

# **SIERRA GROWTH CORP.**

**(Formerly Grenville Gold Corp.)**

**Management Discussion and Analysis**

**Year Ended December 31, 2019**

# SIERRA GROWTH CORP. (formerly Grenville Gold Corp.)

## MANAGEMENT DISCUSSION AND ANALYSIS

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The following discussion and analysis should be read in conjunction with the audited consolidated financial statements and notes of Sierra Growth Corp. (formerly Grenville Gold Corp.) for the year ended December 31, 2019 accompanying this report. All monetary amounts, unless otherwise indicated, are expressed in Canadian dollars. Additional information relating to the Company and other regulatory filings can be found on the SEDAR website at [www.sedar.com](http://www.sedar.com).

This MD&A is dated on April 29, 2020.

### Forward-Looking Statements

Forward looking statements are statements that are not historical facts and are generally, but not always identified by the words “expects”, “plans”, “anticipates”, “believes”, “intends”, “estimates”, “projects”, “potential”, “interprets” and similar expressions, or that events or conditions “will”, “may”, “could” or “should” occur. The information contained herein may contain forward-looking statements including expectations of future production, cash flows or earnings. These statements are based on current expectations that involve a number of risks and uncertainties which could cause actual results to differ from those anticipated. Factors that could cause the actual results to differ materially from those in forward-looking statements, but are not limited to: risk associated with the oil and gas industry (e.g. operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserves estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), commodity price, price and exchange rate fluctuation and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures.

Although management believes that the expectations represented by such forward-looking statements are reasonable, there is significant risk that the forward-looking statements may not be achieved, and the underlying assumptions thereto will not prove to be accurate.

Forward-looking statements in this management discussion include, but not limited to:

1. Statements concerning Sierra Growth’s primary business activities;
2. Its intention to commence an exploration program on its Peruvian assets, and
3. Sierra Growth’s intention to seek and acquire additional mineral properties worthy of development.

Management has made numerous assumptions regarding, among other things:

1. Sierra Growth’s ability to commence an exploration program on the properties, and
2. Sierra Growth’s ability to acquire further exploration funds.

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### *Description of Business*

Sierra Growth Corp. (formerly Grenville Gold Corp.) (the “Company” or “Sierra” or “SGRO”) is a junior natural resource issuer dedicated to developing a sustainable and profitable business by progressively developing mineral properties in South America.

The Company was incorporated under the laws of Ontario. On June 19, 2009, the Company completed a continuance of business from Ontario to British Columbia. The Company’s principal business is the acquisition, exploration and development of mineral properties. The Company carries on mineral exploration projects in Peru.

On February 15, 2019, the Company changed its name from Grenville Gold Corp. to Sierra Growth Corp.

The Company is a reporting venture issuer in Ontario, British Columbia and Alberta and was listed on Canadian Securities Exchange (the “CSE”) under the symbol “SGRO”. The Company’s shares are also listed on the Berlin and Frankfurt stock exchanges in Germany under the symbol “F91Q”, and pink sheets in the United States under the symbol “SIERF”.

The head office, registered address, principal address and records office of the Company are located at 4770 – 72<sup>nd</sup> Street, Delta, British Columbia, Canada, V4K 3N3.

### **Mineral Properties**

	Espanola	Silver Mountain	Total
Balance, December 31, 2017	\$ 1,364,229	\$ 135,236	\$ 1,499,465
Acquisition	132,201	-	132,201
Impairment charge	-	(135,236)	(135,236)
Balance, December 31, 2018	1,496,430	-	1,496,430
Maintenance of mineral properties	226,448	-	226,448
Balance, December 31, 2019	\$ 1,722,878	\$ -	\$ 1,722,878

### **Espanola Property**

The Company owns 100% of the Espanola property which consists of 17 claims in the San Mateo Mining District in the province of Canete, Peru. During the year ended December 31, 2019, the Company capitalized its annual renewal and maintenance fees of \$226,448 (2018 - \$132,201).

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### Annual Results

A summary of the Company's operations in the most recent three years is as follow:

	2019	2018	2017
Revenue	-	-	-
Net loss	(469,083)	(442,021)	(101,880)
Net loss per share	(0.01)	(0.01)	(0.00)
Total non-current liabilities	-	-	-
Total Assets	2,076,222	2,587,710	1,943,015

### Summary of Quarterly Results

Quarter ended,	31-Dec-19	30-Sep-19	30-Jun-19	31-Mar-19
	\$	\$	\$	\$
Loss for the period	(129,108)	(73,978)	(216,125)	(49,872)
Loss per share	(0.00)	(0.00)	(0.01)	(0.00)

Quarter ended,	31-Dec-18	30-Sep-18	30-Jun-18	31-Mar-18
	\$	\$	\$	\$
Loss for the period	(155,927)	(64,038)	(176,661)	(45,395)
Loss per share	(0.00)	(0.00)	(0.01)	(0.00)

### Results for the Year Ended December 31, 2019

Year ended December 31,	2019	2018	2019-2018
	\$	\$	\$
<b>Operating expenses</b>			
Amortization	1,081	1,081	-
Filing and transfer fees	20,191	26,106	(5,915)
Foreign exchange expenses	7,372	23,062	(15,690)
Management and consulting	293,700	131,476	162,224
Office and general	24,454	16,282	8,172
Professional fees	97,285	73,479	23,806
Project Investigation Costs	-	11,156	(11,156)
Rent	25,000	7,500	17,500
Loss before the following other items:	469,083	290,142	178,941
Accretion expense	-	9,096	(9,096)
Impairment of exploration and evaluation assets	-	135,236	(135,236)
Loss on early settlement of convertible debt	-	17,071	(17,071)
Other income	-	(9,524)	9,524
<b>Net and comprehensive loss</b>	<b>469,083</b>	<b>442,021</b>	<b>27,062</b>

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Most of the Company's operating expenses in 2019 were similar to 2018 as the Company's business in 2019 and 2018 are mostly unchanged.

Significant components of the Company's operating expenses in 2019 are:

- management and consulting fees of \$293,700 (2018 - \$131,476), an increase of \$162,224. The Company's management charged more in 2019.
- Impairment of exploration assets of \$nil (2018 - \$135,236). There was no impairment loss recorded in connection with the Company's exploration and evaluation properties in 2019.
- professional fees of \$97,285 (2018 - \$73,479), an increase of \$23,806. The increase was mainly from legal fees.

### Results for the Three Months ended December 31, 2019 (the "Fourth Quarter")

Quarter ended December 31,	2019	2018	2019-2018
	\$	\$	\$
Loss before the following other items:	129,108	139,284	(10,176)
Accretion expense	-	9,096	(9,096)
Loss on early settlement of convertible debt	-	17,071	(17,071)
Other expenses (income)	-	(9,524)	9,524
<b>Net and comprehensive loss</b>	<b>129,108</b>	<b>155,927</b>	<b>(26,819)</b>

Significant components of the Company's operating expenses in the Fourth Quarter of 2019 are:

- management and consulting fees of 89,821 (2018 - \$68,755), an increase of \$21,066. The Company's management charged more in 2019.
- professional fees of \$17,929 (2018 - \$46,132). There change was due to the timing of charges

### Capital Resources and Liquidity

The Company's cash balance as at December 31, 2019 was \$347,768 (December 31, 2018 - \$1,078,371) and the working capital was \$232,385 (December 31, 2018 - \$831,835). The Company realized that the financial resources on hand may not be enough to finance its operations in the next twelve months. The Company's continuation as a going concern is dependent upon the successful results from its exploration and its ability to attain profitable operations and generate funds from equity, and debt financing to meet or borrowings its obligations.

Management intends to finance operating costs over the next twelve months with private placements and debt financing from related parties. Should the Company be unable to continue as going concern, the net realizable value of its assets may be materially less than the amounts on its consolidated statement of financial position.

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### Financing Activities

The Company received \$95,000 for the issuance of 950,000 common shares for the exercise of 950,000 warrant at \$0.10 per share.

### Disclosure of Outstanding Share Data

As at the reporting date of this MD&A, there were 41,107,095 common shares outstanding.

### Related Party Transactions

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers.

During the year ended December 31, 2019, the Company paid consulting fees \$144,500 (2018 - \$30,000) and \$16,000 (2018 - \$Nil) to a company owned by the CEO and a company owned by the CFO respectively.

As at December 31, 2019, \$14,500 (2018 - \$31,598) is included in trade payables and accrued liabilities from amounts owing to related parties.

### Off Balance Sheet Arrangements

The Company does not have off balance sheet arrangements nor transactions.

### Significant Accounting Policies

A full listing of the Company's significant accounting policies is available in the consolidated financial statements and notes for the year ended December 31, 2019.

### Controls and Procedures

Venture issuers are not required to include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109"). In particular, the Company's certifying officers are not making any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings of other reports filed or submitted under

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securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's generally accepted accounting principles.

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they make. Investors should be aware that inherent limitations on the ability of the Company are certifying officers to design and implement on a cost effective basis.

### **Financial Risk Management**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors reviews and monitors the risk management processes, inclusive of documented investment policies, counterparty limits and controlling and reporting structures.

The type of risk exposure and the way in which such exposure is managed is provided as follows:

#### ***Credit Risk***

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada and Peru. As most of the Company's cash is held by two banks, there is a concentration of credit risk. However, this risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies.

#### ***Liquidity Risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient holdings of cash and cash equivalents to meet its short-term exploration and evaluation requirements and anticipated operating cash flows.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

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### *Foreign Exchange Risk*

Foreign exchange risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's Peruvian subsidiaries are exposed to currency risk as they incur expenditures that are denominated in US dollars and the Peruvian Soles, and their functional currency is the Canadian dollar. The Company does not hedge its exposure to fluctuations in foreign exchange rates. A 10% fluctuation in the US dollar and Peruvian Sole would not have a material impact on the results of the Company.

### *Interest Rate Risk*

Interest rate risk refers to the risk that fair values of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company does not have material financial assets or liabilities that are exposed to fluctuation of interest rate. As a result, the exposure to interest rate risk is not significant.

### *Capital Management*

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of exploration and evaluation assets. In the management of capital, the Company includes components of shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The properties in which the Company currently has an interest in are in the exploration stage; as such, the Company is dependent on external financing to fund activities. To carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. The Company is not subject to externally imposed capital requirements. There were no changes to the Company's approach to capital management during the quarter.

There was no change in the Company's approach to capital management during the quarter. The Company is not subject to any externally imposed capital requirements.



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### Classification of Financial Instruments

Financial assets and liabilities in the statement of financial position are as follows:

	2019	2018
FVTPL:		
Cash	\$ 347,768	\$ 1,078,371
Amortized cost:		
Trade payables and accrued liabilities	\$ 119,878	\$ 151,823
Advance payable	\$ -	\$ 100,000

### Fair Value

The carrying balance of accounts payable and advance payable approximate its fair value due to their short-term nature.

### Quantitative and Qualitative Risks

#### *Business Risk*

The Company's financial results may be significantly influenced by its business environment. Business risks include, but not limited to:

- cost to find, develop, produce and deliver commodities;
- satisfactory title to property it has agreed to develop;
- government regulations; and
- cost of capital.

#### *Uncertainty of Exploration and Development Programs*

Mineral exploration involves a high degree of risk and there is no assurance that expenditures made on exploration by the Company will result in discoveries or production of minerals in commercial quantities. It is difficult to project the costs of implementing an exploratory drilling program due to the inherent uncertainties of drilling unknown formations and the costs associated with encountering various drilling conditions. The long-term success of the Company's mineral programs depends on its ability to find, acquire, develop and commercially produce mineral properties.

There is no assurance that the Company will be able to locate satisfactory properties for acquisition or participation. Even if such acquisitions or participations are identified, the Company may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions, or participations uneconomic. Future mineral exploration may involve unprofitable efforts, not only from

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unsuccessful exploration drilling, but also from deposits that do not produce sufficient net revenues to return a profit after mining, operating and other costs.

In addition, mining hazards or environmental damage could greatly increase the costs of operations, and various field operating conditions, such as delays in obtaining any necessary governmental consent or approvals, extreme weather conditions or insufficient transportation capacity, may adversely affect the production from successful mines. Mineral exploration and development activities are also 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.

### ***Future Acquisition***

The Company undertakes evaluations of potential opportunities to acquire additional mining assets from time to time. Any resultant acquisitions or joint ventures may be significant in size, may change the scale of the Company's business and may expose the Company to new geographic, political, operating, financial and geological risks. The Company's success in its growth strategies depends on its ability to identify suitable acquisitions, acquire them on acceptable terms and integrate them successfully into those already in existence.

Any future acquisitions would be accompanied by risks, such as changes in commodity prices, reserves proving to be below expectations; the difficulty of assimilating the operations and personnel of any acquired companies; the potential disruption of the Company's ongoing business; the inability of management to maximize the financial and strategic position of the Company through the successful integrations of acquired assets; the maintenance of uniform standards, controls, procedures and policies; the potential unknown liabilities associated with acquired assets and businesses. In addition, the Company may need additional capital to finance new acquisitions of assets. Equity financing may expose the Company and its existing shareholders to dilution. There can be no assurance that the Company would be successful in overcoming these risks or any other problems encountered in connection with such acquisition of assets.

### ***Regulatory Risk***

The operations of all mineral explorers and producers are subject to extensive controls and regulations imposed by various levels of government. The Company monitors and adheres to all regulations which could affect its operations and has established standards of operating practice which are designed to minimize risk to our employees, the community and the environment. Changes to regulations could have an adverse effect on the Company's result of operations and financial condition.

### ***Safety and Environmental Risk***

The mineral exploration business is subject to extensive regulation pursuant to various state, national and international conventions and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on mine size, mill size and overburden and tailing management.

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The Company is committed to meeting its environmental and safety policy that is designed, at minimum to comply with current governmental regulations set for the mineral exploration industry. Changes to government regulations are monitored to ensure compliance. Environmental reviews are completed as part of the due diligence process when evaluating acquisitions and developments.

### **Officers & Directors**

Directors and officers have a duty to exercise due diligence in overseeing the activities of the Company. They are required to act in “good faith” and in the best interest of the Company.

Sonny Janda, CEO and Director

Larry Tsang, CFO

Shaun Dykes, Director

Daryl Ware-Lane, Director

Craig Alford, Director

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