SIERRA MADRE GOLD AND SILVER LTD.

Management's Discussion and Analysis of the Financial Position and Results of Operations for the Three Months Ended March 31, 2025

May 7, 2025

To Our Shareholders

Sierra Madre Gold and Silver Ltd. ("Sierra Madre" or the "Company") is a mineral extraction and 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.

This Interim Management's Discussion and Analysis ("MD&A") is dated and effective May 7, 2025, and provides information on the Company's activities for the three months ended March 31, 2025, and subsequent activity to the date of this report. Consequently, this MD&A should be read in conjunction with the Company's March 31, 2025, condensed consolidated interim financial statements, prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS"), as applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. This MD&A should also be read in conjunction with the audited consolidated financial statements of the Company as at and for the year ended December 31, 2024, prepared in accordance with IFRS, and available for viewing at www.sedarplus.ca.

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

Overall Performance and Outlook

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

- Adjusted EBITDA *(i)* of $1,066,569 for the quarter ended March 31, 2025;
- Full commercial production at Guitarra 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;
- During the quarter, the Company sold 75,137 ounces of silver ("Ag") and 1,022 ounces of gold ("Au") or 165,093 Ag equivalent ("AgEq") ounces, based on the ratio of Au and Ag prices realized for each shipment in the period;
- The Company averaged $31.13 per Ag ounce sold and $2,828 per Au ounce sold in the quarter;
- After refining, treatment and smelting charges, the Company recorded net revenues of $4.84 million in the quarter, or $29.32 per AgEq ounce *(i)* sold;
- Cost of sales was $3.60 million for the quarter, or $21.84 per AgEq ounce *(i)* sold (cost of sales was $2.83 million for the quarter ended December 31, 2024, or $20.94 per AgEq ounce *(i)* sold);
- Cash costs were $23.08 per AgEq ounce *(i)* sold, as compared to $23.14 in the prior quarter,
- The Company generated a net profit before taxes of $465 thousand in the three months ended March 31, 2025 (loss of $1.17 million in the first quarter of 2024);
- The Company generated $535 thousand of cash from operating activities in the quarter ended March 31, 2025, as compared to a use of funds of $1.1 million in the first quarter of 2024; and
- On April 29, 2025, the Company announced the start of underground mining at the Coloso mine, within the Guitarra Complex. The Coloso estimated resource grades are higher in both silver and gold compared to the Guitarra mine veins. During the ramp up of Coloso mining, various blending percentages for mill feed will be tested to ascertain the best recovery procedures.

(i) The Company reports non-GAAP measures, which include Cash Cost of Production per Tonne, Cash Cost per AgEq ounce sold, All-in Sustaining Cash Cost per AgEq ounce sold, Average Realized Price per AgEq ounce sold and Adjusted EBITDA. These measures are widely used in the mining industry as a benchmark for performance, but do not have a standardized meaning and may differ from methods used by other companies with similar descriptions. See "Non-GAAP and Other Financial Measures" section below for definitions and reconciliations to GAAP measures.

The Company is very pleased with the results of the first quarter of commercial production at Guitarra. The team at Guitarra continues to fine-tune its activities as it operates at full capacity and the Company looks forward to continued improvements in the mining and milling processes as new mining faces are accessed and new equipment is added to the operation. The Company also looks forward to production from the recent re-start of operations at Coloso.

Operational Highlights – Quarter ended March 31

A summary of the operational highlights for La Guitarra is as follows:

	Q1 2025	Q4 2024
Material processed (tonnes milled)	39,167	38,464
AgEq ounces produced *(i)*	153,590	151,277
Ag ounces produced	70,176	68,423
Au ounces produced	1,001	994
AgEq ounces sold *(ii)*	165,093	134,913
Ag ounces sold	75,137	59,178
Au ounces sold	1,022	897
Cash cost of production per tonne *(iii)*	$ 75.24	$ 74.82
Cash cost per AgEq ounce sold *(iii)*	$ 23.08	$ 23.14
All-in Sustaining cash cost per AgEq ounce sold *(iii)*	$ 28.98	$ 32.18
Average realized price per AgEq ounce sold *(iii)*	$ 31.68	$ 31.58
Ag metal recovery (%)	79.21	79.44
Au metal recovery (%)	78.77	83.93

(i) AgEq ounces produced have been determined using a ratio of 83.33 Au:Ag.

(ii) AgEq ounces sold have been determined using the actual Ag and Au prices obtained during the quarter. The determined ratio used was 90.87 Au:Ag for Q1 2025 and 84.43 for Q4 2024.

(iii) The Company reports non-GAAP measures, which include Cash Cost of Production per Tonne, Cash Cost per AgEq ounce sold, All-in Sustaining Cash Cost per AgEq ounce sold and Average Realized Price per AgEq ounce sold and Adjusted EBITDA. These measures are widely used in the mining industry as a benchmark for performance, but do not have a standardized meaning and may differ from methods used by other companies with similar descriptions. See "Non-GAAP and Other Financial Measures" section below for definitions and reconciliations to GAAP measures.

Results of Operations – Quarter ended March 31

The Company had income of $336 thousand for the quarter ended March 31, 2025, as compared to a loss of $1.17 million for the quarter ended March 31, 2024. A summary of the current and comparative losses is as follows:

	2025	2024
Revenues	$ 4,841,242	$ -
Cost of sales	(3,604,888)	-
Gross profit	1,236,354	-
Amortization and accretion	66,785	57,282
Care and maintenance	-	553,693
Community relations	24,463	29,213
Environmental	132,246	-
Finance and other income	(23,625)	(14,757)
Foreign exchange (gain) loss	(64,065)	48,921
General and administrative	402,153	498,424
Interest expense	199,845	-
Provisional pricing adjustments	(119,645)	-
Share-based compensation	153,241	-
	771,398	1,172,776
Income (loss) before taxes	464,956	(1,172,776)
Current income tax expense	123,053	-
Deferred tax expense	6,028	32,050
Income (loss) for the quarter	$ 335,975	$ (1,204,826)

Revenues

Revenues for the current quarter consisted of the sale of silver/gold concentrates from the Guitarra mine resulting from the first three months of commercial production. To March 31, 2025, the Company completed deliveries totalling 871.2 dry metric tonnes ("DMT") of silver/gold concentrates containing an estimated 75,137 ounces of silver and an estimated 1,022 ounces of gold. Silver revenues for the quarter totalled $2.34 million ($31.13 per ounce) and gold revenues totalled $2.89 million ($2,828 per ounce).

The Company receives advance payments from its customer MRI Trading AG ("MRI") on the deliveries and during the quarter ended March 31, 2025, collected $3.96 million on the provisional invoices issued to MRI and a further $180 thousand on settlement of a final invoice. Subsequent to March 31, 2025, the Company collected a further $386 thousand on the provisional invoices issued to MRI during the quarter ended March 31, 2025 and a further $376 thousand on settlement of a final invoice.

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 March 31, 2025, 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 $120 thousand. This gain is not reported within revenues but rather within other income and expenses of the Company.

Revenues for the current quarter as compared to the prior quarter consisted of:

	Q1 2025	Q4 2024
Silver	$ 2,338,666	$ 1,869,127
Gold	2,891,585	2,391,946
	5,230,251	4,261,073
Smelting, treatment and refining costs	(389,009)	(322,750)
	$ 4,841,242	$ 3,938,323

Cost of sales

Cost of sales for the current quarter as compared to the prior quarter consisted of:

	Q1 2025	Q4 2024
Production costs		
Labour costs	$ 1,062,523	$ 962,638
Mine and plant maintenance	309,643	274,862
Consumables and materials	791,842	742,061
Contracted services	448,774	424,695
Energy	259,387	253,392
Insurance	74,936	75,333
Depreciation and deletion	267,277	120,121
	3,214,382	2,852,922
Other costs		
Transportation and other selling costs	78,699	90,011
Mine royalty expense	83,862	64,299
Production taxes	48,373	19,138
Finished goods inventory changes	179,572	(199,995)
Cost of Sales	$ 3,604,888	$ 2,826,375
AgEq ounces sold *(i)*	165,093	134,913
Cost per AgEq ounce sold *(i)*	$ 21.84	$ 20.94

(i) AgEq ounces sold have been determined using the actual Ag and Au prices obtained during the quarter. The determined ratio used was 90.87 Au:Ag.

The increase in cost per AgEq ounce sold from Q4 2024 to Q1 2025 was entirely related to the increase in depreciation and depletion, quarter on quarter. The increase relates to commencing depleting the Guitarra mining interest and depreciating on a units-of-production basis, certain mine and plant assets in Q1 2025, following reaching commercial production on January 1, 2025. The increase in cost of sales relates to the close to 10% increase in production, based on dry metric tonnes sold, and the depreciation/depletion impact.

In July 2024, the Company commenced test mining and milling at Guitarra (the "Test Program"), which 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. On January 1, 2025, the Company declared commercial production at Guitarra.

During the quarter ending March 31, 2025, production costs per AgEq 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*"). 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 since accessing 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.

<u>Other expenses</u>

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 2025 as compared to 2024 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 since then and totalled $132 thousand in the quarter ended March 31, 2025.

General and administrative expenses ("G&A") expenses remained relatively consistent on an aggregate basis compared to the prior year's quarter. Significant changes in the current quarter's amounts include an increase in accounting and audit, due to the timing of billings for the annual audit, partially offset by a decrease in investor relations and promotions.

The Company reported $123 thousand in current income tax expense in the quarter (2024 - $nil) related to the extraordinary tax of 8.5% of the earnings of La Guitarra after certain allowable deductions. There is 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 quarter ended March 31, 2025, the Company:

- recorded a $64 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 $49 thousand loss for 2024 resulted from the impact of a stronger Mexican peso on the translation of net monetary liabilities denominated in Mexican pesos;
- recorded interest expense of approximately $190 thousand on the $5 million loan advanced by First Majestic in May 2024. A total of $375 thousand in accrued interest was deferred during 2024 and is payable upon maturity of the loan;
- recognized $153 thousand in respect of stock options granted in May and December of 2024; and
- recorded other comprehensive loss of $107 thousand (2024 - $26 thousand) in respect of currency translation adjustments.

Cash Flows

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

	2025	2024
Income (loss) for the quarter	$ 335,875	$ (1,204,826)
Items not involving cash	424,220	166,906
Changes in non-cash working capital items	(225,449)	(59,738)
Cash provided by (used in) operating activities	534,647	(1,097,658)
Purchase of plant and equipment	(378,271)	(263,767)
Capitalized mine development costs	(64,467)	(530,017)
Capitalized exploration and evaluation	(151,892)	(139,707)
Cash used in investing activities	(594,630)	(933,491)
Shares issued for cash, net	-	709,594
Cash provided by financing activities	-	709,594
Increase (decrease) in cash position	$ (59,983)	$ (1,321,555)

Cash provided by operating activities was $535 thousand for the current quarter and compares to cash used in operating activities of $1.1 million for the comparative quarter. The Company's income for the quarter, net of non-cash items, was approximately $760 thousand as compared to 2024, which was a loss of approximately $1.04 million. This change is due primarily to the sale of concentrates, which began in the third quarter of 2024. Partially offsetting this improvement in cash flows was an increase of approximately $166 thousand in non-cash working capital items over that of 2024, which related to a significant increase in trade accounts receivable, a decrease in inventories, and an increase in value-added tax ("VAT") receivable in Mexico. 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 as this receivable remains a significant balance in our working capital and has been placing a strain on the Company's cash flows. During the quarter, the Mexican tax authorities began to approve our VAT refund filings and as a result we received approximately $247 thousand in late March 2025.

Cash used in investing activities decreased by $339 thousand compared to the comparative quarter, due primarily to significant additions and major overhauls being made in the first quarter of 2024 in preparation for commencing the Test Program. The current quarter includes cash of $378 thousand (2024 - $264 thousand) used in acquiring mining and mobile equipment and refurbishing certain underground equipment, $64 thousand (2024 – $530 thousand) used in mine development, and $152 thousand (2024 – $140 thousand) used for exploration and evaluation ("E&E") activities, which includes capitalized concession fees.

There was no cash provided by financing activities for the current quarter. During the quarter ended March 31, 2024, the Company closed a non-brokered private placement for net proceeds of approximately $710 thousand.

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:

	Mar. 31, 2025 (Q1) ($)	Dec. 31, 2024 (Q4) ($)	Sep. 30, 2024 (Q3) ($)	Jun. 30, 2024 (Q2) ($)	Mar. 31, 2024 (Q1) ($)	Dec 31, 2023 (Q4) ($)	Sep. 30, 2023 (Q3) ($)	Jun. 30, 2023 (Q2) ($)
Revenues	4,841,242	3,938,323	2,535,617	-	-	-	-	-
Gross profit	3,604,888	1,111,948	248,031	-	-	-	-	-
Care and maintenance expenses	-	-	-	349,401	553,693	657,197	794,937	724,683
Foreign exchange loss (gain)	(64,065)	(175,608)	52,302	(207,388)	48,921	168,091	242,452	29,222
Interest expense	199,845	191,469	55,250	28,350	-	-	-	-
Impairment	-	-	-	-	-	2,906,681	-	-
Income (loss) for the quarter	335,875	(37,936)	(947,092)	(1,885,874)	(1,204,826)	(4,695,897)	(1,840,393)	(932,735)
Total assets	36,182,560	34,891,015	34,479,382	33,931,187	30,226,383	30,478,627	39,672,959	42,342,127
Total non-current liabilities	8,710,461	8,431,885	8,249,918	7,929,490	2,935,772	2,949,152	8,093,548	8,793,962
Income (loss) per share – basic and diluted	0.00	(0.00)	(0.01)	(0.01)	(0.01)	(0.03)	(0.01)	(0.01)
Weighted average number of shares - basic - diluted	 153,942,993 154,295,653	 153,942,993 153,942,993	 152,869,623 152,869,623	 152,692,993 152,692,993	 149,827,944 149,827,944	 146,504,261 146,504,261	 143,998,401 143,998,401	 143,141,252 143,141,252

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. The concession fees are presently approximately $560 thousand per annum based on the per-hectare rate and foreign exchange rate in January 2025.

Commencing July 1, 2023, the Company recommenced capitalizing the Guitarra concession fees to mine development and east district E&E and beginning in the third quarter began expensing the concession fees directly related to the mining areas of La Guitarra. The general increase in 2023 reflects the impact of additional general C&M 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 $2.9 million were written-off in the fourth quarter of 2023.

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 mine was on care and maintenance from August 3, 2018 to June 30, 2024 when the Test Program commenced, and the Tepic property remained 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 Factors"*). 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 position decreased from $452 thousand as at December 31, 2024, to $391 thousand as at March 31, 2025, as a result of the $595 thousand used in investing activities exceeding the $535 thousand of cash provided by operating activities as detailed above.

The Company's working capital position (current assets less current liabilities) increased from $2.02 million as at December 31, 2024, to $2.19 million as at March 31, 2025. Although the Company's current liabilities increased by approximately $631 thousand, this was more than offset by the $196 thousand net increase in VAT receivable ($446 thousand increase less $250 thousand collected), and the $802 thousand increase in trade receivables from MRI on the concentrate sales.

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 March 31, 2025.

Financial Instruments

The Company's financial instruments include cash, trade 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. The Company's loan payable is measured at amortized cost. The loan is at a fixed rate of interest and therefore not subject to fluctuations in market rates of interest.

Cash of $390,902 (December 31, 2024 - $452,081) is held through current operating and savings bank accounts with major Canadian financial institutions with high investment grade ratings and through major banks in Mexico, which also have high investment grade ratings.

Capital Resources and Commitments

The Company has ongoing cash requirements to meet its operating costs, overhead, and capital expenditures. The capital requirements of the Company have typically 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 March 31, 2025.

Outstanding Share Data

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

	May 7, 2025	March 31, 2025	December 31, 2024
Shares issued and outstanding	153,942,993	153,942,993	153,942,993
Outstanding stock options	12,581,667	12,581,667	12,610,000
Outstanding agents' compensation options	78,000	78,000	444,949
Diluted shares outstanding	166,602,660	166,602,660	166,997,942

During the current quarter, 28,333 options were forfeited prior to vesting and 366,949 agents' compensation options expired.

Note 9 to the Company's March 31, 2025 condensed consolidated interim financial statements provides additional details regarding share capital and stock option activity for the period.

Related Party Transactions and Key Management Compensation

The Company had transactions with related persons or corporations, which were undertaken in the normal course of operations. Key management includes directors and officers. The compensation paid or payable to key management and parties related to them for the periods ended March 31 is as follows:

	2025	2024
Accounting	$ 31,336	$ 27,809
Administration (exploration and evaluation)	22,500	22,500
Director fees	16,016	17,056
Geological (exploration and evaluation)	7,834	35,039
Management fees	119,075	66,741
	$ 196,761	$ 169,145

In addition, the Company recorded share-based compensation of $133 thousand (2024 - $nil), which relates to incentive stock options granted to directors and officers. Share-based compensation is a non-cash item calculated using the Black-Scholes Option-Pricing Model.

At March 31, 2025, there was $106 thousand in compensation (December 31, 2024 - $nil) owing to directors and various members of management.

The Company has a project financing loan with First Majestic. The principal balance of the loan as at March 31, 2025, was $5 million and deferred accrued interest totalled $375 thousand. During the period, the Company paid or accrued $190 thousand (2023 - $nil) in interest on this loan. First Majestic is the former parent of La Guitarra and a significant shareholder of the Company.

Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements at March 31, 2025 or as at the date of this report.

Proposed Transactions

The Company had no proposed transactions at March 31, 2025 or as at the date of this report.

Changes in Accounting Policies

The material accounting policies of the Company are disclosed in Note 2 to the Company's December 31, 2024 audited consolidated financial statements. The Company has not adopted any new accounting policies or amendments since December 31, 2024.

Critical Accounting Estimates and Judgements

The preparation of financial statements in accordance with IFRS requires management to make estimates, judgements, and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the period. Actual amounts could differ from these estimates. The Company's most significant accounting judgements relate to: going concern, 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 condensed consolidated interim 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.

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 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, and all of its subsidiaries, except La Guitarra, is the Canadian dollar. The functional currency of La Guitarra is the U.S. dollar. While transactions conducted in Mexico are typically denominated in either the Mexican peso or the U.S. dollar, the Company 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.

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 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 March 31, 2025, the Company had a receivable balance associated with the buyer of its concentrate of $1,088,514 (December 31, 2024 - $286,469). All of the Company's concentrate is sold to a well-known concentrate buyer. The carrying value of the Company's cash and trade receivables totalling $1,479,416 represents the Company's maximum exposure to credit risk at March 31, 2025 (December 31, 2024 - $748,087).

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 presents 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 March 31, 2025, 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 March 31, 2025, the Canadian dollar functional entities carried insignificant balances of financial instruments denominated in Mexican pesos and U.S. dollars.

At March 31, 2025, 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 March 31, 2025, a 10% decrease in the number of Mexican pesos required to buy a U.S. dollar would result in a loss of approximately $214,000 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 March 31, 2025:

	< 1 year	1-2 years	2-5 years	< 5 years	Total
	$	$	$	$	$
Accounts payable and accrued liabilities	1,968,843	-	-	-	1,968,843
Loan payable	-	5,375,000	-	-	5,375,000
Lease liabilities	6,861	-	-	-	6,861
Commitments	535,884	-	-	-	535,884
	2,511,588	5,375,000	-	-	7,886,588

The Company's capital requirements have typically 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 March 31, 2025was $2.19 million. 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 March 31, 2025.

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 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 NI 43-101 Standards of Disclosure for Mineral Projects 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

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 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. Due to the work completed by the Guitarra team, it was possible to re-start mining and processing operations 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 drill 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.

All operating permits are current and in good standing. 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 the resumption of operations. On January 23, 2025, SEDENA approved the 2025 explosive permit.

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 underwent maintenance and rehabilitation work beginning in September of 2023. In the grinding circuit, the three ball mills were 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 needed. The fine material storage bin interior dividers and portions of the walls were replated with heavy steel. Conveyor belts, jaw and cone crushers, and the screen plant were serviced and wear and tear items replaced where needed.

The flotation circuit was in good shape at the time Guitarra was acquired. Some piping was 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 was completed.

It is notable that all the above work did not require 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. During July 2024, 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 was built up. A new tailings pump was purchased and the two existing ones rebuilt giving that circuit added layers of redundancy.

Test processing began on June 25, 2024, with a total of 30,253 DMT delivered to the processing plant during Q3 and 38,464 DMT in Q4. Average silver recoveries from when 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 WMT per day, for the previous two 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. In Q1 2025, 41,166 DMT were delivered to the plant with average silver recoveries of 79% and gold 78%. The lower gold recoveries reflect the processing of more oxidized surface material. The lower gold recovery was offset by higher average gold grades.

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.

The original 2024 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, pre-production development work was well behind the original plan and the Company brought on new technical team members to reassess the plan. The new team quickly put into place a transitional mine plan and by the beginning of January the mine had a sufficient number of working faces and new development drives to declare commercial production.

In December 2024, the 2025 mine plan was completed. Subsequently, a second mine plan was completed to examine the possibility of advancing the re-start of production from Coloso by one year. Both plans call for sufficient development that, when completed, will result in mineralized material from stopes replacing the current processing of retaque material.

Geologic mapping and sampling in the new development drives has resulted in a reinterpretation of the Guitarra mineralized system. In the San Rafeal portion of the mine, the deepest mine area, this work has thus shown the Doncellas vein system consists of not one but three separate veins. Sampling has shown all three host economically interesting mineralization. As previously reported, in the upper portion of the Guitarra central area the Doncellas system has been found to consist of two separate veins both of which have been producing mill feed. A new access ramp in the deeper portion of the central area has exposed a new segment of the Guitarra Perdida vein containing economically interesting mineralization with development in the Doncellas system showing a continuation of the two veins currently being mined above. As a result, much of the current mill feed from stopes is not contained within veins in the 2023 NI 43-101 La Guitarra Resource Estimate.

At the end of Q1 2025 the Company made the decision to begin work to re-start production at the Coloso mine, seven months earlier than originally planned. The estimated grades of the Coloso resource are 1.7 times higher in silver, 221g/t at Coloso versus 124 g/t at Guitarra, and 1.2 times higher in gold, 1.61 g/t versus 1.24 g/t, with Indicated Resources at Coloso of 432,000 tonnes grading 221 g/t silver and 1.61 g/t gold and at Guitarra of 1,649,000 tonnes grading 123 g/t silver and 1.25 g/t gold (please refer to the NI 43-101 La Guitarra Resource Estimate for details). In April 2025, the first stope on the Jessica vein was brought into production. The mine plan calls for an initial production rate of 50 t/d increasing to 140 to 150 t/d from stopes in the Jessica and Joya Larga systems. At 150 t/d this equates to 30% of the current 504 t/d milling rate.

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, the Company entered into an agreement providing it with the option to purchase a 100% interest in the Tepic project located in Nayarit, Mexico. Subsequently, the Company fulfilled all of the requirements under the agreement to the point of exercising its option and following a recently concluded court hearing in Mexico, the concessions were transferred to the Company on an unencumbered basis. The Company is currently investigating the impact of the court settlement on the final payment and NSR components of the December 2017 agreement. The carrying value at March 31, 2025 does not necessarily represent the current or future value.

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. On August 15, 2023, the Company released drill results on a further 6 holes from the 2022 drill program. During the second quarter of 2023, the geological team conducting the exploration programs at Tepic were transferred to the Guitarra site. It is expected that the expenditures at Tepic will be significantly reduced for the near term, as the focus of efforts and resources remains on Guitarra, however, the Company plans to return to Tepic as soon as financial resources allow.

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. Readers are strongly encouraged to review in detail the identified operational and financial risks as presented in the Company's 2023 annual MD&A. The risk factors described therein 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.

Non-GAAP and other Financial Measures

The Company has included certain non-GAAP performance measures throughout this MD&A, including Cash Cost per AgEq Ounce Sold, Cash Cost of Production per Tonne, All-in Sustaining Cash Cost ("AISC") per AgEq Ounce Sold, Average Realized Price per AgEq Ounce Sold, and Adjusted EBITDA each as defined in this section.

These performance measures are employed by the Company to measure its operating and financial performance internally, to assist in business decision-making, and provide key performance information to senior management. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors and other stakeholders also use these non-GAAP measures as information to evaluate the Company's operating and financial performance.

As there are no standardized methods of calculating these non-GAAP measures, the Company's methods may differ from those used by others and, accordingly, the Company's use of these measures may not be directly comparable to similarly titled measures used by others. Accordingly, these non-GAAP measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Cash Cost per AgEq Ounce Sold, All-in Sustaining Cash Cost ("AISC") per AgEq Ounce Sold, and Cash Cost of Production per Tonne

The non-GAAP measures of cash cost per AgEq ounce sold and cash cost of production per tonne are used by the Company to manage and evaluate operating performance at respective mining operations and are widely reported in the silver mining industry as benchmarks for performance, but do not have a standardized meaning. Cash costs are calculated based on the cash operating costs at our mining operation and, in the case of cash cost per AgEq ounce sold, also include the third party concentrate treatment, smelting and refining cost. Management of the Company believes that the Company's ability to control the cash cost per AgEq ounce produced and cash cost of production per tonne are two of its key performance drivers impacting both the Company's financial condition and results of operations. Having a low cash cost of production per tonne, when taken in connection with effective management of mining dilution, will improve the cash cost per AgEq ounce produced. Having a low-cost base per AgEq ounce of production allows the Company to continue operating during times of declining commodity prices and provides more flexibility in responding to changing market conditions. In addition, low-cost operations offer a better opportunity to generate positive cash-flows, which improves the Company's financial condition. The Company believes these measures provide investors and analysts with useful information about the Company's underlying cash costs of operations and are relevant metrics used to understand the Company's operating profitability and ability to generate cash-flow.

AISC is a non-IFRS measure and was calculated based on guidance provided by the World Gold Council ("WGC") in September 2013. WGC is not a regulatory industry organization and does not have the authority to develop accounting standards for disclosure requirements. Other mining companies may calculate AISC differently as a result of differences in underlying accounting principles and policies applied, as well as differences in definitions of sustaining versus development capital expenditures. AISC is a more comprehensive measure than cash cost per ounce for the Company's operating performance by providing greater visibility, comparability and representation of the total costs associated with producing Ag from our mining operation. The Company defines sustaining capital expenditures as, "costs incurred to sustain and maintain existing assets at current productive capacity and constant planned levels of productive output without resulting in an increase in the life of assets, future earnings, or improvements in recovery or grade. Sustaining capital includes costs required to improve/enhance assets to minimum standards for reliability, environmental or safety requirements." Consolidated AISC includes total production cash costs incurred at the Company's mining operations, which forms the basis of the Company's total cash costs. Additionally, the Company includes sustaining capital expenditures, corporate general and administrative expense, environmental costs, community relations costs, and reclamation cost accretion.

To facilitate a better understanding of these measures as calculated by the Company, the following table provides a detailed reconciliation between the cash cost of production per tonne, cash cost per AgEq ounce sold, and the Company's operating expenses as reported in the Company's consolidated statements of income (loss) and comprehensive income (loss) contained in or derived from the respective financial statements for the referenced periods.

	Q1 2025 $	Q4 2024 $
Cost of sales	3,604,888	2,826,375
Depreciation	(267,277)	(120,121)
Transportation and selling	(78,699)	(90,011)
Mine royalty expense	(83,862)	(64,299)
Production taxes	(48,373)	(19,138)
Inventory change	(179,572)	345,194
Cash cost of production (A)	2,947,105	2,878,000
Cost of sales	3,604,888	2,826,375
Concentrate treatment, smelting, and refining cost	389,009	322,750
General and administrative expenses, mine-site	83,269	93,061
Depreciation	(267,277)	(120,121)
Cash cost of AgEq sold (B)	3,809,889	3,122,065
Sustaining capital expenditures	432,952	262,188
Environmental costs	132,246	261,669
Community relations	24,463	69,658
General and administrative expenses, head office	318,884	550,782
Accretion of decommissioning and retirement provision	65,341	74,594
All-in sustaining cash cost (C)	4,783,775	4,340,956
Materials processed (tonnes milled) (D)	39,167	38,464
AgEq ounces sold (E)	165,093	134,913
Cash cost per AgEq ounce sold (B/E)	$ 23.08	$ 23.14
All-in sustaining cash cost per AgEq ounce sold (C/E)	$ 28.98	$ 32.18
Cash cost of production per tonne (A/D)	$ 75.24	$ 74.82

Average Realized Price per Ag Eq Ounce Sold

Revenues are presented as the sum of invoiced revenues related to delivered shipments of silver and gold concentrates, after having deducted treatment, smelting and refining charges.

The following is an analysis of the gross revenues prior to treatment, smelting and refining charges, and shows deducted treatment, smelting and refining charges to arrive at the net reportable revenue for the period under IFRS. Gross revenues are divided by silver equivalent ounces sold to calculate the average realized price per AgEq ounce sold.

Average realized price per AgEq ounce sold is as follows:

	Q1 2025	Q4 2024
Revenues	$ 4,841,242	$ 3,938,323
Add back: Treatment, refining, and smelter charges	389,009	322,750
Gross revenues	$ 5,230,251	$ 4,261,073
AgEq ounces sold	165,093	134,913
Average realized price per ounce of AgEq sold	$ 31.68	$ 31.58
Average market price of silver per London Silver Fix	$ 31.91	$ 31.34

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP measure in which net income is adjusted for income tax expense, finance and other income, interest expense, amortization, accretion and depletion, foreign exchange gains or losses, share-based compensation, and other non-recurring items, if any. Foreign exchange gains or losses may consist of both realized and unrealized losses. Under IFRS, entities must reflect in compensation expense the cost of share-based payments. In the Company's circumstances, share-based payments can involve a significant accrual of amounts that will not be settled in cash but are settled by the issuance of shares in exchange for cash based on the exercise price of the options. The Company discloses Adjusted EBITDA to aid in understanding of the results of the Company and is meant to provide further information about the Company's financial results to investors. The following table provides a reconciliation of Adjusted EBITDA:

	Q1 2025	Q4 2024
Income (loss) for the period	$ 335,875	$ (37,936)
Add (deduct):		
Income taxes	129,081	44,084
Finance and other income	(23,625)	(34,434)
Interest expense	199,845	191,469
Amortization, accretion and depletion	336,217	199,742
Foreign exchange losses (gains)	(64,065)	(175,608)
Share-based compensation	153,241	330,820
Adjusted EBITDA for the period	$ 1,066,569	$ 518,137

Working Capital

The Company also discloses working capital, which is defined herein as current assets less current liabilities.

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 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 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 the 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 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 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 Interim MD&A, a copy of which will be provided to any interested parties upon request.

Respectfully submitted,
On Behalf of the Board of Directors

"Alexander Langer"

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Alexander Langer, President & CEO