completed on March 29, 2023. Geologic and technical staff were relocated from the Company's other projects and integrated with the existing Guitarra mine personnel. Starting in March of 2023 the Company commenced a district-wide 1:2,000 geologic mapping program beginning in the eastern portion of the Temascaltepec mining district and transitioning to the West district including the Guitarra mine area. This mapping program identified over 53 kilometres of structures containing variably mineralized quartz veins, breccias, and stockwork zones and located hundreds of adits, shafts, prospect pits, and trenches. Data derived from this work also allowed the Property size to be reduced from 39,714 hectares to 25,320 hectares for a significant savings in project holding costs. 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 completed in September of 2023 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. At the end of the second quarter of 2024, the Company had four operational scoop trams, as well as one low-profile haul truck, and one Jumbo drilling rig. The Company purchased a new Stopemate long-hole drilling machine and began servicing the 20 jack leg drills in inventory. During the current quarter the Company purchased a Dina 18 tonne haul truck for both surface and underground use, a three cubic meter front end loader, and a "bobcat" style front-end loader. In October the company completed maintenance work on a fifth scoop tram.

On January 29, 2024, the Secretaria de la Defensa Nacional ("SEDENA") approved La Guitarra's 2024 explosives permit. This 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.

During the second quarter of 2024 the Company hired miners, drillers, equipment and plant operators along with support personnel to prepare for test mining and processing. The existing haulage ways, access drives, and ramps were inspected for safety and rock stability, cleaned, and readied for test mining production. Mine services, compressed air, water and electric distribution lines have now been installed in the La Cruz, Amelia, and San Francisco levels in the central area of the Guitarra mine. Stockpiling of economically interesting mineralized material began on June 20th.

All circuits in the processing plant have been undergoing maintenance and rehabilitation work since September of 2023. In the grinding circuit, the three ball mills have been relined, drive shaft mechanisms overhauled, and the motors cleaned and tested. The crushing circuit was found to be in good shape with no costly equipment replacement or major repair items identified. The fine material storage bin has had the interior dividers and portions of the walls replated with heavy steel. Conveyor belts, jaw and cone crushers, and the screen plant have been serviced and wear and tear items have been replaced where needed.

The flotation circuit was in good shape at the time Guitarra was acquired. Some piping has been replaced and the pumps overhauled and serviced. The Wemco flotation cells needed only some replating work along with normal maintenance. The refurbishment of plumbing and concentrate flow channels in the Denver cell circuit has been completed. No repair work required a significant outlay of capital.

On June 25th the plant began test operations using two of the three available ball mills, an 8x6 foot mill with a name plate capacity of 204 tonne per day ("tpd"), and a 6x9 foot mill, capacity 84 tpd. Plant testing processed 1,617 wet tonnes of mineralized material during the last five days of June.

The test processing plan calls for incremental increases in plant throughput. In July, 8,303 tonnes of mineralized material were processed using the 8x6 and 6x9 ball mills. Testing of the 10x7 ball mill, capacity 228 tpd, began on August 12th resulting in a monthly production increase to 10,485 tonnes. Total test processing for September was 11,161 tonnes. Thus far testing of the process plant equipment has been in line with expectation with all circuits functioning well. Testing of the milling circuit has identified several areas where mechanical and electrical modifications are being made to increase efficiencies and extend long term maintenance. Critical parts and equipment have been identified and an inventory is being built up. A new tailings pump was purchased and the two existing ones rebuilt giving that circuit added layers of redundancy.

Silver recoveries have averaged 78%, and gold recoveries 85%. Based on recommendations from the Company's metallurgical consultants, a new reagent combination is being tested to see if silver recovery of oxidized material can be enhanced. Gold recoveries have steadily increased from June's 74% to the current October average of 87%.

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 - 31 tonnes of concentrate per day, assuming the historical mass reduction ratio of 100:5 tonnes processed to tonnes of concentrate produced; this equates to approximately 620 tonnes of ore per day; the capacity of the concentrate filters is the limiting factor in this circuit.

Test mining and development work has been on going since June 2024 with a total of 31,563 wet tonnes delivered to the processing plant as of the end of Q3. Between October 1st and the 30th, an additional 12,838 tonnes of economically interesting mineralized material were sent to the flotation plant for test processing.

A new development plan has been put into place to accelerate mining of in situ mineralized material, reducing the reliance on oxidized retakes, backfill from 1990's stopes. (see press release <https://sierramadregoldandsilver.com/read/auto-news-1725534250> for more information on retakes).

A new vein outside the 2023 resource estimation, D-2, has been delineated and test production operations initiated (2023 resource estimation, press release <https://sierramadregoldandsilver.com/read/auto-news-1698847564> and <https://www.sedarplus.ca/landingpage/>).

Test stope development in the San Rafael II area, the deepest portion of the Guitarra mine, has begun on a large estimated mineralized block in the Doncellas vein.

Additional information on La Guitarra can be found 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, however, the Company plans to return to Tepic as soon as financial resources allow.

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 procure equipment and supplies in sufficient quantities and on a timely basis; that any re-start timetables for the Guitarra mine and the related capital cost, test mining and test milling 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 the Guitarra property and that the Company maintains its ongoing relations with the parties to the option agreement on the Tepic property. 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 Guitarra; actual results of the current test mining and processing activities; 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 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 property 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