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, 2024

April 18, 2025

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 located in the historic Temascaltepec mining district in the state of México, México, and has an option interest in the Tepic silver-gold property located in the State of Nayarit, México.

In May 2024, the Company received proceeds of $5 million from First Majestic Silver Corp. ("First Majestic") under a two-year senior secured project financing loan (see "*Capital Resources and Commitments*"). During the year ended December 31, 2024, the Company concluded the care and maintenance ("C&M") phase and following the receipt of the First Majestic financing, completed the remaining development work and capital expenditures required to initiate the mid-2024 test mining and test milling program ("Test Program") at Guitarra. 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 mine for a 24-month term. Based on the results of the Test Program, the Company concluded that the mine and mill were operating in the manner intended by management by December 31, 2024 and declared commercial production, effective January 1, 2025.

This Annual Management's Discussion and Analysis ("MD&A") is dated and effective April 18, 2025 and provides information on the Company's activities for the year ended December 31, 2024 and subsequent activity to the date of this report. Consequently, this MD&A should be read in conjunction with the Company's December 31, 2024 audited consolidated financial statements prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS").

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

Overall Performance and Outlook

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

- 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 $739 thousand;
- The Company received proceeds of $5 million in May 2024 from First Majestic 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;
- On May 28, 2024, the Company announced the receipt of regulatory approvals for dry stack tailings deposition on the existing tailings impoundment, along with paste backfill of tailings in underground workings, and certain surface drilling pad sites;
- In June 2024, the Company 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 and commenced test milling of mined material on June 25, 2024;
- On July 12, 2024, the Company signed a binding off-take agreement with Swiss-based global minerals trader MRI for 100% of concentrate sales from the Guitarra mine for a 24-month term;
- During the year ended December 31, 2024, the Company sold approximately 107,939 ounces of silver ("Ag") and approximately 1,436 ounces of gold ("Au") in the six-month period of operations ending December 31, 2024, or approximately 229,733 Ag equivalent ounces, based on the ratio of Au and Ag prices realized for each shipment in the year;

- The Company averaged $30.37 per Ag ounce sold and $2,594 per Au ounce sold in the six-month period of operations to December 31, 2024;
- After refining, treatment and smelting charges, the Company recorded net revenues of $6,474 thousand in the six-month period ended December 31, 2024, or approximately $28.35 per Ag equivalent ounce;
- Cost of sales was $2,287,566 for the three-month period ended September 30, 2024, or approximately $24.13 per Ag equivalent ounce sold;
- Cost of sales was $2,826,395 for the three-month period ended December 31, 2024, or approximately $20.95 per Ag equivalent ounce sold;
- Cost of sales was $5,113,961 for the six-month period ended December 31, 2024, or approximately $22.40 per Ag equivalent ounce sold; and
- On January 9, 2025, the Company announced that full commercial production at Guitarra had commenced, effective January 1, 2025. The Company expects its mine operating costs to decrease as the mining and milling operations maintain levels closer to expectations targeted for ongoing commercial production.

The Company is pleased with the results of the test-mining phase that ended on December 31, 2024 and with the way the mining team dealt with the various issues that resulted 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. The team at Guitarra continues to fine-tune the mining and milling processes as it operates at full commercial production.

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 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 (the "Transaction") in exchange for 69,063,076 common shares of the Company, the granting of a net smelter returns royalty ("NSR"), and customary closing adjustments including a working capital adjustment.

The acquisition of La Guitarra was 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 was determined to be the accounting acquirer. Consequently, La Guitarra was considered 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. Accordingly, the Company's consolidated financial statements represent the continuation of the financial statements of La Guitarra except as to share capital structure, which was retroactively restated to reflect the legal capital of the Company using the exchange ratio established in the SPA.

As provided for in the SPA, CFM and First Majestic capitalized to share capital all intercompany amounts owing prior to the closing.

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 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
Intercompany elimination	5,548,000
Total consideration paid	$ 38,982,464

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 ("Concurrent Financing"). 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.

Selected Annual Information

The following table summarizes selected financial information for the Company for each of the three most recent fiscal years, extracted from the consolidated financial statements of the Company, which are prepared in accordance with IFRS:

		2024		2023		2022
Cash and cash equivalents	$	452,081	$	1,929,549	$	88,242
Current assets	$	3,522,569	$	3,319,770	$	707,648
Mining interests	$	17,641,838	$	15,660,081	$	15,370,205
Exploration and evaluation assets ("E&E")	$	10,901,266	$	10,203,451	$	5,885,539
Plant and equipment	$	2,796,592	$	1,253,926	$	969,720
Total assets	$	34,891,015	$	30,478,627	$	28,105,121
Due to former parent company	$	-	$	-	$	9,619,551
Current liabilities	$	1,505,746	$	827,205	$	9,790,989
Long term liabilities	$	8,431,885	$	2,949,152	$	2,629,862
Share capital	$	158,113,291	$	157,040,086	$	108,144,970
Total shareholders' equity	$	24,953,384	$	26,702,270	$	15,684,270
Revenues	$	6,473,940	$	-	$	-
Cost of goods sold	$	5,113,961	$	-	$	-
Gross profit	$	1,359,979	$	-	$	-
Care and maintenance expense	$	903,094	$	2,906,736	$	2,964,007
Income tax expense (recovery)	$	57,219	$	246,725	$	(1,413,509)
Loss for the year	$	4,075,728	$	39,999,050	$	2,562,744
Basic and diluted loss per share	$	0.03	$	0.32	$	0.04
Weighted-average shares outstanding (000's)		152,339		124,340		59,367

Cash and current assets increased from 2022 to 2023 due to the proceeds of equity raises completed in 2023 exceeding the cash outflows for operating and investing activities. Cash balances declined in 2024 due to cash used in operating and investing activities exceeding cash provided by financing activities, however, VAT receivable increased by approximately $941 thousand due to delays in receiving these refunds in Mexico. Subsequent to December 31, 2024, the Mexican tax authorities began to approve our VAT refund filings and to date we have received approximately $247 thousand of the amount outstanding at year-end.

Mining interests 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. The increase for 2024 is due to a significant increase in capitalized development costs as the Company prepared the Guitarra mine for the Test Program.

E&E assets increased by approximately $4.3 million in 2023 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 $0.7 million increase in 2024 related mainly to the capitalization of the related concession fees.

Plant and equipment increased significantly in 2024 as the Company purchased and refurbished mining equipment at Guitarra during the Test Program.

Long-term liabilities decreased in 2023 due to the capitalization of the remaining intercompany debt owing to First Majestic pursuant to the SPA. Long-term liabilities increased during 2024 due to the $5 million senior secured project financing loan received from First Majestic (see "*Capital Resources and Commitments*").

Share capital increased in 2023 as a result of the shares issued under the SPA, applying the RTO accounting, as well as the closing of the related Concurrent Financing tranches. The Company completed two equity financings in 2024 for net proceeds of approximately $1.07 million.

Losses for the years ended December 31, 2023 and 2022 related mainly to the C&M 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. The loss for 2024 included six months of C&M activities and the results from the six-month Test Program.

Results of Operations – Year ended December 31

The Company had a loss of $4,076 thousand for the year ended December 31, 2024, as compared to a loss of $39,999 thousand for the year ended December 31, 2023. A summary of the current and comparative losses for the years ended December 31, is as follows:

	2024	2023
Revenues	$ 6,473,940	$ -
Cost of sales	5,113,961	-
Gross profit	1,359,979	-
Amortization and accretion	270,776	231,800
Care and maintenance	903,094	2,906,736
Community relations	132,048	85,230
Environmental	261,669	-
Other expense (income)	10,218	(101,305)
Financing costs	218,737	-
Foreign exchange (gain) loss	(281,772)	493,633
General and administrative	2,073,793	2,059,630
Interest expense	275,069	92,923
Impairment	-	2,906,681
Provisional pricing adjustments	(106,593)	-
RTO transaction cost	-	31,072,747
Share-based compensation	1,621,449	4,250
Current income tax expense	43,005	-
Deferred tax expense	14,214	246,725
Loss for the year	$ 4,075,728	$ 39,999,050

Revenues

Revenues for the current year consist of the sale of silver/gold concentrates from the Guitarra mine resulting from the six-month period ended December 31, 2024, when the Company conducted its Test Program. The Company made its first delivery of concentrate on July 26, 2024 and, to December 31, 2024, the Company completed deliveries totalling approximately 1,293 dry metric tonnes ("DMT") of silver/gold concentrates containing an estimated 107,939 ounces of silver and an estimated 1,436 ounces of gold. Silver revenues for the year ended December 31, 2024 totalled approximately $3,278 thousand ($30.37 per ounce) and gold revenues totalled approximately $3,726 thousand ($2,594 per ounce).

The Company receives advance payments from MRI on the deliveries and to December 31, 2024, had collected approximately $6,177 thousand on the provisional invoices issued to MRI and a further $92 thousand on settlement of final invoices.

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 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 December 31, 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 $107 thousand. The gain is not reported within revenues but rather within other income and expenses of the Company.

Revenues for the year ended December 31, 2024 consisted of:

Silver	$ 3,278,451
Gold	3,726,204
	7,004,655
Smelting, treatment and refining costs	(530,715)
	$ 6,473,940

Cost of sales

Cost of sales for the year ended December 31, 2024 consisted of:

Production costs	
Labour costs	$ 1,796,857
Mine and plant maintenance	896,844
Consumables and materials	852,790
Contracted services	708,505
Energy	477,919
Insurance	159,711
Depreciation	120,121
	5,012,747
Other costs	
Transportation and other selling costs	153,069
Mine royalty expense	114,898
Production taxes	33,242
Finished goods inventory changes	(199,995)
Cost of Sales	$ 5,113,961
Ag equivalent ounces sold *(i)*	229,733
Cost per Ag equivalent ounce	$ 22.26

(i) Ag equivalent ounces sold has been determined using the actual Ag and Au prices obtained during the year, since the commencement of the Test Program in July 2024. The determined ratio used was 84.81 Au:Ag.

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 Program was designed to provide further information on the current actual mining and milling costs to further assess the internal mine-plan. The Test Program, underground development, and commissioning activities continued until December 31, 2024 when it was determined that the asset was consistently reaching the operating levels intended by management.

During the six-month period of the Test Program, ending December 31, 2024, our production costs per Ag equivalent ounce sold were higher than anticipated due to a significant portion of the production in the period coming from lower-grade material mined in conjunction with development activities (see "*Mineral Interests*"). We also experienced significant downtime during the period due to power outages related to lightning in the rainy season. There was also anticipated and scheduled downtime related to equipment availability as we operated the plant and underground equipment on a more continuous basis. Development work continued to progress as we accessed additional production faces during the fourth quarter. We anticipate improved head grades of the mineralized material in 2025 and a decrease in mining costs on a per-ounce basis going forward.

Other expenses

Effective the end of the second quarter of 2024, the C&M phase of the mine ended and we entered into the Test Program. As a result, effective July 1, 2024, we no longer reported further C&M expense.

C&M included 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 included the supplies and materials consumed in the process of maintaining the plant, equipment, and property. The decrease in general C&M expense in 2024 as compared to 2023 reflects the change in the focus of the Company from maintaining the equipment and facilities to advancing the mine towards the Test Program. C&M activities significantly scaled down in the first and second quarters of 2024 and ended upon the full launch of the Test Program at the beginning of the third quarter of 2024. Water treatment costs, which were reported within C&M up to June 30, 2024, have been reported within environmental costs and totalled $262 thousand for the six-month period ended December 31, 2024.

General and administrative expenses ("G&A") expenses remained relatively consistent on an aggregate basis year on year. Due to the impact of completing the RTO at the end of the first quarter of 2023, the Company only began 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 in the comparative figures for the first quarter of 2023. Significant changes in the current year's amounts include increases in accounting and audit, consulting, management fees, and travel, with decreases in investor relations and promotions, and legal costs. These differences relate to the increased legal costs and promotional activities during 2023 after the Company completed its acquisition of La Guitarra, which gave way to higher administrative, management, and travel costs in 2024 as the Company digested the acquisition and conducted the Test Program.

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"*). There was no comparable cost in 2024.

The Company elected not to make the $250 thousand 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. The Company was unsuccessful in re-negotiating the terms of the option agreement and accordingly the accumulated costs of $2,906 thousand were written-off in the fourth quarter of 2023. There was no comparable cost in 2024.

In the year ended December 31, 2024, the Company reported $14 thousand in deferred income tax expense (2023 - $247 thousand). The Company also reported $43 thousand of mining taxes related to 7.5% of the earnings of La Guitarra after certain allowable deductions. There was no current tax payable at the 30% Mexican tax rate for la Guitarra, due to the application of previously unrecognized loss carry forwards.

In addition, during the year ended December 31, 2024, the Company:

- incurred financing costs that included due diligence and legal costs and a transaction break-fee of $100 thousand in respect of a proposed financing that was terminated by the Company;
- recorded a $282 thousand foreign exchange gain due to the impact of a weakening Mexican peso on the translation of net monetary liabilities denominated in Mexican pesos. The $494 thousand loss for 2023 resulted from the impact of a stronger Mexican peso on the translation of net monetary liabilities denominated in Mexican pesos;
- recorded interest of approximately $483 thousand on the $5 million loan advanced by First Majestic in May 2024. Approximately $375 thousand of this interest has been deferred and is payable upon maturity of the loan. The Company capitalized interest of approximately $240 thousand relating to the qualifying portion of this loan. During the year ended December 31, 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 and no interest was charged thereafter by CFM;
- recognized approximately $1,621 thousand in respect of stock options granted in May and December of 2024;
- recorded other comprehensive loss of $345 thousand in respect of currency translation adjustments. This compares to other comprehensive income of $151 thousand related to currency translation adjustments in the comparative year.

Results of Operations – Discussion of Fourth Quarter

The Company had a loss of $38 thousand, for the quarter ended December 31, 2024, as compared to a loss of $4,696 thousand for the quarter ended December 31, 2023. A summary of the current and comparative losses for the three-month periods ended December 31 is as follows:

		2024		2023
Revenues	$	3,938,323	$	-
Cost of sales		(2,826,375)		-
Gross profit		1,111,948		-
Amortization and accretion		76,231		60,190
Care and maintenance		-		657,197
Community relations		26,744		22,840
Environmental		134,967		-
Other expense (income)		34,434		(24,440)
Foreign exchange loss (gain)		(175,608)		168,091
General and administrative		459,962		629,680
Interest expense		191,469		-
Impairment		-		2,906,681
Provisional pricing adjustments		26,781		-
Share-based compensation		330,820		-
Current tax expense		43,005		-
Deferred tax expense		1,079		275,658
Loss for the period	$	37,936	$	4,695,897

Revenues

For the quarter ended December 31, 2024, the Company completed deliveries totalling approximately 795 DMT of silver/gold concentrates containing an estimated 59,178 ounces of silver and an estimated 897 ounces of gold. Silver revenues for the quarter ended December 31, 2024, totalled approximately $1,869 thousand ($31.58 per ounce) and gold revenues totalled approximately $2,392 thousand ($2,667 per ounce).

Revenues for the quarter ended December 31, 2024 consisted of:

Silver	$ 1,869,127
Gold	2,391,945
	4,261,072
Smelting, treatment and refining costs	(322,749)
	$ 3,938,323

Cost of sales

Cost of sales for the quarter ended December 31, 2024 consisted of:

Production costs	
Labour costs	$ 977,802
Mine and plant maintenance	556,040
Consumables and materials	344,374
Contracted services	386,496
Energy	262,984
Insurance	77,687
Depreciation	120,121
	2,725,504
Other costs	
Transportation and other selling costs	90,051
Mine royalty expense	64,331
Production taxes	19,146
Finished goods inventory changes	(72,657)
Cost of Sales	$ 2,826,375
Ag equivalent ounces sold *(i)*	134,913
Cost per Ag equivalent ounce	$ 20.95

(i) Ag equivalent ounces sold has been determined using the actual Ag and Au prices obtained during the quarter ended December 31, 2024. The determined ratio used was 84.44 Au:Ag.

During the quarter ending December 31, 2024, our production costs per Ag equivalent ounce sold were higher than anticipated estimates due to a significant portion of the production in the period coming from lower-grade material mined in conjunction with development activities (see "*Mineral Interests"*). We also experienced significant downtime during the period due to power outages related to lightning in the rainy season. There was also anticipated and scheduled downtime related to equipment availability as we operated the plant and underground equipment on a more continuous basis. Development work continued to progress as we completed accessing additional production faces during the fourth quarter. As the expected head grades of the mineralized material within the resource exceeds the mineralized material mined in the fourth quarter of 2024, we anticipate our mining costs to decrease on a per-ounce basis going forward.

Other expenses

As discussed above, C&M expense was not recorded after June 30, 2024 due to the commencement of test mining and milling in July 2024.

G&A expenses decreased significantly for the fourth quarter of 2024 compared to the fourth quarter of 2023. Significant changes in the current quarter's amounts include increases in consulting, management fees, and travel, with decreases in accounting and audit, investor relations and promotions, and administrative costs. These differences relate to the increased promotional activities during the fourth quarter of 2023 after the Company completed its acquisition of La Guitarra, which were not experienced in the fourth quarter of 2024.

The impairment charge for the fourth quarter of 2023 relates to the write-off of the La Tigra property as discussed above. There was no comparable cost in 2024.

In addition, during the quarter ended December 31, 2024, the Company:

- recorded a $176 thousand foreign exchange gain due to the impact of a weakening Mexican peso on the translation of net monetary liabilities denominated in Mexican pesos. The $168 thousand loss for 2023 resulted from the impact of a stronger Mexican peso on the translation of net monetary liabilities denominated in Mexican pesos;
- recorded interest of approximately $183 thousand on the $5 million loan advanced by First Majestic in May 2024 (see "*Capital Resources and Commitments"*) and capitalized interest of approximately $16 thousand relating to the qualifying portion of the First Majestic loan. Such capitalization ended on December 31, 2024;
- recognized approximately $331 thousand in respect of stock options granted in May and December 2024;
- recorded other comprehensive loss of $202 thousand in respect of currency translation adjustments and other. This compares to other comprehensive income of $161 thousand recorded in the comparative quarter.

Cash Flows

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

		2024		2023
Loss for the year	$	(4,075,728)	$	(39,999,050)
Items not involving cash		1,764,896		34,839,081
Changes in non-cash working capital items		(1,418,271)		(176,606)
Purchase of plant and equipment		(1,771,658)		(327,052)
Capitalized mine development costs		(1,322,908)		(740,965)
Capitalized exploration and evaluation		(709,969)		(831,470)
Other		5,663		-
Cash acquired on RTO		-		832,100
Lease payments		(7,485)		(8,310)
Shares issued for cash, net		1,073,205		7,116,022
Advances from former parent		-		899,964
Proceeds from loans		5,503,648		-
Repayment of bridge loans		(503,648)		-
Increase (decrease) in cash position	$	(1,462,255)	$	1,603,714

The decrease in the loss for the year 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 and the $2.9 million impairment loss on La Tigra, recorded in 2023. There were no comparable costs in 2024.

Cash used for operating activities was $3,729 thousand for the year ended December 31, 2024 and was lower than the $5,337 thousand used in the year ended December 31, 2023. The Company's loss for the year, net of non-cash items was lower by approximately $3 million as compared to 2023 due primarily to the sales of concentrates, which began in the third quarter of 2024. The $6.5 million of revenues from La Guitarra, received during the third and fourth quarters of 2024, offset most of the operating costs of La Guitarra for the 2024 fiscal year. C&M and environmental costs for 2024 were lower than 2023 by approximately $1.8 million. Such costs were included in cost of good sold during the third and fourth quarters of 2024 and were funded by the concentrate sales in 2024. Partially offsetting this improvement in cash flows was an increase of approximately $1.3 million in non-cash working capital items over that of 2023, which related to an increase in trade accounts receivable, a significant increase in inventories related to the Test Program, and a significant 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 has been placing a strain on the Company's cash flows. Subsequent to December 31, 2024, the Mexican tax authorities began to approve our VAT refund filings and to date we have received approximately $247 thousand of the amount outstanding at year-end.

Cash used in investing activities increased by $2.7 million for the year ended December 31, 2024, due primarily to commencing the Test Program in preparation for a re-start of the Guitarra mine. The current year includes cash of $1,772 thousand (2023 - $327 thousand) used in acquiring mining and mobile equipment and refurbishing certain underground equipment, $1,323 thousand (2023 – $741 thousand) used in mine development, and $710 thousand (2023 – $831 thousand) used for E&E activities, which includes capitalized concession fees. The Company acquired $832 thousand of cash upon completion of the RTO transaction in 2023.

Cash provided by financing activities decreased from $8,008 thousand in the year ended December 31, 2023 to $6,066 thousand in the year ended December 31, 2024. During 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. During 2024, the Company also received and repaid bridge loans of approximately $504 thousand. During the year ended December 31, 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 $2,404 thousand from the Concurrent Financing, and received advances of approximately $900 thousand from the former parent company.

Quarterly Financial Data

Selected financial information set out below is based on and derives from the unaudited condensed consolidated 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, 2024 (Q4) ($)	Sep. 30, 2024 (Q3) ($)	Jun. 30, 2024 (Q2) ($)	Mar. 31, 2024 (Q1) ($)	Dec 31, 2023 (Q4) ($)	Sep. 30, 2023 (Q3) ($)	Jun. 30, 2023 (Q2) ($)	Mar. 31, 2023 (Q1) ($)
Revenues	3,938,323	2,535,617	-	-	-	-	-	-
Gross profit	1,111,948	248,031	-	-	-	-	-	-
Care and maintenance expenses	-	-	349,401	553,693	657,197	794,937	724,683	729,919
Foreign exchange loss (gain)	(175,608)	52,302	(207,388)	48,921	168,091	242,452	29,222	53,868
Interest expense	191,469	55,250	28,350	-	-	-	-	-
RTO transaction cost (adjustment)	-	-	-	-	-	-	(453,950)	31,526,697
Impairment	-	-	-	-	2,906,681	-	-	-
Loss for the quarter	(37,936)	(947,092)	(1,885,874)	(1,204,826)	(4,695,897)	(1,840,393)	(932,735)	(32,530,025)
Total assets	34,891,015	34,479,382	33,931,187	30,226,383	30,478,627	39,672,959	42,342,127	40,424,834

Total non-current liabilities	8,431,885	8,249,918	7,929,490	2,935,772	2,949,152	8,093,548	8,793,962	8,302,559
Loss per share – basic and diluted	(0.00)	(0.01)	(0.01)	(0.01)	(0.03)	(0.01)	(0.01)	(0.52)
Weighted average number of shares	153,942,993	152,869,623	152,692,993	149,827,944	146,504,261	143,998,401	143,141,252	62,577,673

The substantial increase in loss and comprehensive loss and loss per share in the first quarter of 2023 was caused by the RTO transaction cost recorded in the period. In the second quarter of 2023, this expense was reduced on final agreement with First Majestic for 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.

Until June 2024, C&M costs were generally 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 increased from 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 C&M since the completion of the SPA as the Company began to investigate the possibility of a re-start. Commencing in the third quarter of 2024, the C&M phase of the mine ended and we entered into the Test Program. As a result, effective July 1, 2024, we no longer reported C&M expense as these costs are captured within cost of sales and environmental.

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. 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. In 2024, the Mexican peso strengthened against the U.S. dollar in the first and third quarters and weakened in the second and fourth quarters producing gains in these quarters on the translation of the net peso denominated liability balances of La Guitarra.

The Company elected not to make the $250 thousand 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. The Company was unsuccessful in re-negotiating the terms of the option agreement and accordingly the accumulated costs of $2,906 thousand were written-off in the fourth quarter of 2023. There was no comparable cost in 2024.

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 2023 reflects the cancellation of the provision relating to the replacement of the restricted cash with a bonded letter of credit (provided by First Majestic).

Long-term liabilities increased in Q2 2024 due to First Majestic providing a $5 million senior secured project financing loan (see "*Capital Resources and Commitments*").

Financial Position and Liquidity

To December 31, 2024, the Company did not have profitable operations as the Guitarra silver-gold mine was on care and maintenance from August 3, 2018 to June 30, 2024 when the Test Program commenced, and the Tepic property is in the exploration and evaluation stage. Therefore, the Company has been 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 was subject to liquidity risk and dependent upon meeting its future capital requirements through the issuance of capital stock, debt, or a combination thereof.

Beginning in July 2024, the Company began selling silver-gold concentrates and realizing regular revenues from the shipments of concentrates produced from its Test Program. Effective January 1, 2025, the Guitarra mine declared commercial production and while the Company is currently receiving regular ongoing revenues, the establishment of commercial production is at an early stage and continuing revenues are subject to the many risks inherent in a mining operation (see "*Risk Management"*). While the Company expects that revenues from operations will continue to cover its mining and operating costs, profitable operations are not assured and the Company may continue to be 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 and cash equivalents decreased from $1,930 thousand as at December 31, 2023 to $452 thousand as at December 31, 2024 as a result of the $3,729 thousand of cash used in operating activities and $3,799 thousand used in investing activities exceeding the $6,066 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 $2,017 thousand as at December 31, 2024. Although the Company's current liabilities increased by approximately $679 thousand related to the commencement of the Test Program, this was more than offset by the $941 thousand increase in VAT receivable as discussed above, the $286 thousand increase in trade receivables from MRI on the concentrate sales, and the $588 thousand increase in concentrate inventories and general supplies related to the Test Program.

With the $5.0 million project financing loan received in May 2024, the proceeds of concentrate sales to date, and the expected ongoing revenues from concentrate sales in 2025, the Company has concluded that its current working capital, together with its anticipated cash flows from commercial production at Guitarra, are sufficient to cover its present obligations and planned expenditures for at least twelve months commencing December 31, 2024.

Financial Instruments

The Company's financial instruments include cash and cash equivalents, trade and other receivables, accounts payable, and 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 $452,081 (December 31, 2023 - $1,929,549) are 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 operating costs, overhead, and capital expenditures. 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 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.

With the First Majestic financing, the expectation of positive cash flows from mining operations, and the expectation of additional VAT refunds, the Company believes it has sufficient working capital for at least twelve months commencing December 31, 2024.

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:

	April 18, 2025	December 31, 2024	December 31, 2023
Shares issued and outstanding	153,942,993	153,942,993	149,121,493
Outstanding stock options	12,610,000	12,610,000	5,070,000
Outstanding agents' compensation options	78,000	444,949	444,949
Diluted shares outstanding	166,630,993	166,997,942	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, and in December 2024, the Company granted an additional 300,000 stock options to employees. All of the stock options granted are subject to certain vesting provisions. During the year, 111,667 stock options expired and 223,333 options were forfeited prior to vesting. Subsequent to December 31, 2024, 366,949 agents' compensation options expired.

Note 15 to the Company's December 31, 2024, consolidated financial statements provides additional details regarding share capital and stock option activity for the year.

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, 2024 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:

		2024		2023
Accounting	$	120,438	$	77,773
Administration (exploration and evaluation)		90,000		52,500
Director fees		67,723		57,071
Geological (exploration and evaluation)		32,847		27,776
Management fees		455,474		279,985
	$	766,482	$	495,105

In addition, the Company recorded share-based compensation of $730 thousand (2023 - $3 thousand), 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:

		2024		2023
Care and maintenance – Majestic Services S.A. de C.V. *(i)*	$	-	$	4,928
Interest expense – CFM *(i)*		-		92,923
Interest expense – First Majestic		483,365		-
	$	483,365	$	97,851

(i) A subsidiary of First Majestic.

Off-Balance Sheet Arrangements

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

Proposed Transactions

The Company had no proposed transactions at December 31, 2024 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

The material accounting policies of the Company are disclosed in Note 2 to the December 31, 2024 consolidated financial statements. In June 2024, the Company commenced test mining and milling at La Guitarra and, accordingly, adopted the following new material accounting policies:

Ore inventories

Ore inventories include finished and in-process concentrate, and stockpile ore and are valued at the lower of average production cost and estimated net realizable value ("NRV"). NRV is the amount estimated to be obtained from the sale of the inventory in the normal course of business, less any anticipated costs to be incurred to convert the inventories into saleable form, transportation and estimated costs to sell. For finished and in-process concentrate, cost includes all direct costs incurred in production, including direct labour and materials, depreciation, and directly attributable overhead costs.

Stockpile ore represents ore that has been extracted from the mine and is available for further processing. Costs added to the stockpile ore are based upon the current mining cost per tonne incurred up to the point of stockpiling the ore and are removed at the weighted average cost per tonne. Costs included in the in-process inventory are based upon the amount transferred from the stockpile ore plus the estimated current milling cost per tonne and the percentage completion of the in-process concentrate. Costs are removed from the in-process inventory and are included in the finished concentrate inventory at the weighted average cost per tonne.

If the carrying value of the inventory exceeds the NRV, a write-down is required and recorded as cost of sales. If there is a subsequent increase in the NRV of the inventory, then any prior write-downs of the inventory are reversed to cost of sales.

Proceeds before intended use

Revenue from the sale of gold/silver concentrates, realized prior to the point at which items of mineral property, plant and equipment, such as the mine and process plant, are operating in the manner intended by management, are recognized, along with the related costs, in the consolidated statement of loss and comprehensive loss.

Revenue recognition

Revenue associated with concentrate sales is recognized when control of the asset is transferred to the customer. Evidence of the transfer of control includes an unconditional obligation to pay, the transfer of legal title, physical possession, the transfer of the risks and rewards of ownership and the acceptance by the customer. Under the terms of the Company's concentrate sale contract, this occurs when the concentrate is accepted by the designated warehouse, as contractually agreed with the buyer, at which point the buyer controls the goods.

The Company's concentrate sale contract provides for certain provisional payments based upon provisional assays and quoted metals prices.

Final settlement is based upon the applicable commodity prices set on a specified quotational period, being the average market metal prices for the month following delivery of the concentrate. For this purpose, the transaction price can be measured reliably for the gold and silver components of the concentrate as there exists an active and freely traded commodity market, such as the London Metals Exchange, and the value of product sold by the Company is directly linked to the form in which it is traded on that market.

Final settlement is also subject to final adjustments based on an inspection of the product by the buyer. In such cases, sales revenue is initially recognized on a provisional basis using the Company's best estimate of the contained metal and is subsequently adjusted. Revenue is recorded under this contract at the time the control passes to the buyer based on the expected settlement period. 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 each reporting date, provisionally priced metal is marked to market based on the forward selling price for the quotational period stipulated in the contract. Variations between the price recorded at the date when control is passed to the buyer and the actual final price set by the off-take contract are caused by changes in metal prices, with the resulting fluctuation in the receivable being recorded at fair value through profit and loss.

IFRS 15 – Revenue from Contracts with Customers, requires that variable consideration should only be recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. The Company has concluded that potential adjustments related to the final assay results for the quantity and quality of concentrate sold are not significant and do not constrain the recognition of revenue.

Refining and treatment charges under the concentrate sale contract are netted against revenue for sales of metal concentrate.

New IFRS Accounting Standards and Amendments

Amendments to IFRS 9 and IFRS 7 – Amendments to the Classification and Measurement of Financial Instruments

In May 2024, the IASB issued classification and measurement and disclosure amendments to IFRS 9 and IFRS 7. These amendments updated classification and measurement requirements in IFRS 9 - Financial Instruments and related disclosure requirements in IFRS 7 - Financial Instruments: Disclosures. These amendments clarify the date of recognition and derecognition of certain financial assets and liabilities, and amend the requirements related to settling certain financial liabilities using an electronic payment system. Other changes include a clarification of the requirements when assessing the contractual cash flow characteristics of financial assets in determining whether they meet the 'solely payments of principal and interest' criterion and new disclosures for certain instruments for which cash flows are linked to environmental, social, and governance features and other contingent features. The IASB added disclosure requirements for financial instruments with contingent features not related directly to basic lending risks and costs, and amended disclosures required for equity instruments designated at fair value through other comprehensive income. These amendments are effective for reporting periods beginning on or after January 1, 2026, with early adoption permitted. The Company has not yet assessed the impact that these amendments will have on its consolidated financial statements.

IFRS 18 – Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, *Presentation and Disclosure in Financial Statements*, which replaces IAS 1, *Presentation of Financial Statements*. While maintaining many of the principles of IAS 1, IFRS 18 introduces changes to the structure of the income statement by requiring the presentation of three main categories of revenues and expenses in respect of operating, investing, and financing activities as well as certain defined totals and subtotals within the statement. To communicate management's assessment of an aspect of an entity's financial performance, management may reference certain elements or measures of profit or loss in its public communications reported outside of its financial statements. These measures, defined as management-defined performance measures, may not be specifically defined by IFRS, therefore, IFRS 18 requires entities to provide detailed disclosure of such measures in its financial statements. IFRS 18 also provides enhanced principles of aggregation and disaggregation that apply to the primary financial statements and explanatory notes. IFRS 18 will not affect the recognition and measurement of financial statement items or items classified as other comprehensive income. This standard is effective for reporting periods beginning on or after January 1, 2027, applied retrospectively, and with early adoption permitted. The Company has not yet assessed the impact that this new standard will have on its consolidated financial statements.

Critical Accounting Estimates and Judgements

The preparation of consolidated 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: going concern, the determination of fair values of exploration assets acquired in an asset purchase agreement, impairment indicators for its mining interests, exploration and evaluation assets, and plant and equipment, the determination of when an asset is ready for its intended use, determining decommissioning liabilities, the determination of its functional currency, share-based compensation assumptions, and deferred tax asset recognition.

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Management assesses the Company's ability to continue as a going concern at each reporting date using all available information. This assessment, by its nature, relies on assumptions and estimates of future cash flows and other events, whose subsequent changes could materially affect the validity of these estimates and assumptions.

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 has determined that acquisition, exploratory drilling, evaluation, development and related costs incurred which were capitalized have potential future economic benefits and are potentially economically recoverable, subject to impairment analysis. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

Mineral reserve and resource estimates affect the determination of recoverable value used in impairment assessments and the amortization rates for non-current assets using the units of production method. The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101 ("NI 43-101") Technical Report standards. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control.

Such estimation is a subjective process and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgements used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position, results of operation and cash flows.

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.

Once an asset reaches the level of operation intended by management (referred to as "Commercial Production"), depletion and depreciation of the related asset commences and the capitalization of interest terminates. Significant judgement is required to determine when certain assets of the Company reach this level. Management considers several factors including the completion of a reasonable period of commissioning, and whether consistent operating results are being achieved at a predetermined level of design capacity. The Company began Test Program at the mine in late June 2024 and, based upon the test-mining results in the period to December 31, 2024, concluded that the mine and the mill had consistently achieved the established criteria. Accordingly, the Company has concluded that Commercial Production had been achieved effective January 1, 2025.

The Company has considered all primary and secondary indicators under IFRS and determined that the functional currency of the Company 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 is generating significant revenues from concentrate sales, which are denominated in U.S. dollars.

The Company uses the Black-Scholes Option-Pricing Model to estimate the fair value of options and warrants, which requires the input of subjective assumptions including the expected price volatility of the Company's common shares and the expected life and forfeiture rate of the security. Changes in these subjective input assumptions can materially affect the fair value estimate.

The Company has not recognized its deferred tax assets as management does not currently consider it more likely than not that these assets will be recovered.

Disclosure for Companies without Significant Revenue

Until July 2024, and consistent with other companies in the mineral exploration industry, the Company had no source of operating revenue. The statements of loss and comprehensive loss included in the Company's December 31, 2024 consolidated financial statements provide a breakdown of the general and administrative expenses for the year under review in Note 18 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.

Effective July 1, 2024, the Company began realizing revenues from its Test Program at the Guitarra mine. Effective January 1, 2025, the Company declared Commercial Production had been reached.

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 cash and cash equivalent balances, which are held through major Canadian and Mexican financial institutions with high investment grade ratings, and its trade receivables. Concentrate contracts are a common business practice in the mining industry. The terms of the concentrate contracts may require the Company to deliver concentrate that has a value greater than the payment received at the time of delivery, thereby introducing the Company to credit risk of the buyers of its concentrate. Should this counterparty not honour the purchase arrangement, or should it become insolvent, the Company may incur losses for products already shipped and be forced to sell its concentrate on the spot market or it may not have a market for its concentrate and therefore its future operating results may be materially adversely impacted. At December 31, 2024, the Company had a receivable balance associated with the buyer of its concentrate of $286,469 (December 31, 2023 - $nil). All of the Company's concentrate is sold to a well-known concentrate buyer. The carrying value of the Company's cash and cash equivalents, trade and other receivables totalling $748,087 represents the Company's maximum exposure to credit risk at December 31, 2024 (December 31, 2023 - $2,022,019).

Management continually monitors and assesses the credit risk resulting from its concentrate sales and its trading counterparty. Except as noted above, the Company believes it is not exposed to significant credit risk.

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.

The Company reports its financial statements in U.S. dollars; however, the Company operates in jurisdictions that utilize other currencies. As a consequence, the financial results of the Company's operations as reported in U.S. dollars are subject to changes in the value of the U.S. dollar relative to local currencies. Since the Company's sales are denominated in U.S. dollars and a portion of the Company's operating costs and capital spending are in local currencies, the Company is negatively impacted by strengthening local currencies relative to the U.S. dollar and positively impacted by the inverse.

At December 31, 2024, 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. At December 31, 2024, the Canadian dollar functional entities carried insignificant balances of financial instruments denominated in Mexican pesos and U.S. dollars.

At December 31, 2024, the Company carried cash, value added taxes receivable, accounts payable and payroll provision balances denominated in Mexican pesos in the U.S. dollar functional entity, which are subject to currency risk due to fluctuations in the exchange rates with the U.S. dollar. Due to the volatility of the exchange rates between the Mexican peso and the U.S. dollar, such currency risk could result in future gains or losses to the Company. Based on the Company's net monetary liabilities denominated in Mexican pesos in the U.S. dollar functional entity at December 31, 2024, a 10% decrease in the number of Mexican pesos required to buy a U.S. dollar would result in a loss of approximately $208,000 and a 10% increase would have the converse effect.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity risk by continuously monitoring forecasted and actual cash flows. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its expansion plans. The Company strives to maintain sufficient liquidity to meet its short-term business requirements, taking into account its anticipated cash flows from operations, its holdings of cash, and its committed loan facilities. In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. The following table summarizes the remaining contractual maturities of the Company's financial liabilities and operating and commitments on an undiscounted basis as at December 31, 2024:

	< 1 year	1-2 years	2-5 years	< 5 years	Total
	$	$	$	$	$
Accounts payable and accrued liabilities	1,456,169	-	-	-	1,456,169
Loan payable	-	5,375,000	-	-	5,375,000
Lease liabilities	6,572	-	-	-	6,572
Commitments	724,961	-	-	-	724,961
	2,187,702	5,375,000	-	-	7,562,702

Since the completion of the Transaction, the Company's capital requirements 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. The Company's working capital (current assets less current liabilities) at December 31, 2024 was $2,016,823. The Company estimates that its current cash reserves and planned operating results will provide sufficient working capital for its present obligations and planned activities for at least twelve months commencing December 31, 2024.

Interest Rate Risk

Interest rate risk is the risk that the fair values and future cash flows of the Company will fluctuate because of changes in market interest rates. The Company monitors its exposure to interest rates and has not entered into any derivative contracts to manage this risk. The Company holds cash and cash equivalents, which earn nominal rates of interest. The Company does not consider its interest rate risk in respect of these instruments to be material. The Company's loan payable is at a fixed rate of interest and therefore not subject to the risk of fluctuations in market rates of interest.

Price risk

Metal price risk is the risk that changes in metal prices will affect the Company's income or the value of its related financial instruments. The Company derives its revenue from the sale of silver and gold concentrate. The Company's sales are directly dependent on metal prices that have shown significant volatility and are beyond the Company's control. Consistent with the Company's mission to provide equity investors with exposure to changes in precious metal prices, the Company's current policy is to not hedge the price of silver and gold.

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.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 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 overhaul 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. On January 23, 2025, SEDENA approved the 2025 explosive permit. 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 the Test Program. 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 were 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.

In June 2024, we commenced the Test Program at Guitarra, which had two main components; the underground mine and the plant. In order for the asset to be functioning in the manner intended by management, both components needed to be functional in an integrated manner.

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 metric tonnes ("WMT") of mineralized material during the last five days of June.

The Test Program called for incremental increases in plant throughput. In July, 8,303 WMT 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 WMT. Total test processing for September was 11,161 WMT. The testing of the process plant equipment was in line with expectations, with all circuits functioning well. Testing of the milling circuit identified several areas where mechanical and electrical modifications were 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.

The original mine plan called for significant underground development work and water pumping in order to access the better head grade areas of Guitarra and to establish a significant number of working faces. By late September the development work was well behind the original plan and the Company brought on new technical team members to reassess the plan. As a result, a transitional mine plan was developed and the team began working on a new mine plan, including considering the possibility of advancing the re-start of production from Coloso. Through the Fall, significant progress was made on the transitional mine plan at Guitarra and by late November the targeted number of underground working faces had been reached. During December, a preliminary 2025 mine plan was completed giving options of: mining only from Guitarra; and mining from both Guitarra and Coloso. As a result of the stage of development of the new mine plan, the advancement of development work at Guitarra, and the underground production results, we concluded that the underground was ready for its intended use at the end of 2024.

Test mining and development work has been on going since June 25, 2024, with a total of 30,253 dry metric tonnes ("DMT") delivered to the processing plant during Q3 and 38,464 DMT in Q4. Average silver recoveries since test processing began was 79%, and gold recoveries averaged 84%. On December 10th the Company declared the processing plant to be in industrial production having been operating at 86% of the milling circuit nameplate capacity, or 516 wet metric tonnes per day, for the last two (2) months, exceeding the engineering standard of 80% for 30 days.

On January 9, 2025, the Company declared full commercial had been achieved effective January 1, 2025.
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 future expanded capacity;
- Grinding - 516 tonnes per day; a new ball mill will be needed for future 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.

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

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 an identified 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 thousand in semi-annual payments of US$50thousand 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$1.5 million or granting a 3% NSR, which would be extinguished upon payment of a total of US$4 million 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 million for each 1% (one-third) of the, to a maximum of US$3 million 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 thousand 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 $2.9 million of accumulated costs were written-off in the year ended December 31, 2023.

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 at the Tepic or Guitarra properties and there is no assurance that the operations at the Guitarra mine will be profitable. The Company's activities are subject to the risks normally encountered in the mining and exploration industry. The risk factors described below are not exhaustive and there may be additional risks that we are currently not aware of or are not currently considered material to our operations. Such risks could materially affect the Company's future cash flows, earnings, results of operations, and financial condition. Accordingly, actual results and events could differ materially from those described in forward-looking statements and forward-looking information. Readers are strongly encouraged to review the following identified risks in detail.

Operational Risks

Metal and Commodity Price Fluctuations

All of the Company's revenue is derived from the sale of silver and gold, and therefore fluctuations in the prices of these metals significantly affects operations and profitability. Sales are directly dependent on metal prices, and metal prices have historically been very volatile and are beyond our control. The Board of Directors regularly assesses the Company's strategy in respect of metal exposure and market conditions.

The prices of silver and other metals are affected by numerous factors beyond our control, including levels of supply and demand; sales by government and other large holders; global metal inventory levels; changes in production levels due to new mine openings and improved mining and production methods; speculative trading activities; availability, demand and economics of silver and other metal substitutes; local and international economic and political conditions; changes in interest rates, inflation and currency exchange rates; changes in demand due to new technologies; and reduced demand due to obsolescence and changes in technologies and processes utilizing silver and other metals.

In addition to general global economic conditions that can have a damaging effect on our business, declining market prices for metals could have a material adverse affect our operations and profitability. A decrease in the market price of silver and gold could threaten the commercial viability of our mine and production at Guitarra. Lower prices could also adversely affect future exploration plans which could have a material adverse impact on our financial condition, results of operations and future prospects. There can be no assurance that the market prices of silver and gold will remain at current levels or levels favourable to the Company's operations.

If market prices of silver and gold remain below levels used in the Company's impairment testing and resource valuations for an extended period of time, the Company may need to reassess its long-term price assumptions. A significant decrease in long-term price assumptions would indicate a potential impairment, requiring the Company to perform an impairment assessment on the property. Due to the sensitivity of recoverable amounts to long term metal prices, and other factors including changes to the mine plan and cost increases, any significant change in these key assumptions and inputs could result in impairment charges in future periods.

Mining Risks and Insurance

The business of mining is typically subject to numerous risks and hazards, including environmental and industrial accidents, contagious disease hazards, labour disputes, encountering unusual or unexpected geologic formations, cave-ins, flooding, fires, and periodic interruptions due to extreme or hazardous weather conditions. Such risks could result in damage to the Company's properties or facilities, personal injury, environmental damage, production delays, economic losses and potential legal liability. The Company's insurance cannot cover all the potential risks associated with its operations. In addition, while certain risks are insurable, the Company may be unable to obtain insurance to cover these risks at acceptable premium levels. Insurance against environmental risks (including potential for pollution or other perils as a result of disposal of waste products occurring from exploration and production) is not generally available on acceptable terms.

The Company carries insurance it considers adequate to protect against the appropriate risks to its operations. Risks not insured against include, without limitation, environmental pollution, mine flooding or other hazards against which similar companies cannot insure or against which such companies may elect not to insure. Losses from uninsured events could be material. The activities of the Company are subject to numerous challenges over which the Company has little or no control, which may interrupt or halt production and negatively impact the Company's financial results, including: increases in energy use and/or costs, fuel and/or other production costs; higher insurance premiums; industrial accidents; labour disputes; shortages of skilled labour including contractor availability; difficult or unexpected geological or operating conditions; slope failures; cave-ins of underground workings; and failure of pit walls or tailings dams. If the Company's total production costs per ounce of silver or gold rise above the market price of the metals and remain so for any sustained period, the Company may experience losses and may be forced to curtail or suspend some or all of its exploration, development and mining activities.

Dangers Inherent in Mining Activities

The ownership, operation, and development of a mine or mineral property involves significant risks and hazards which even the combination of experience, knowledge, and careful evaluation may not be able to mitigate or overcome. These risks include environmental and health hazards; industrial and equipment accidents, explosions and related accidents; unusual or unexpected geological formations; ground falls and cave-ins; flooding; labour disruptions; machinery, equipment, and facility failures; seismic events; wild fires; extreme temperatures and air quality issues underground; and interruptions due to extreme or hazardous weather conditions.

These risks could result in damage to, or destruction of, mineral properties or production facilities; personal injury or death; environmental damage and liabilities; production delays; labour disruptions; increased costs; asset write-downs; abandonment of properties; financial losses; civil, regulatory or criminal proceedings, including fines and penalties, relating to health, safety and the environment; community unrest, protests, and legal proceedings at local or international levels; loss of social license; and other liabilities.

Advancements in science and technology and in mine design, methods, equipment, and training have created the possibility of reducing some of these risks, but there can be no assurances that such occurrences will not take place and that they will not negatively impact us, our operations, and our personnel.

The Company may incur liabilities that exceed the policy limits of our insurance coverage or may not be insurable, in which case such costs could be material and could significantly impact our business, operations, profitability, or value.

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.

Imprecision in Mineral Resource Estimates

None of our properties have mineral reserves. Our mineral resources are estimates and no assurances can be given that the estimated levels of mineral resources are accurate, or that the estimates will result in ore being produced or processed profitably. These estimates derive from judgment based on knowledge and experience and are based on assumptions and interpretation of available geological, geochemical, operational, and other data and information. Valid estimates may change significantly when new information becomes available. Many years may pass from the initial phase of drilling until production occurs, and during that time, the economic feasibility of exploration projects may change and may ultimately prove unreliable.

Fluctuations in the market price of silver and gold, as well as increases to capital or production costs or reduced recovery rates, may render our mineral resources uneconomic to develop or result in a reduction of mineral resources.

No assurance can be given that any future mineral resource estimate will ultimately be reclassified as proven or probable mineral reserves or that mineralization can be mined or processed profitably. Inferred mineral resources carry a large degree of uncertainty as to their existence and economic and technical feasibility. Mineral resource estimates may later be recalculated based on actual production experience. The evaluation of mineral resources is influenced by economic and technological factors, which typically change over time. A reduction in our mineral resource figures in the future could have an adverse impact on the Company’s future cash flows, earnings, results of operations, and financial condition.

Production and Cost Estimates

We prepare estimates of future production and production costs for our operations. No assurance can be given that these production and cost estimates will be achieved as such estimates are based on many factors and assumptions, including: the accuracy of mineral resource estimates; ground conditions and physical characteristics of ores, such as hardness and metallurgical characteristics; equipment and mechanical availability; labour availability and productivity; access to the mine, facilities and infrastructure; availability of sufficient materials and supplies; and the accuracy of estimated rates and costs of mining and processing, including the cost of human and physical resources required to carry out production activities. Failure to achieve estimated production or cost levels could have an adverse impact on our future cash flows, earnings, results of operations, and financial condition.

Actual production and cost levels may vary from estimates for a variety of reasons, including actual ore mined with grades, tonnage, dilution and metallurgical and other characteristics varying from estimates; short-term operating factors relating to the mineral resources, such as sequential development of orebodies and processing of new or different ore grades; and risks and hazards associated with mining as detailed herein. In addition, there can be no assurance that silver or gold recoveries from small scale laboratory tests will be duplicated in larger scale tests or during actual production, or that historically experienced recoveries will continue. Costs of production may also be affected by a variety of factors, including ore grade, metallurgy, labour costs and productivity, costs of supplies and services (such as explosives, fuel, and power), inflationary pressures, and currency exchange rates. Failure to achieve production estimates could have an adverse impact on our future cash flows, earnings, results of operations, and financial condition

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.

Change in Mexican Mining Law

On May 8, 2023, the Mexican Government enacted a decree amending several provisions of the Mining Law, the Law on National Waters, the Law on Ecological Equilibrium and Environmental Protection and the General Law for the Prevention and Integral Management of Waste (the "Decree"), which became effective on May 9, 2023. The Decree amends the mining and water laws, including: (i) the duration of the mining concession titles, (ii) the process to obtain new mining concessions (through a public tender), (iii) imposing conditions on water use and availability for the mining concessions, (iv) the elimination of "free land and first applicant" scheme; (iv) new social and environmental requirements in order to obtain and keep mining concessions, (v) the authorization by the Mexican Ministry of Economy of any mining concession's transfer, (vi) new penalties and cancellation of mining concessions grounds due to non-compliance with the applicable laws, (vii) the automatic dismissal of any application for new concessions, and (viii) new financial instruments or collaterals that should be provided to guarantee the preventive, mitigation and compensation plans resulting from the social impact assessments, among other amendments.

These amendments are expected to have an impact on our current and future exploration activities and operations in Mexico and the extent of such impact is yet to be determined but could be material for the Company.

On June 7, 2023, the Senators of the opposition parties (PRI, PAN and PRD) filed a constitutional action against the Decree, which is pending to be decided by Plenary of the Supreme Court of Justice. Additionally, during the second quarter of 2023, the Company filed various amparo lawsuits challenging the constitutionality of the Decree. As of the date of this MD&A, these amparos filed by the Company, along with numerous amparos in relation to the Decree that have been filed by other companies, are still pending before the District or Collegiate Courts. On July 15, 2024, the Supreme Court of Justice in Mexico suspended all on going amparo lawsuits against the Decree whilst the aforementioned constitutional action is being considered by the Supreme Court. Once the Supreme Court has provided its ruling on the constitutional action, such ruling will set a precedent that will enable the on-going amparo lawsuits to be resolved, thereby avoiding the potential for contradictory judgements in the various amparo lawsuits that have been filed against the Decree.

In addition, on September 15, 2024, the Mexican Congress and a majority of state legislatures approved amendments to the Mexican Constitution to implement certain structural changes to the Mexican judiciary (the "Judiciary Reform"). The Judiciary Reform introduces significant changes to the Mexican judiciary, including (i) shifting from an appointment-based system, largely dependent on qualifications, to a system where judges are elected; and (ii) replacing the Federal Judicial Council with two new entities: the Judicial Administration Body and the Judicial Discipline Tribunal, which will oversee judicial careers, the Judiciary Branch's budgeting, and disciplinary actions for public officials. These proposed changes may have impacts on the Mexican court system and litigation in Mexico, the effects of which cannot be predicted at this time. In October 2024, opposition parties (PRI and PAN), along with certain judges and members of the Mexican Congress, filed constitutional actions with the Mexican Supreme Court of Justice against the Judiciary Reform. The Supreme Court of Justice has accepted the constitutional actions for its review.

The Company's results of operations and its mining, exploration and development projects, could be adversely affected by amendments to such laws and regulations, future laws and regulations, more stringent enforcement of current laws and regulations, changes in applicable government policies affecting investment, mining and repatriation of financial assets, changes in the independence and reliability of Mexican courts, shifts in political attitudes and exchange controls. The effect, if any, of these factors cannot be predicted. Furthermore, 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.

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 TSF, 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.

Permits

The Company is required to obtain and renew government permits for the operation and expansion of existing operations or for the development, construction, and commencement of new operations. Obtaining or renewing the necessary government permits can be costly and take an extended period of time. We may not be able to obtain or renew permits that are necessary for our operations, or the cost to obtain or renew such permits may exceed our expected recovery from the related property once in production.

Failure to obtain or maintain the necessary permits, or to maintain compliance with such permits, can result in fines, penalties, or suspension or revocation of the permits. Our ability to obtain and renew permits is contingent upon certain factors, some of which are not within our control, including the introduction of new permitting legislation, the interpretation of applicable requirements applied by the permitting authority, the need for public consultation hearings or approvals, and political or social pressure.

Failure to obtain, renew, or comply with the terms of a permit, or costs or delays associated with the permitting process could impede or prevent the development or operation of a mine, which could have material adverse impacts on our operations and profitability.

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.

Exploration is Highly Speculative

Resource exploration, development, and operations are highly speculative activities and carry significant risks, which may not be mitigated or eliminated even with a combination of careful evaluation, experience and knowledge. Such risks include, among other things, unprofitable efforts resulting from the failure to discover mineral deposits or finding mineral deposits that are insufficient in quantity and quality to return a profit from production. Very few properties that are explored are eventually developed into producing mines.

Substantial exploration and evaluation expenditures are required to establish mineral resources and mineral reserves through drilling, to develop metallurgical processes to extract the metal from mineral resources, and to develop the mining and processing facilities and infrastructure for a mining operation. The Company relies 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 exploration and development can be obtained on a timely basis or on terms that are favourable for the Company. For a mineral deposit to be commercially viable, the deposit must be of sufficient size, grade and have proximity to adequate infrastructure; mineral prices, which are highly variable, must be favourable; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals, and environmental protection must also be favourable.

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

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 at Guitarra. 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.

Effective December 31, 2024, 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 $2.5 million, which has been discounted using a risk-free rate 10.42%.

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, Chief Financial 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.

Even when efforts to attract and retain qualified personnel and consultants are successful, human error and mistakes could result in significant uninsured losses to the Company. Such losses could include, but are not limited to, loss or forfeiture of mineral concessions or other assets for non-payment of fees or taxes; erroneous or incomplete filings or non-fulfillment of other requirements; significant tax liabilities in connection with the Company's tax planning efforts or mistakes in interpretation and implementation of tax laws and practices; and legal claims for errors or mistakes made by Company personnel.

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.

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.

Compliance

We are subject to complex laws and regulatory regimes that differ in the jurisdictions in which we operate. Ensuring that such laws and regulatory requirements are understood and followed by our personnel can be complicated and difficult and we may inadvertently fail to comply with such laws and requirements or they may be contravened by our personnel. We have established what we consider to be adequate programs, policies, controls, training, and monitoring to reduce and mitigate risks in certain areas, including anti-corruption compliance. In this respect, we have developed a training program, implemented internal controls to identify potential risks, and taken other steps to reduce the risk of non-compliance with applicable anti-corruption laws, including in the United States and Canada. However, there is no guarantee that such programs, policies, controls, training or monitoring will prevent violations of the law, particularly by individual employees or agents or those acting in tandem. Violations of such laws, particularly those relating to corruption, could result in the imposition of substantial fines, penalties or civil or criminal prosecution or sanctions, and could severely damage the Company's reputation. Such fines, penalties, and sanctions, and any damage to reputation, could have a material adverse effect on the Company's operations.

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.

Climate Change

There is an intensifying focus on addressing the issue of climate change, which is a global challenge that may have both favorable and adverse effects on our business. Mining is energy intensive and results in a carbon footprint either directly or through the purchase of fossil-fuel based electricity. Accordingly, we are impacted by current and emerging policy and regulation relating to greenhouse gas emission levels, energy efficiency, and reporting of climate-change related risks. While some of the costs associated with reducing emissions may be offset by other factors such as increased energy efficiency, technological innovation, or the increased demand and prices for silver and gold due to new technological innovations, the current regulatory trend may result in additional energy transition costs at our operation. Governments are introducing climate-change legislation and treaties at all levels, and regulations on emissions and energy efficiency are becoming more robust. Regulatory uncertainty is likely to result in additional complexity and cost in our compliance efforts. While we are committed to operating responsibly and reducing the negative effects of our operations on the environment, reducing emissions and energy and water usage by increasing efficiency and adopting new methods is constrained by technological developments, operational considerations, and project economics and such operational changes may also increase our costs significantly. Concerns over climate-change, and our ability to respond to regulatory requirements and societal pressures, may have significant impacts on our operations.

Physical risks of climate-change such as extreme weather events, resource shortages, changes in rainfall and storm patterns and intensities, water shortages, wild fires, and extreme temperatures could also adversely impact our operations. Climate-related events can have significant impacts, directly and indirectly, on our operations and could result in damage to our facilities, disruptions in accessing our mine site or in shipping concentrates from our mine, as well as risks to the safety and security of our personnel, shortages of supplies such as fuel, chemicals, and water to supply our operations, and the temporary or permanent cessation of operations. There is no assurance that we will be able to anticipate, respond to, or manage the risks associated with physical climate-change events and effects, and this could result in material adverse impacts to the Company's results of operations and financial condition.

Financial Risks

No History of Earnings

The Guitarra mine was put on care and maintenance in August 2018 and until the Company re-started operations with its Test Program in late June 2024, it had no history of ongoing revenues or operating earnings for that period. Beginning in July 2024, the Company began selling silver-gold concentrates and realizing regular revenues from the shipments of concentrates produced from its Test Program. Effective January 1, 2025, the Guitarra mine declared commercial production and while the Company is currently receiving regular ongoing revenues, the establishment of commercial production is at an early stage and continuing revenues and the attainment of profitable operations are subject to the many risks inherent in a mining operation. 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. 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 continued and improved operations at the Guitarra mine, successful 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 its planned exploration and development activities at Guitarra and Tepic, 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. Any additional equity financing may be dilutive to investors and debt financing, if available, may involve restrictions on financing and operating activities. 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.

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 described above in "*Metal and Commodity Price Fluctuations.*"

Depending on metal prices, projected cash flow from planned mining operations may not be sufficient and the Company could be forced to idle the mine and mill and return to a care and maintenance program, permanently close the mine and initiate reclamation activities, or sell the mine. 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 Guitarra mine 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.

Single Asset Dependence

The Company is currently dependent on the Guitarra mine as its sole source of production and revenue. As such, any material disruption or underperformance at the Guitarra mine — due to geological, mechanical, regulatory, or social factors — would have a direct and potentially severe impact on the Company's financial results, cash flows, and valuation.

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 as well as the current trade and tariff uncertainty between the United States, China, and other countries. Increases in the prices for such commodities could materially adversely affect the Company's results of operations and financial condition.

Trading Activities and Credit Risk

The Company's silver and gold concentrates are sold through a supply agreement with a metal trader. The terms of the concentrate contract may require us to deliver concentrate that has a value greater than the payment received at the time of delivery, thereby introducing us to credit risk with the metal trader. Should our counterparty not honour the supply agreement, or should it become insolvent, we may incur losses for products already shipped and be forced to sell our concentrates in the spot market or we may not have a market for our concentrates and therefore our future operating results may be materially adversely impacted.

At December 31, 2024, we had receivable balances of $286 thousand associated with the buyer of our concentrates. Management constantly monitors and assesses the credit risk resulting from our concentrate sales.

Taxation Risks

In addition to the various risks relating to taxation discussed above, we are also exposed to other tax related risks. In assessing the probability of realizing income tax assets, we make estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making these assessments, we give additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws. We consider relevant tax planning opportunities that are within our control, feasible, and which management can implement. Where applicable tax laws and regulations are either unclear or subject to varying interpretations, it is possible that changes in these estimates can be recorded that materially affect the amounts of income tax assets recognized. Future changes in tax laws could also limit the Company from realizing the tax benefits from deferred tax assets. We reassess unrecognized income tax assets at each reporting period.

VAT Receivables

The Company is 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. VAT recovery in Mexico remains a highly regulated, complex and, at times, lengthy collection process. Even though La Guitarra has historically recovered VAT routinely, there have been considerable delays in receiving VAT refunds since March 2023. The Company continues to work with its advisors and the Mexican tax authorities to access its VAT refunds. Subsequent to December 31, 2024, the Mexican tax authorities began to approve our VAT refund filings and to date we have received approximately $247 thousand of the amount outstanding at year-end.

Exchange Rate Risk

We report our financial statements in U.S. dollars, however, we operate in Canada and Mexico. As a consequence, the financial results of our operations, as reported in U.S. dollars, are subject to changes in the value of the U.S. dollar relative to the Canadian dollar and Mexican peso. Since our sales are denominated in U.S. dollars and a portion of our operating costs and capital spending are in Canadian dollars and Mexican pesos, we are negatively impacted by strengthening local currencies relative to the U.S. dollars and positively impacted by the inverse.

The Company has various monetary assets and liabilities, some of which are denominated in foreign currencies. These balances are translated at the end of each period, with resulting translation adjustments being reflected as foreign exchange gains or losses on our income statement.

Limited Supplies and Supply Chain Disruptions

Our operations at Guitarra depend on a steady supply of reagents, production inputs, and other supplies and resources including skilled personnel. Supply can be interrupted due to a shortage or the scarce nature of certain inputs, transportation and logistics, and government restrictions or regulations which delay importation of some items. COVID 19 has had a significant impact on global supply chains, which has increased the costs of some supplies. Russia's invasion of the Ukraine has also had significant impacts on the supply and cost of certain goods and fuels. The impacts of the current trade uncertainties arising from tariffs imposed by the United States have not yet been assessed. Any interruptions to the procurement and supply of reagents and other production inputs and supplies, or the availability of skilled personnel, as well as increasing rates of inflation, could have an adverse impact on the Company's future cash flows, earnings, results of operations, and financial condition.

Economic Dependence

The Company has a single customer that accounts for 100% of its silver and gold concentrate revenue. The loss of this customer or curtailment of purchases could have a material adverse effect on our results of operations, financial condition, and cash flows.

Global Financial Conditions

Global financial markets are experiencing extreme volatility as a result of the current trade and tariff uncertainty between the United States, China, and other countries, 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 that result in financial market turmoil that includes 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

When the Company issues new equity instruments to fund its operations, shareholders will experience immediate dilution resulting from such 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 Company's shares.

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 analyses and actual future outcomes may differ from these estimates.

Litigation

The Company could become party to litigation from time to time in the ordinary course of business. Should any such litigation be determined against the Company, such a decision could adversely affect the Company's ability to continue operating, the value of its common shares, and its financial resources. Even if the Company is involved in litigation and is successful in defending its position, litigation can significantly deplete the Company's financial resources and the time and attention of management. Litigation may also damage the Company's reputation.

Acquisitions and Integration

An element of our business strategy is to consider selected business and asset acquisitions. For example, in March 2023, the Company, completed an agreement with First Majestic to acquire La Guitarra. We expect to continue to evaluate acquisition opportunities on a regular basis and intend to pursue those opportunities that we believe are in the Company's best interest. The success of our acquisitions will depend upon a number of factors, including the quality, completeness, analysis and interpretation of information obtained during the due diligence process, our ability to effectively integrate the operations upon completing an acquisition, and our ability to improve or advance the acquired business or assets. Acquiring businesses can involve unanticipated difficulties and risks and may require a disproportionate amount of management and/or financial resources. There can be no assurance that the Company will be successful in integrating any businesses we may acquire, or that the anticipated benefits of our acquisitions will be realized.

In addition to acquisitions, the Company might enter into joint venture, option, and similar arrangements that may also require an investment in time and capital, and are subject to risks with regard to due diligence matters. Such arrangements may depend, in part, on other parties and may be speculative in nature. There is no guarantee that any such arrangements will be successful or that the Company will recover any capital or other investments made in respect of such arrangements.

Accounting Policies and Internal Controls

As a publicly listed company, the Company is subject to various legal and accounting requirements that do not apply to private companies. The cost of compliance with these requirements is significant and failure to comply with these requirements can have negative consequences including, but not limited to, the Company's inability to file required periodic reports on a timely basis, loss of market confidence, delisting of its securities and/or governmental or private actions against the Company. There can be no assurance that the Company will be able to comply with all of these regulatory requirements.

The Company prepares its financial reports in accordance with International Financial Reporting Standards. In preparation of its financial reports, management will rely upon assumptions, make estimates, and use their best judgment in determining the financial condition of the Company. Significant accounting policies are described in more detail in the Company's audited consolidated financial statements. In order to have a reasonable level of assurance that financial transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported, the Company has implemented and continues to analyze and improve its internal control systems for financial reporting. Although the Company believes its financial reporting and financial statements are prepared with reasonable safeguards to ensure reliability, the Company cannot provide absolute assurance in this regard.

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 re-start and maintenance 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 maintenance and development 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 operational 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 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 maintaining 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 for the current mining and exploration activities; and that the concessions for the Tepic and/or Guitarra 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 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