



SIERRA
MINERALS
INC.

SIERRA MINERALS INC.

ANNUAL INFORMATION FORM

For Year Ended December 31, 2008

March 31, 2009

TABLE OF CONTENTS

GENERAL MATTERS

ITEM 1	CORPORATE STRUCTURE	1
	Name, Address and Incorporation	1
	Intercorporate Relationships	1
ITEM 2	GENERAL DEVELOPMENT OF THE BUSINESS	2
	Three Year History	2
ITEM 3	DESCRIPTION OF THE BUSINESS	7
	General	7
	Risk Factors	8
	San Martin Property	13
	Disclosure for Companies with Mineral Projects	13
ITEM 4	DIVIDENDS	16
ITEM 5	DESCRIPTION OF CAPITAL STRUCTURE	16
ITEM 6	MARKET FOR SECURITIES	17
ITEM 7	ESCROWED SECURITIES	17
ITEM 8	DIRECTORS AND OFFICERS	17
	Cease Trade Orders, Bankruptcies, Penalties or Sanctions	20
	Board Committees	21
	Conflicts of Interest	21
ITEM 9	LEGAL PROCEEDINGS	22
ITEM 10	INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	22
ITEM 11	TRANSFER AGENT AND REGISTRAR	24
ITEM 12	MATERIAL CONTRACTS	24
ITEM 13	INTERESTS OF EXPERTS	25
	Name of Experts	25
	Interests of Experts	25
ITEM 14	AUDIT COMMITTEE	25
	Composition of the Audit Committee	25
	External Auditor Service Fees	26
ITEM 15	ADDITIONAL INFORMATION	26
	SCHEDULE "A" <u>Summary of the Cerro Colorado Technical Report</u>	A-1
	SCHEDULE "B" <u>The Audit Committee's Charter</u>	B-1

ITEM 1 GENERAL MATTERS

Unless otherwise noted or the context otherwise indicates, "Sierra Minerals Inc." refers to Sierra Minerals Inc. alone and "Sierra" and the "Company" refer to Sierra Minerals Inc. and its direct and indirect subsidiaries. Unless otherwise indicated, information in the Annual Information Form is provided as of December 31, 2008.

CURRENCY AND OTHER INFORMATION

All dollar amounts in this Annual Information Form are expressed in United States ("US") dollars except as otherwise indicated. References to "\$", "US\$" or dollars are to United States dollars and references to "C\$" are to Canadian dollars. For Canadian dollars to US dollars, based on the Bank of Canada noon rate, the annual average exchange rate for 2008 and the exchange rate at December 31, 2008 were one Canadian dollar per US\$0.9381 and US\$0.8166, respectively. For reporting purposes, Sierra prepares its financial statements in US dollars and in conformity with accounting principles generally accepted in Canada, or Canadian GAAP.

HISTORIC GOLD PRICES

The price of gold fluctuates and average price has increased for the last seven calendar years. The following table shows the average daily afternoon gold price fixing on the London Bullion Market from 1997 to the present.

Year	Average Gold Price (\$/oz.)
1997	331
1998	294
1999	279
2000	279
2001	271
2002	310
2003	363
2004	409
2005	444
2006	604
2007	696
2008	872

FORWARD LOOKING INFORMATION

This Annual Information Form and the documents incorporated by reference herein, contain statements which are not current statements or historical facts and are "forward-looking information" within the meaning of applicable Canadian securities laws. All statements, other than statements of historical fact, contained or incorporated by reference in the Annual Information Form constitute forward-looking information. Wherever possible, words such as "plans", "expects", or "does not expect", "budget", "forecasts", "projections", "anticipate" or "does not anticipate", "believe", "intent", "potential", "strategy", "schedule", "estimates", and similar expressions or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved and other similar expressions have been used to identify forward-looking information. These forward-looking statements relate to, among other things Sierra's expectations regarding, future growth, results of operations (including, without limitation, future production and sales, and operating and capital expenditures), performance (both operational and financial), business and political environment and business prospects (including the timing and development of new deposits and the success of exploration activities) and opportunities.

Although the forward-looking information in the Annual Information Form reflects Sierra's current beliefs on the date of this Annual Information Form based upon information currently available to management based upon what management believes to be reasonable assumptions, Sierra cannot be certain that actual results, performance, achievements, prospects and opportunities, either expressed or implied, will be consistent with such forward-looking information. By its very nature, forward-looking information necessarily involves significant known and unknown risks, assumptions, uncertainties and contingencies that may cause Sierra's actual results, assumptions, performance, achievements, prospects and opportunities in future periods to differ materially from

those expressed or implied by such forward-looking information. These risks and uncertainties include among other things, risks relating to gold prices, replacement of mineral reserves and resources, reduction of mineral reserves and resources related to geotechnical risks, ground movements, political risk, nationalization risk, changes in laws and regulations, civil unrest, labour unrest, legal compliance costs, mineral reserve and resource estimates, production estimates, exploration and development activities, competition, operational risks, risk of theft, environmental health and safety risks, costs associated with reclamation and decommissioning, defects in title, seismic activity, cost and availability of labour, material and supplies, increases in production and capital costs, enforcement of legal rights, decommissioning and reclamation cost estimates, future financing and personnel. There may be other factors that cause results, assumptions, performance, achievements, prospects or opportunities in future periods not to be as anticipated, estimated or intended. See "Risk Factors" in this Annual Information Form.

There can be no assurances that forward-looking information and statements will prove to be accurate, as many factors and future events, both known and unknown could cause actual results, performance or achievements to vary or differ materially from the results, performance or achievements that are or may be expressed or implied by such forward-looking statements contained in this Annual Information Form. Accordingly, all such factors should be considered carefully when making decisions with respect to Sierra, and prospective investors should not place undue reliance on forward-looking information. Forward-looking information in this Annual Information Form is as of March 31, 2009. Sierra assumes no obligation to update or revise forward-looking information to reflect changes in assumptions, changes in circumstances or any other events affecting such forward-looking information, except as required by applicable law.

NON-GAAP MEASURE

Total Cash Cost

This Annual Information Form presents information about total cash cost per ounce of gold sold for the Cerro Colorado property. Except as otherwise noted, total cash cost per ounce sold is calculated by dividing cost of sales for the relevant period, less silver sales revenue, divided by gold ounces sold. Total cash costs include mine operating costs such as mining, processing, administration, royalties and production taxes, if any, but exclude amortization, reclamation costs, financing costs and capital, development and exploration. Total cash cost per ounce sold has been included in this Annual Information Form because certain investors use this information to assess performance and also to determine Sierra's ability to generate cash flow for use in investing and other activities, including debt servicing. The inclusion of total cash cost per ounce may enable investors to better understand year-over-year changes in production costs, which in turn affect profitability and cash flow. See Sierra's Management's Discussion and Analysis for the year ended December 31, 2008 filed on SEDAR at www.sedar.com for a reconciliation of total cash cost to the most directly comparable GAAP measure.

CORPORATE STRUCTURE

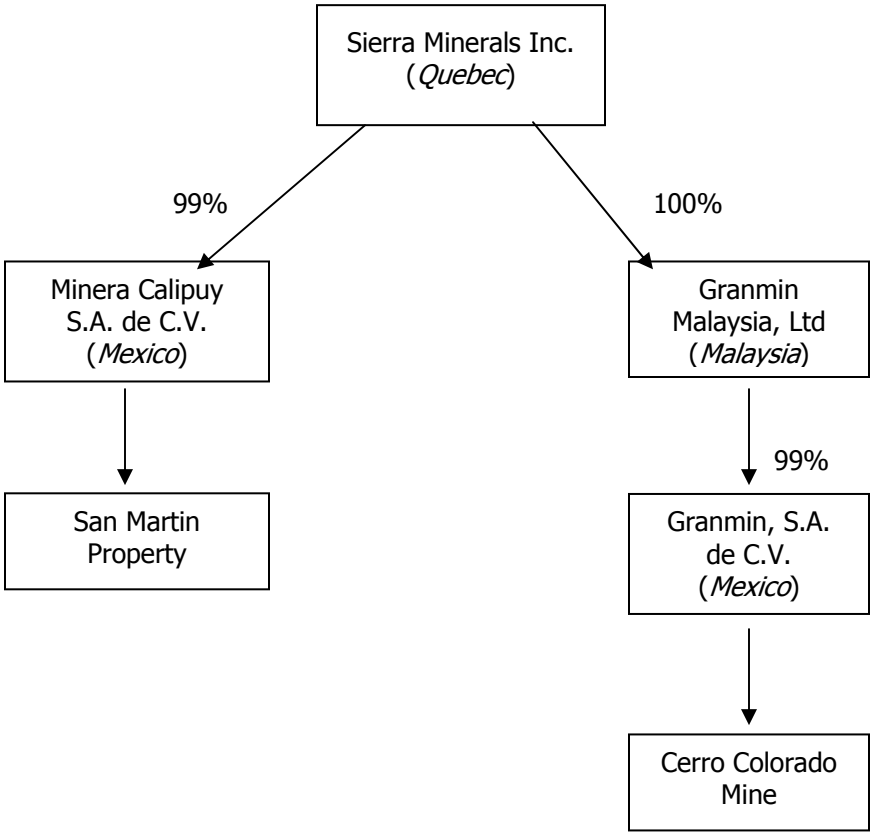
Name, Address and Incorporation

Sierra Minerals Inc. (the "**Company**" or "**Sierra**") is the result of a merger under the *Companies Act* (Quebec) (the "**Quebec Act**") on November 9, 1989 to carry out mineral exploration in the Val d'Or region of Quebec. At that time, the name of the Company was "**Acabit Exploration Inc.**" In 1996, the Company filed articles of amendment to amend the name of the Company to "**Western Pacific Mining Exploration Inc.**" In October 2002, the Company filed articles of amendment to (i) consolidate its outstanding common shares on the basis of one new common share for 10 old common shares and (ii) amend the name of the Company to "**Sierra Minerals Inc.**".

The head office of the Company is located at the 8 King Street East, Suite 810, Toronto, Ontario M5C 1B5. The registered office of the Company is located at 5 Place Ville-Marie, Suite 1203, Montréal, Québec H3B 2G2.

Intercorporate Relationships

The following chart sets out the Company's corporate structure, including all subsidiaries and their respective jurisdictions of incorporation:



ITEM 2 GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

Overview

Sierra is engaged in gold mining and related activities, including acquisition, exploration and development of gold-bearing mineral properties in the Americas. Sierra's current gold production and exploration and development related activities are carried out exclusively in Mexico. Gold is produced in doré in Mexico and then shipped to a refiner in the United States for final processing prior to sale.

2008

During the year ended December 31, 2008, the Cerro Colorado mine produced 19,669 ounces of gold. Cash cost per ounce sold for the year was \$597. The Company sold 19,834 ounces at an average realized gold price of \$868 per ounce for an approximate margin of \$271 per ounce. As a result, the Company recognized record levels of revenue and cash flow for 2008. Margin per ounce of gold sold has increased every year since the acquisition of the Cerro Colorado mine in 2006.

Management and Board Changes

On June 24, 2008, Wayne Acton resigned as the Chief Financial Officer ("CFO") of the Company and on June 27, 2008, Martin Walter resigned as a director and the President and Chief Executive Officer ("CEO") of Sierra. Also, on June 27, 2008, the Board of Directors appointed Michael Farrant as a director and as the new President and CEO of the Company. Additionally, on July 7, 2008, the Company appointed Philip Davies as Chief Operating Officer ("COO"). Prior to this, much of this role had been performed by the Company's Chairman, Keith Piggott. The addition of a full time COO, located at the mine site, has significantly strengthened the Company's oversight and management of the Cerro Colorado Gold Mine. Finally, on August 1, 2008, the Company appointed Rebecca Hudson as the Company's new CFO. In addition to her financial and mining experience, Ms. Hudson is fluent in both English and Spanish which has enabled seamless interaction with the Sierra's Mexican personnel. These important management additions have greatly strengthened the Company's operational and financial capabilities in terms of both executing the Company's business plans and in establishing a strong control environment over its operations.

Debt Restructuring

As noted above, as of May 31, 2008, all of Sierra's debt agreements were in default and were due and payable on demand. The debt restructuring process was completed on March 6, 2009. As such, the discussion on debt restructuring covers 2008 and the period up to March 6, 2009.

Warman I Loan

On September 15, 2006, Warman provided a loan of \$1,950,000 through a promissory note from Sierra ("Warman I Loan") as part of its acquisition of the Cerro Colorado gold mine. On March 15, 2008, the Company failed to make certain principal and interest payments on the loan resulting in an event of default. All amounts outstanding under the Warman I Loan became payable on demand as at that date and a penalty interest rate of 8% per annum, compounded semi-annually, was applied retroactively to November 15, 2007. The loan is unsecured and as at December 31, 2008, was in default with principal and accrued interest of \$2,122,394 payable on demand. No principal or interest payments were made during 2008. Interest of \$172,394 was accrued at December 31, 2008.

On March 6, 2009, the Company entered into a new promissory note with Warman, replacing the old Warman I Loan. It was agreed that accrued and unpaid interest up to March 5, 2009 would be capped at \$190,000 and that the Company would make payments of \$190,000 as payment in full against all accrued and unpaid interest and \$500,000 towards outstanding principal, such that the principal balance of the new loan would be \$1,450,000. On March 9, 2009, the Company made the required payments to Warman. The payments were made from the proceeds of the non-brokered private placement. The new \$1,450,000 principal loan, dated March 6, 2009, bears interest at 8% payable quarterly, is unsecured and is repayable as follows: \$150,000 on or before June 30, 2009, \$350,000 on or before September 30, 2009, \$500,000 on or before December 31, 2009

and \$450,000 on or before March 31, 2010. The Company can elect to accelerate repayment at its option without penalty.

Warman II Loan

As at December 31, 2007, the Company owed Warman \$87,233 through another promissory note which was in default. The loan was unsecured and as at December 31, 2008, remained in default with principal and accrued interest payable on demand. No principal or interest payments were made during 2008.

Subsequent to December 31, 2008, Warman agreed to cap the accrued and unpaid interest such that the sum of the outstanding principal plus accrued and unpaid interest was \$105,000, provided the Company make immediate payment of that amount. On February 20, 2009, the Company made a payment of \$105,000 to Warman as full and final settlement of the Warman II Loan.

Piggott Loan

As at December 31, 2007, the Company also owed Keith Piggott, Chairman of Sierra, \$70,000 through another promissory note which was also in default. The loan was unsecured and as at December 31, 2008, remained in default with principal and accrued interest payable on demand. No principal or interest payments were made during 2008.

On December 22, 2008, the Company entered into a new promissory note with Piggott replacing the old Piggott loan. It was agreed to reduce the interest rate from 20% to 4% retroactive to September 15, 2007. The principal balance of the new unsecured loan is \$70,000 and is due for repayment by December 31, 2009. Subsequent to December 31, 2008, the Company paid \$20,000 to Mr. Piggott (\$4,005 – interest, \$15,995 – principal) to bring the outstanding principal amount to \$54,005.

Aggra Performance Ltd. ("Aggra")

As at December 31, 2007, the Company owed Aggra \$200,000 pursuant to a convertible debenture. On May 31, 2008, the Company failed to make repayment and the debenture went into default. During the period June to October 2008, the Company made payments totalling \$124,990 to Aggra comprised of \$31,469 in interest and \$93,521 against the principal amount of the debenture.

Effective October 20, 2008, the Company cancelled the convertible debenture and replaced the remaining outstanding principal amount with a new \$106,479 promissory note bearing interest at 15%. The new loan required monthly payments of \$20,000 on or before the 15th day of each month beginning in January 2009 to May 2009 with the final stub payment due on or before June 15, 2009. Subsequent to December 31, 2008, the Company made payments totalling \$112,516 (\$106,479 in principal and \$6,037 in interest) as payment in full against this loan.

As such, only the Warman I Loan and the Piggott Loan remain. As noted, principal on the Warman I Loan currently stands at \$1,450,000 and bears interest at 8% per annum and principal on the Piggott Loan currently stands at \$54,005 and bears interest at 4% per annum.

Shares Issued For Debt

On September 25, 2008, the Company issued 541,457 common shares from its treasury to Martin Walter at a deemed price of C\$0.35 per share, in settlement of amounts owing to Mr. Walter totalling C\$189,510. Mr. Walter previously held the office of President and CEO of the Company from September 2004 to June 2008. The share issuance was pursuant to a resignation agreement between the Company and Mr. Walter dated June 27, 2008 and includes amounts owing to Mr. Walter as at that date, in his capacity as President and CEO.

Operations Developments

For the year at the Cerro Colorado mine, 3.625 million tonnes were mined comprised of 1.856 million tonnes of waste and 1.769 million tonnes of ore having an average grade of 0.61 grams per tonne gold. As noted above, this resulted in the production of 19,669 ounces of gold.

On June 14, 2008, the Company completed its planned 20,000 meter drill program consisting of 102 holes for the purpose of establishing an initial NI 43-101 mineral resource estimate. On December 1, 2008, the Company engaged Caracle Creek International Consulting Inc. to prepare an updated technical report on the Cerro

Colorado Gold Mine, including the establishment of an initial mineral resource estimate. The Company expects that this estimate will be completed early in the second quarter of 2009.

During the second half of 2008, the Company completed a large portion of a new 5.0 million tonne leach pad. The pad has been constructed such that loading can begin on the first half of the new pad prior to completion of the second half. Loading of the new leach pad commenced at the beginning of October 2008. See "Results of Mining Operations" for further details.

Currently, significant plant upgrades are taking place with the installation of two new electro-winning cells and the commissioning of eight new carbon columns. These improvements are expected to contribute substantially towards the Company's stated goal of increasing production from the current rate of 20,000 ounces to 30,000 ounces annually.

Exploration Developments

On April 1, 2008, the Company's Mexican subsidiary, Granmin S.A. de C.V. ("Granmin Mexico"), entered into an agreement with two Mexican individuals to earn a 100% interest in the Los Carlos concessions, located in Trincheras, Sonora, Mexico. See "Mineral Properties" for further details.

On July 2, 2008, Granmin Mexico, entered into an Agreement with a Mexican individual to earn a 100% interest in various concessions located in Sonora, Mexico. See "Mineral Properties" for further details.

Other Corporate Developments

On February 8, 2008, the Company announced that it had engaged Max Capital Markets Ltd. as its exclusive agent for a "best efforts" private placement of up to 8,000,000 units at a price of C\$0.40 per unit for gross proceeds of approximately C\$3,200,000. On May 1, 2008, the Board of Directors of Sierra decided not to proceed with Max Capital as agent for the private placement.

On March 10, 2008, the Company announced its intention to amend the exercise period attached to the common share purchase warrants issued as part of Sierra's C\$1,188,406 private placement financing completed on September 15, 2006. 1,546,723 common share purchase warrants entitling the holder to purchase an additional common share in the capital of Sierra at \$0.50 per share were extended from their original expiry date of March 15, 2008 to September 15, 2008. Another 151,000 held by officers and directors expired on March 15, 2008. The 1,546,723 common share purchase warrants expired unexercised on September 15, 2008.

On November 12, 2008, a director of the Company exercised 29,950 options at an exercise price of C\$0.15 per share for proceeds of C\$4,493.

Effective December 31, 2008, the Company's functional currency changed from the Canadian dollar to the US dollar. The proceeds from the sale of the Company's production are exclusively in US dollars. The Company feels that at current metal prices, these proceeds will form the predominant means of addressing operating and investing requirements and the repayment of US dollar debt facilities. Going forward, proceeds from Canadian dollar equity financing will be considered secondary to cash generated from operations in US dollars. Coincident with the change in functional currency, effective December 31, 2008, the Company changed its reporting currency from the Canadian dollar to the US dollar. The change in reporting currency is to better reflect the Company's business activities and to improve financial statement users' ability to compare the Company's financial results with other publicly traded businesses in the gold mining industry.

2007

During the year ended December 31, 2007, the Cerro Colorado mine produced 17,606 ounces of gold. Cash cost per ounce sold for the year was \$502. The Company sold 16,140 ounces at an average realized gold price of \$736 per ounce for an approximate margin of \$234 per ounce.

On January 18, 2007, Sierra provided results of the drill program at the Cerro Colorado Mine. This was the first drill program carried out by Sierra since completing the Acquisition in September 2006. For more details of the

drilling results, see "Description of the Business – Disclosure for Companies with Mineral Projects" of this Annual Information Form.

On March 30, 2007, the Company announced that it had been delayed in filing its annual financial statements, annual management discussion & analysis related thereto and its annual information form for the fiscal year ended December 31, 2006 by the required filing date under applicable Canadian securities laws. The delay was attributed to a combination of reasons arising from the completion of the Acquisition.

On May 28, 2007, the Company filed its annual financial statements, annual management discussion & analysis related thereto and its annual information form for the fiscal year ended December 31, 2006.

On June 6, 2007, the Company reported an armed robbery at the Cerro Colorado Mine of three gold bars (roughly 750 oz gold) worth approximately \$502,000 in aggregate, representing 14 days worth of production.

On July 18, 2007, the Company reported a second armed robbery at the Cerro Colorado Mine of 3 gold bars (roughly 791 oz gold) worth approximately \$531,000 in aggregate, representing 14 days worth of production.

On October 31, 2007, the Company announced it had awarded a drilling contract to Majoro Drilling de Mexico, S.A. de C.V., a Mexican subsidiary of Major Drilling Mexican to conduct drilling operations on the Cerro Colorado Mine.

On November 28, 2007, the Company announced it had entered into a Heads of Agreement (the "**HOA**") with a Mexican company, Minera MasOro S.A. De C.V. ("**MasOro**"), pursuant to which Sierra agreed to acquire 100% of the hardrock rights in certain concessions owned by MasOro located within Trincheras, Sonora, Mexico, adjacent to the Cerro Colorado Mine. The concession totals 8.718 hectares and is divided into three groups. Under the terms of the HOA, Granmin Mexico, a wholly-owned subsidiary of the Company, will earn a 100% interest in the hardrock rights by (i) making the following payments to MasOro: payment of \$20,100 (paid), payment of \$10,000 (paid) and an annual fee of \$25,000 on November 1 of each year commencing in 2008 until 2010; and (ii) completion of a minimum 600 metres of drilling (completed February 15, 2008). MasOro retains a 1% net smelter return ("**NSR**") in the La Horchata concession (being of the three groups that comprise the entire concession) and Granmin Mexico has an option to purchase back the 1% NSR until March 1, 2009 by payment to MasOro of \$110,000 prior to February 28, 2008. This option was not exercised. MasOro will retain a 2.5% NSR over the entire concession of which Granmin Mexico can purchase back up to 1.5% of the NSR by payment to MasOro of \$500,000 per 0.5% of the NSR.

2006

Sierra completed the acquisition of the Cerro Colorado mine on September 15 2006. During the period ended December 31, 2006 for which Sierra owned the Cerro Colorado gold mine, production was 6,073 ounces of gold. Cash cost per ounce sold for the year was \$538. The Company sold 5,550 ounces during this period at an average realized gold price of \$638 per ounce for an approximate margin of \$100 per ounce.

On June 30, 2006, the Company, Granmin Malaysia Ltd. ("**Granmin Malaysia**") and the Granmin Malaysia shareholders entered into a share exchange agreement, pursuant to which the Company agreed to exchange 53,028,217 common shares of the Company in return for 20,000 common shares of Granmin Malaysia collectively, the "**Acquisition**"). Granmin Malaysia, through its Mexican subsidiary, Granmin, S.A. de C.V. ("**Granmin Mexico**") holds title to the mining concessions that comprise the Cerro Colorado Mine and the assets used in the operation of the Cerro Colorado Mine.

On July 12, 2006, the common shares of the Company recommenced trading on TSX Venture Exchange (the "**TSXV**"). Trading of the common shares of the Company on the TSXV had been halted on December 8, 2004 pending completion of the Acquisition. On September 15, 2006, Sierra completed the Acquisition. As a result of the Acquisition, Sierra indirectly acquired the concessions that comprise the Cerro Colorado Mine and the assets used in operation of the Cerro Colorado Mine.

Concurrently with the completion of the Acquisition, the Company closed a non-brokered private placement of 3,395,446 units of the Company at a price of C\$0.35 per unit, for total proceeds of C\$1,188,406. Each unit consisted of one common share of the Company and one half of one common share purchase warrant, with each whole warrant exercisable to acquire one additional common share for C\$0.50 per common share for a period of 18 months from the date of the closing.

On September 26, 2006, the common shares of the Company commenced trading on the Toronto Stock Exchange (the "**TSX**") under the symbol SIM and were delisted and ceased trading on the TSXV.

On October 10, 2006, Sierra filed a technical report for the Cerro Colorado Mine dated April 20, 2005 (the "**Cerro Colorado Mine Technical Report**"), which was prepared in accordance with National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("**NI 43-101**"). The Cerro Colorado Mine Technical Report was prepared by Kappes, Cassiday & Associates with Clarence J. Wendt, P. Geo., as the responsible "**qualified person**" under NI 43-101. On November 22, 2006, Sierra amended the exercise period attached to the common share purchase warrants issued as part of Sierra's \$360,000 private placement financing completed on December 6, 2004. Each common share purchase warrant had originally entitled the holder thereof to acquire one additional common share at a price of \$0.50 until December 6, 2006. Sierra agreed to extend the exercise period for a further year until December 6, 2007, which extension was approved by the TSX. The change was effective as at December 6, 2006.

In December 2006, Sierra made its final payment to Abraham Nasser ("**Nasser**"), the owner of certain concessions comprising part of the Cerro Colorado Mine. This resulted in a total payment to Nasser of \$1.74 million in the year 2006 and satisfied the agreement dated January 30, 2006 between Nasser, Minera Secotec S.A. de C.V. ("**Minera Secotec**") and Granmin Mexico.

Additional Corporate Developments Subsequent to December 31, 2008

On January 27, 2009, the Company received a highly conditional, conceptual and non-binding proposal from Treasury Metals Inc. ("Treasury") (TSX: TML) for the acquisition of all of the issued and outstanding common shares of Sierra pursuant to a take-over bid or other business combination transaction. Treasury proposed that Sierra shareholders would receive 0.8 common shares of Treasury for each 1.0 outstanding common share of Sierra.

On March 5, 2009, the Company announced that its Board of Directors had formalized the process for evaluating proposed business combination transactions through the formation of a Strategic Review Committee comprised of three independent directors. The committee is comprised of Donald Goldman (Chairman), Bill Cavalluzzo and Julian Kemp. The Committee's purpose is to evaluate and make recommendations to the full Board of Directors on business combination opportunities presented to the Company by various parties and opportunities identified internally by the Company's management. The committee's mandate includes identifying, reviewing and recommending opportunities that create superior shareholder value in relation to the Company's current operating plans and organic growth initiatives.

The Company also announced on March 5, 2009, that following review by the Board of Directors of the merits of the proposal put forth by Treasury, the Board unanimously rejected the proposal and inadequate and determined that the proposal was not fair from a financial point of view to the shareholders of Sierra or in the best interests of Sierra.

On February 27, 2009, Sierra announced its intention to raise up to C\$2,000,000 in gross proceeds by way of a non-brokered private placement through the issuance of up to 10,000,000 units at C\$0.20 per unit. Each unit consists of one common share and one half of one common share purchase warrant. Each whole warrant will entitle the holder to acquire one additional common share at a price of C\$0.30 for a period of two years from the date of closing. Each of the common shares and warrants are subject to a hold period of four months plus one day from the date of issuance in accordance with the policies of the Toronto Stock Exchange and applicable securities laws. On March 9, 2009, the Company closed the first tranche of the non-brokered private placement financing through the issuance of 8,000,000 units priced at C\$0.20 per unit for total proceeds of C\$1,600,000.

No fees were paid in connection with the financing. The balance of the non-brokered private placement of up to another 2,000,000 units is expected to close in a second tranche by April 3, 2009.

ITEM 3 DESCRIPTION OF THE BUSINESS

General

Sierra is a precious metals producing company focused on acquiring and developing advanced stage gold and silver deposits that have a likelihood of realizing near-term production. The Company is currently focused on operating the Cerro Colorado Mine, a heap leach gold operation located in Sonora, Mexico.

Revenue

All revenue is derived from the sale of refined precious metals:

- Johnson Matthey in Salt Lake City, Utah ("**Johnson Matthey**");
- Metalor USA in North Attleborough, Massachusetts ("**Metalor**");
- Auramet Trading LLC in Fort Lee, New Jersey ("**Auramet**").

Johnson Matthey and Metalor are global market leaders in the refining of gold and silver. For the first three quarters of 2008, the Company used Johnson Matthey as its refiner. In the fourth quarter of 2008, the Company began shipping the majority of its production to Metalor who offered the Company commercial terms that were on a more competitive basis. Gold is produced in doré form at the Cerro Colorado mine. It is then shipped by an armoured security service for ultimate delivery to Johnson Matthey, now Metalor, where it is refined

Metalor Technologies SA is an international Swiss-based group, with subsidiaries in 15 countries. It is a leading participant in the field of precious metals and advanced materials. Metalor's Refining Division is an industrial organisation specialized in the Evaluation and Refining of precious metals of both primary and secondary origin. Gold doré bars are shipped to Metalor via secured surface transportation and sale proceeds are then submitted by wire transfer to the account of GRANMIN SA de CV, the Company's Mexican operating company.

Auramet is a physical precious metals merchant involved in buying and selling metals. When gold doré bars are shipped to Metalor or Johnson Matthey, they can be sold with Auramet's trading desk once they reach the facility. Sale proceeds are then submitted by wire transfer to the account of GRANMIN SA de CV, the Company's Mexican operating company. Title to the gold transfers to Auramet at the time payment is made and the Company records the sale at this time.

A 2.5% royalty, net of certain deductible operating costs, is due to Treasury Metals Inc. upon the outturn and ultimate sale of the precious metals.

Cyclical and Seasonality

The cyclical nature of the business reflects the global supply and demand outlook for gold, which in turn is influenced by diverse factors including jewellery demand, U.S. currency valuations, derivatives market activity, interest rate and inflation forecasts, and other factors discussed further in the "Risk Factors" section of this Annual Information Form. Seasonality does not have a pronounced impact on the Company's business, as the Cerro Colorado Mine operates year round and is not subject to any significant maintenance shut-downs or weather-related seasonality.

Competitive Conditions

The precious metals exploration and mining industry is extremely competitive and the Company competes with other mining companies for precious metals properties, for joint venture partners and opportunities and for the acquisition of investments in other mining companies.

Environmental Protection

The current and future operations of the Company, including development activities on its properties, are subject to laws and regulations and best practice principles governing exploration, development, waste disposal, greenhouse gas emissions, protection and remediation of environment, reclamation, hazardous substances and other matters. Compliance with such laws and regulations increases the costs of and delays planning, designing, drilling and developing the Company's properties.

The Company plans to diligently attempt to apply technically proven and economically feasible measures to advance protection of the environment throughout the exploration and development process. Current costs associated with compliance are considered normal.

Foreign Operations

The Company's sole activities are carried out in Mexico, and as such, the Company's operations may be affected by possible political or economic instability and government regulations relating to the mining industry and foreign investors therein. Mineral exploration and mining activities may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, maintenance of property, environmental legislation, land use, land claims of local people, water use and property safety. The effect of these factors on the Company cannot be accurately predicted.

Employees

Due to the particulars of Mexican law, it is common for operating companies to employ their workers through a management type company. Up to May 2008, the employees of Granmin Mexico were employed by ("**Secocon**"), a company owned by the ex-spouse of the Chairman. Under an agreement between Granmin Mexico and Secocon, Secocon would pay all of the Cerro Colorado mine employees and Granmin Mexico administrative personnel and would be reimbursed by Granmin Mexico. Secocon charged a fee equal to 5% of the base salaries of the employees, before additions for statutory remittances. This fee was meant to reimburse Secocon for its office costs and administrative overhead costs incurred in managing the payroll, calculating and making all required remittances to the Mexican government in association with the payroll, compensation received by such employees. The excess of this fee over these administrative costs provided for a small profit margin.

During May 2008, all of the employees were transferred from Secocon to a new company, Pabelini, S.A. de C.V. ("**Pabelini**"), still owned by the ex-spouse of the Chairman. Effective June 1, 2008, Pabelini began operating in the same manner as Secocon with the same fee structure. The 5% administrative fee has been included in operating costs

The Company employs one employee at its head office in Toronto, Ontario.

Social and Environmental Policies

The Company has adopted a Code of Business Conduct & Ethics that states that where possible, the Company will strive to prevent or otherwise minimize, mitigate and remediate any negative impact on the environment as a result of its operations. The Code of Business Conduct & Ethics also provides that the directors, officers and employees of the Company will do their best to accommodate the different cultures, lifestyles, heritage and preferences of the communities in which the Company operates in.

Risk Factors

An investment in the securities of the Company should be considered speculative due, generally, to the nature of the business in which the Company is engaged, the limited extent of the Company's assets, the Company's state of development and the degree of its reliance upon the expertise of management. Specifically, in evaluating an investment in any of the Company's securities the following risk factors should be given special consideration:

Mining Industry Risks

The exploration for and development of mineral deposits involves a high degree of risk that even a combination of careful evaluation, experience, knowledge and sufficient financial resources may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Substantial expenses may be required to locate and establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration programs planned by the Company or its subsidiaries will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, including the grade, ore type, ability to process, whether crushing is required or not, continuity of the mineralization, and proximity to infrastructure. The Cerro Colorado property does not yet have a 43-101 compliant resource and, therefore, neither the ounces that will be recovered through mining the property nor the period of time over which this recovery will occur can be reliably measured or predicted as of the date of this report. Current estimates indicate that the estimated mine life is another four to five years. Consequently, the Company will need to evaluate and search for additional reserves in order to sustain and promote growth of the business. Given that metals prices are inherently cyclical and cannot be predicted with certainty, the Company cannot be reasonably assured that it will continue to realize high gold prices in connection with its sales. With respect to infrastructure, the mine depends on a source of water that is several kilometers away from the mine site. There is potentially a risk that something could happen to impede the Company's ability to maintain its unhindered access to the water source. Other factors that can impact the commercial viability of a property include government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, exporting of minerals and environmental protection. The effect of these factors cannot be accurately predicted and the combination of these factors may result in the Company not receiving an adequate return on invested capital.

Instability of Political and Economic Environments

The mining interests of the Company may be affected in varying degrees by political or economic stability. Associated risks include, but are not limited to: terrorism, military repression, extreme fluctuations in currency exchange rates and high rates of inflation. Any change in regulations or shifts in political attitudes are beyond the control of the Company and may materially adversely affect its business, financial condition and results of operations. Operations may also be affected in varying degrees by such factors as government regulations (or changes thereto) with respect to the restrictions on production, export controls, income taxes, expropriation of property, repatriation of profits, land use, environmental legislation, water use, land claims of local people and mine safety. The effect of these factors cannot be accurately predicted. In addition, Mexico is currently experiencing a high rate of violence and crime. While the Cerro Colorado mine has not been impacted since the thefts that occurred in June and July 2007, there is the increased risk of incident due to the country in which the Company operates.

Environmental Risks and Hazards

All phases of the Company's operations are subject to environmental regulation in the jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that existing or future environmental regulation will not materially adversely affect the Company's business, financial condition and results of operations. Environmental hazards may exist on the properties on which the Company holds interests which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties. Government approvals and permits are currently, or may in the future be, required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from proceeding with planned exploration or development of mineral properties. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining

operations, including the Company, may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs, reduction in levels of production at producing properties, or abandonment or delays in development of new mining properties.

Governmental Regulation of the Mining Industry

The mineral exploration and drilling activities of the Company are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances and other matters. Mining and exploration activities are also subject to various laws and regulations relating to protection of the environment. Although the Company believes that its exploration activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail production or development. Amendments to current laws and regulations governing the operations and activities of the Company or more stringent implementation thereof could have a material adverse effect on the business, financial condition and results of operations of the Company.

Fluctuations in the Market Price of Mineral Commodities

The profitability of Sierra's operations is dependent in part upon the market price of mineral commodities. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of Sierra. The level of interest rates, the rate of inflation, the world supply of and demand for mineral commodities, and exchange rate stability can all cause significant price fluctuations. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The price of mineral commodities has fluctuated widely in recent years and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on Sierra's business, financial condition and results of operations. See Sierra's Management's Discussion and Analysis for the year ended December 31, 2008 for further discussion on fluctuations in commodity prices and Sierra's sensitivity to these.

Theft

The Company is required to store precious metals, including gold bars, in and around its operating mines prior to their transportation to a refinery. The value of precious metals makes them an attractive target for theft. Although the Company uses its best efforts to ensure that valuable assets are safely guarded and stored, there can be no assurance that such assets will not be the target of thefts in the future. Any theft of precious metals in the future could have a material adverse effect on Sierra's business, financial condition and operations. The Company made specific changes to its controls and procedures in light of the incidents of theft in 2007 and made capital expenditures aimed at significantly increasing security measures. To date, the Company has not had any repeat instances.

Currency

Currency fluctuations may materially affect the financial position and results of the Company. Sierra does not engage in currency hedging to offset any risk of currency fluctuations.

The majority of the Company's business is transacted in US dollars and accordingly, the consolidated financial statements have been measured and expressed in that currency (see *Developments in the fiscal year ended December 31, 2008* for additional detail). Details of underlying amounts denominated in foreign currencies and the Company's expose to fluctuations in foreign exchange rates can be found in the Notes to the audited Consolidated Financial Statements and Management's Discussion and Analysis for the year ended December 31, 2008.

Properties without Known Mineable Reserves

The activities of the Company are directed towards the search for, evaluation of and development of mineral deposits. There is no assurance that the expenditures of the Company will result in discoveries of commercial ore bodies. Furthermore, there can be no assurance that the Company's estimates of future exploration expenditures will prove accurate, and actual expenditures may be significantly higher than currently anticipated.

Uncertainty as to Calculations of Mineral Deposit Estimates

There is a significant degree of uncertainty attributable to the calculation of mineral deposit estimates and corresponding mineralization grades. Until the mineralized material is actually mined and processed, mineral deposit estimates, mineralization grades and recovery rates must be considered as estimates only. Consequently, there can be no assurance that any mineral deposit estimates or ore-grade information contained herein (including in the documents incorporated herein by reference) will prove accurate. In addition, the value of mineral deposits may vary depending on mineral prices and other factors. Any material change in ore grades, stripping ratios or other mining and processing factors may affect the economic viability of the Company's projects. Furthermore, mineral deposit estimate information should not be interpreted as any assurance of mine life or of the potential profitability of existing or future projects. Cerro Colorado does not currently have a NI 43-101 compliant mineral reserve and resource. Mine plans are currently based on a combination of historic resources, exploration drilling, visual mining and best estimates. Actual grade and recoveries could differ significantly from expected grade.

Requirement of Additional Financing

The exploration and development of the Company's properties, including continuing exploration and development projects and mining operations, and the construction, maintenance and expansion of mining facilities, may require substantial additional financing. Failure to obtain sufficient financing will result in a delay or indefinite postponement of exploration development or production on any or all of the Company's properties or even a loss of a property interest. Sources of funds now available to the Company are limited and may include cash flow from the Cerro Colorado Mine, the sale of equity capital, properties, royalty interests, the entering into of future joint ventures and the exercise of outstanding options and warrants. Additional financing may not be available when needed or, if available, the terms of such financing might not be favourable to the Company and might involve substantial dilution to existing shareholders. Failure to raise capital when needed would have a material adverse effect on the Company's business, financial condition and results of operations. The Company was successful in raising C\$1,600,000 in March 2009 and will have, by early April 2009, raised an additional C\$130,000. Previous inability to raise funds has resulted in the Company's debt facilities going into default and the Company not being able to execute its operating plans at its mine.

Uninsured Risks

Sierra does not carry insurance to protect against certain risks. Risks not insured against in each case include environmental pollution, earthquake damage, mine floodings, or other hazards against which mining exploration corporations cannot insure or against which the Company may elect not to insure because of high premium costs or other reasons. Due to the high cost of bullion insurance, the Company has decided not to purchase this line of insurance. Instead, the Company has implemented changes to its controls and procedures to help mitigate the risk of theft and its resultant loss. Failure to have insurance coverage for any one or more of such risks or hazards could have a material adverse effect on the Company's business, financial condition and results of operations.

Competition

The mining industry is intensely competitive in all of its phases and the Company will compete with many companies possessing greater financial and technical resources than itself. Competition in the base and precious metals mining industry is primarily for: mineral rich properties which can be developed and produced economically; the technical expertise to find, develop, and operate such properties; the labour to operate such properties; and the capital for the purpose of funding such properties. Many competitors not only explore for and

mine precious metals, but conduct refining and marketing operations on a world-wide basis. Such competition may result in the Company being unable to acquire desired properties (due to the auction process involved in property acquisition), to recruit or retain qualified employees or to acquire the capital necessary to fund its operations and develop its properties. Existing or future competition in the mining industry could materially adversely affect the Company's prospects for mineral exploration and success in the future.

Dependence Upon Key Management Personnel and Executives

Sierra is dependent upon the continued support and involvement of a number of key management personnel. The loss of the services of one or more of such personnel could have a material adverse effect on the Company. Sierra's ability to manage its exploration and development activities and, hence, its success, will depend in large part on the efforts of these individuals. The Company faces intense competition for qualified personnel and there can be no assurance that Sierra will be able to attract and retain such personnel.

Potential Volatility of Market Price of Common Shares

The TSX has, from time to time, experienced significant price and volume fluctuations unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the market price of the common shares of the Company. In addition, the market price of the common shares is likely to be highly volatile. Factors such as the price of gold and other minerals, announcements by competitors, changes in stock market analyst recommendations regarding the Company, and general market conditions and attitudes affecting other exploration and mining companies may have a significant effect on the market price of the common shares. Moreover, it is likely that during future quarterly periods, the Company's results and exploration activities may fluctuate significantly or may fail to meet the expectations of stock market analysts and investors and, in such event, the market price of the common shares could be materially adversely affected. In the past, securities class action litigation has often been initiated following periods of volatility in the market price of a company's securities. Such litigation, if brought against the Company, could result in substantial costs and a diversion of management's attention and resources, which could have a material adverse effect on the Company's business, financial condition and results of operations.

Possible Conflicts of Interest of Directors and Officers of Sierra

Certain of the directors and officers of the Company also serve as directors, officers and/ or advisors of and to other companies involved in natural resource exploration and development. Consequently, there exists the possibility for such directors and officers to be in a position of conflict. The Company expects that any decision made by any of such directors and officers involving Sierra will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders, but there can be no assurance in this regard. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest with or which is governed by the procedures set forth in the Quebec Act and any other applicable law. The Company's Chairman is also President and Chief Executive Officer of a private company engaged in the same line of business in the same region. A significant likelihood exists that a conflict of interest could exist.

Risk of Dilution

Under applicable Canadian law, shareholder approval may not be required for the Company to issue common shares. Moreover, Sierra has commitments that could require the issuance of a substantial number of additional common shares, in particular warrants exercisable into common shares and options to acquire common shares under the stock option plan of the Company. The future business of Sierra will require substantial additional financing which will likely involve the sale of equity capital. The Company can also be expected to issue additional options, warrants and other financial instruments, which may include debt. Future issuances of equity capital may have a substantial dilutive effect on existing shareholders. Sierra is not able at this time to predict the future amount of such issuances or dilution. However, the recent issue of 8,000,000 million shares as part of a unit offering at C\$0.20 per unit, increased the issued and outstanding share capital by 11.2%.

Title Matters

The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral concessions may be disputed. Although the Company believes it has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to any of its properties will not be challenged or impaired. Third parties may have valid claims underlying portions of Sierra's interests. The Company continues to work with Laramide Resources Ltd. and Treasury Metals Inc. to complete the administrative issues still outstanding in formally transferring title to Granmin Mexico in relation to three concession on which the Company is mining and has the right to mine.

Licenses and Permits

The operations of the Company may require licenses and permits from various governmental authorities. There can be no assurance that Sierra will be able to obtain all necessary licenses and permits that may be required to carry out exploration and development on its properties.

San Martin Property

The San Martin Property comprises 2,790 hectares located in the western foothills of the Sierra Madre Occidental in the northern Sinaloa State, northwestern Mexico. The San Martin Property was originally staked by Minera Kennecott, S.A. de C.V. ("**Kenmex**"), a subsidiary of Kennecott North America. In February 2003, Kenmex granted Sierra's Mexican subsidiary, Minera Calipuy S.A. de S.V. ("**Calipuy**"), an option to earn a 100% interest in the mineral concessions on the San Martin Property. Key terms of the option agreement included an obligation of Calipuy to incur at least \$300,000 of qualified exploration expenditures within the first 3 years and to complete a 1,000 meter drilling program in the first year. Kenmex retained a 2% net smelter return and a 65% back-in right which requires Kenmex to pay back twice Sierra's exploration expenditures, if more than 4 million gold equivalent ounces are defined. On April 27, 2006, Sierra completed all of its earn-in obligations and acquired a 100% interest in the mineral concessions on the San Martin Property.

The Company completed some drilling on the property and results did not show significant economic potential. Since the completion of this drilling, Sierra had not done any additional work on the property to date, and there are no current plans to continue exploration or development of this property under current market conditions. The Company still owns the property and Management intends to keep this property for its potential future value as it may be worth pursuing in the future. As such, the value of the property was written off in the accounting records for the year ended December 31, 2008, however, the Company still retains ownership. Going forward the Company intends to examine alternative options with respect to this property.

Disclosure for Companies with Mineral Projects

Cerro Colorado Technical Report

On October 10, 2006, Sierra filed the Cerro Colorado Mine Technical Report, which was prepared in accordance with NI 43-101. The Cerro Colorado Mine Technical Report was prepared by Kappes, Cassidy & Associates with Clarence J. Wendt, P. Geo., as the responsible "qualified person" under NI 43-101. The Cerro Colorado Mine Technical Report can be viewed and is available for download on the SEDAR website at www.sedar.com.

For the purposes of the disclosure required under section 5.4 of Form 51-102F2 – Annual Information Form, the summary from the Cerro Colorado Mine Technical Report is reproduced on Schedule "A" attached hereto, and the Company incorporates by reference into this Annual Information Form the disclosure contained in the Cerro Colorado Mine Technical Report.

Mining Operations

Mining Method

The Cerro Colorado Gold Mine operates as an open-pit heap-leach operation with gold recovery plant consisting of carbon-in-column circuit. The Cerro Colorado Mine has been in operation since 2004 and is undergoing the necessary equipment upgrading and capital expansion in order to reach its production target of 30,000 ounces per annum in 2009. The Company is currently mining gold from the Sopresa, Breccia Harris, Breccia Central and Abejas zones of the Cerro Colorado Mine. The Cerro Colorado Mine has an estimated mine life of 5 years, although this estimation is based on preliminary estimates from Caracle Creek International Corp ("CCIC") data from disparate sources, and is currently in the process of being updated with the publication of an NI 43-101 complaint resource technical report estimate expected to be filed by the Company during 2009.

Production Forecast

The Company commenced commercial production at the Cerro Colorado Mine upon completion of the Acquisition. The Cerro Colorado Mine was already in production as a subsidiary of Minera Secotec.

During fiscal 2008, the Cerro Colorado gold mine produced 19,669 ounces of gold compared to 17,606 ounces during fiscal 2007, representing a 12% increase in production over the prior year. Gold sales during fiscal 2008 rose 23% to 19,834 ounces at an average gold price of \$868 per ounce compared to 16,140 ounces at an average price of \$736 per ounce during fiscal 2007. Metal sales revenue was \$16,897,236 in 2008 compared to \$11,746,622 in 2007.

In the year ended December 31, 2007, the Cerro Colorado Mine produced 17,606 ounces of gold, at operating costs of \$548 per ounce of gold sold, representing an increase of 25% from production for the year 2006 of 14,000 ounces of gold at operating cost of \$496. Note that production numbers contained in Sierra's 2006 audited annual financial statements refer to the six-month period from June 1 to December 31, 2006 of 6,073 ounces, as the period from January 1 to May 31, 2006 was under private ownership and as such was not reported.

Gold is produced on site as doré containing approximately 35-39% gold by weight. The doré is sent to a refinery for final processing prior to sale. Processing chemicals and materials are readily available as is diesel fuel. Mine operating costs are expected to decline in 2009 from 2008 levels due to expected increases in production and a weaker Mexican peso relative to the US dollar. Production in the first quarter of 2009 is expected to be consistent with 2008 levels. Beginning in the second quarter of 2009, production levels are expected to increase as the mine begins to realize the benefits from the modifications and improvements at the processing plant and is expected to increase further in the third and fourth quarters of 2009 as the Company anticipates adding two more trucks to its fleet in the second quarter of 2009.

The Cerro Colorado Mine operates 365 days a year; daily production may be affected to some extent by adverse weather, but it would be unusual for adverse weather to cause complete mine stoppage for an extended period.

Markets

Gold can be readily sold on numerous markets throughout the world and it is not difficult to ascertain its market price at any particular time. Product fabrication and bullion investment are the two principal uses of gold. The introduction of more readily accessible and more liquid gold investment vehicles (such as gold exchange traded funds) has further facilitated investment in gold. Within the fabrication category, there are a wide variety of end uses, the largest of which is the manufacture of jewellery. Other fabrication purposes include official coins, miscellaneous industrial and decorative uses, dentistry, medals and medallions. For a further discussion, see "Gold Industry and Key Economic Trends" in the Management's Discussion and Analysis for the year ended December 31, 2008.

Environmental Conditions

The Cerro Colorado Mine operating facilities have been designed to mitigate environmental impacts. The operations have processes, procedures or facilities in place to manage substances that have the potential to be harmful to the environment. In order to prevent and control spills and protect water quality, the mine utilizes multiple levels of spill containment procedures and routine inspection and monitoring of its facilities. The mine has installed air pollution control devices on its facilities consistent with legal requirements. The mine also has various programs to reuse and conserve water at its operations. In order to mitigate the impact of dust produced by its operations, the mine uses several different dust suppression techniques. In 2008, all activities at the Cerro Colorado Mine were, and continue to be, in compliance in all material respects with applicable corporate standards and environmental regulations.

Exploration and Production

On November 13, 2006, the Company announced that exploration drilling commenced at the Cerro Colorado Mine. An initial phase of a minimum of 10 reverse circulation (RC) drill holes had been planned and constituted the first phase of a more comprehensive exploration program. That program was to consist of IP geophysical and geochemical surveys across a number of project areas as well as further drilling. This initial program was designed to test continuity of mineralization over a length of 200 meters between two known mineralized zones, the Sopressa mineralization and the Harris Breccia zone, both of which were mined by open pit methods. Additional phases of drilling were designed to define and delineate additional resources that surround the known mineralization at the Cerro Colorado Mine as well as to test continuity of mineralization up to some 200 meters north of the mining activities. Based on historical resources estimates, the mine has an estimated mine life of 5 years with much of the project's 4,536 hectares having seen very little exploration. The Cerro Colorado Mine head grade was 0.81 gm/t Au with some 2,000 tonnes of ore being mined, crushed and finally fed on to heap leach pads daily where gold is leached and then extracted.

On January 18, 2007, Sierra provided results of the drill program at its Cerro Colorado Mine. This was the first drill program carried out by Sierra since completing the Acquisition in September 2006. A total of eight holes were completed, seven of which had been drilled on targets outside existing known ore resources. Highlights from the drill program at Cerro Colorado Mine included drill hole GM-4 which intersected 32 meters of 3.42 gm/t gold and 6.0 gm/t silver at 30 metres below surface and drillhole GM-5 that intersected 32 meters at 1.72 gm/t gold at 80 metres below the surface. These new results have a positive impact on the overall mineable mineral resources at the Cerro Colorado Mine. Production from the mine was approximately 14,000 ounces of gold in 2006 at a head grade of 0.76 g/t.

On April 4, 2007, the Company announced the commencement of a Phase II drill program (the "**Phase II Drill Program**") at the Cerro Colorado Mine. The Phase II Drill Program is an exploratory drill program conducted with an open hole "air-track" percussion drill rig to test the rhyolite intrusive body which hosts the known gold mineralization. The Phase II Drill Program will involve more than 10,000 metres of drilling in a program designed to test: (1) mineralized areas and geological structures that coincide along strike and surround the current mining operations; and (2) several chargeability anomalies that have emerged from a recently completed (IP) geophysical survey conducted in areas north and east of the mining operations.

On June 22, 2007, the Company provided an update with respect to the Phase II Drill Program: as of June 22, 2007, the Company had completed 96 holes (approximately 4600 metres).

On August 21, 2007, the Company provided drill results with respect to the Phase II Drill Program. The Company completed a total of 115 holes (approximately 6,565 metres) for the purposes of resource definition, exploration and ground sterilization drilling. Of the 115 holes drilled, 80 holes were drilled for resource calculation and exploratory reasons while the remaining 35 holes were drilled to sterilize potential waste rock areas for planned operations. Of the 80 resource and exploration holes, 19 of such holes contained significant intercepts. Highlights from the drill program included drill hole GM-15 which intersected 68 metres of 0.82 gm/t gold and 2.66 gm/t silver at a depth of 52 metres below surface and drillhole GM-59 which intersected 26 metres at 1.18 gm/t gold from surface.

On October 31, 2007, the Company provided drill results with respect to the Phase II Drill Program. The Company completed a total of 140 holes (approximately 9,118 metres) for the purposes of resource definition, exploration and ground sterilization drilling. Of the 140 holes drilled, 105 holes were drilled for resource calculation and exploratory reasons while the remaining 35 holes were drilled to sterilize potential waste rock areas for planned operations. Of the 80 resource and exploration holes, 19 of such holes contained significant intercepts. Highlights of the drill program included drill hole GM-121 which intersected 18 metres of 2.46 gm/t gold and 2.48 gm/t silver at a depth of 42 metres below surface and drillhole GM-136 which intersected 26 metres at 1.39 gm/t gold 2 metres below surface.

On March 10, 2008, the Company provided drill results with respect to the Phase II Drill Program. The Company completed a total of 195 holes (approximately 14,000 metres) for the purposes of resource definition, exploration and ground sterilization drilling. Of the 195 holes drilled, 154 holes were drilled for resource calculation and exploratory reasons while the remaining 41 holes were drilled to sterilize potential waste rock areas for planned operations. Highlights of the drill program included drill hole GM-157 which intersected 90 metres of 1.59 gm/t gold and 1.46 gm/t silver at a depth of 28 metres below surface. This drillhole included 26 metres of 4.71 gm/t Au and 2.2 gm/t Ag, and was drilled through the eastern extension of the Breccia Central ore zone. Drillhole GM-153 intersected 44 metres at 0.9 gm/t Au and 9.61 gm/t Ag and drillhole MCC-11 intersected 50 m grading 1.15 gm/t Au and 9.71 gm/t Ag. metres below surface. A summary of the results is as follows (all holes identified as "MCC" were drilled by Major Drilling Group International Inc., who commenced drilling in the fourth quarter of the fiscal year 2007).

During the second quarter of 2008 the Company commenced construction of its new 5.0 million tonne leach pad. The Company expects to complete loading of its existing 4.5 million tonne pad some time in 2009. Costs of constructing the new pad have been capitalized. Construction of a majority of the new pad is complete. On October 1, 2008 the Company began loading the new leach pad. Lower grade ore continues to be placed on the old leach pad. The Company has made the necessary upgrades to its plant to sustain an annual production rate of 30,000 ounces of gold. In addition, the Company plans to purchase two additional trucks during the second quarter of 2009. This will allow Sierra to mine more ore and increase mining rates to approximately 30,000 ounces of recoverable gold on an annualized basis.

ITEM 4 DIVIDENDS

Although the Board of Directors of the Company (the "**Board**") is permitted to declare dividends on the common shares from time to time out of available proceeds, it is the current policy of the Board to reinvest any profits in the development and advancement of the Company's business. No dividends have been declared on the common shares in the three most recently completed financial years.

ITEM 5 DESCRIPTION OF CAPITAL STRUCTURE

The Company is authorized to issue an unlimited number of common shares without par value, of which 79,478,331 were outstanding as at March 31, 2009.

Each common share carries the right for the holder thereof to receive notice of, attend and vote at any general meeting of the Company. Each common share carries one vote. Holders of common shares are entitled to such dividends as may be declared by the Board from time to time and are entitled to participate in the liquidation, dissolution or winding up of the Company, or other distribution of its assets, pro rata based on the number of common shares held by them.

In addition, there are 4,000,000 common share purchase warrants outstanding. Each common share purchase warrant entitles the holder to subscribe for one common share in the capital of the Company at a price of C\$0.30 per share until February 27, 2011.

ITEM 6 MARKET FOR SECURITIES

Trading Price and Volume

The common shares of the Company are listed for trading on TSX under the trading symbol SIM.

The following chart sets out the high and low trading prices, and volume of shares traded, for the period January 1, 2008 to December 31, 2008:

Period	High	Low	Volume
January 2008	0.44	0.33	284,990
February 2008	0.47	0.35	809,091
March 2008	0.50	0.38	808,783
April 2008	0.42	0.37	129,460
May 2008	0.40	0.27	169,616
June 2008	0.38	0.22	128,740
July 2008	0.30	0.18	199,881
August 2008	0.27	0.17	93,668
September 2008	0.27	0.11	133,642
October 2008	0.17	0.06	352,535
November 2008	0.14	0.06	167,550
December 2008	0.13	0.07	264,639

ITEM 7 ESCROWED SECURITIES

On September 13, 2006 the Company, the Company's transfer agent, Computershare Investor Services Inc. and certain security holders of the Company entered into an escrow agreement that provided for the escrow of 39,307,167 common shares of the Company (the "**Escrowed Shares**"). All of the Escrowed Shares have now been released pursuant to the following escrow release schedule: 1/4 of the Escrowed Shares were released on the date the common shares of the Company were listed on the TSX (September 26, 2006); 1/3 of the remaining escrowed shares were subsequently released on the six month anniversary of the TSX listing date (March 26, 2007) and the remaining escrowed shares were subsequently released on the 18 month anniversary of the TSX listing date (March 26, 2008). As at March 30, 2008, none of the Company's issued and outstanding common shares remained in escrow.

ITEM 8 DIRECTORS AND OFFICERS

The following table and the notes thereto set out the name, municipality and country of residence of each director and executive officer of the Company, their current position and office with the Company, the date on which they were first elected or appointed as a director or officer of the Company, the approximate number of common shares beneficially owned, directly or indirectly, or over which they exercise control or direction as at the date of this Annual Information Form:

Name & Municipality of Resident Office Held at Company

Name & Municipality of Resident	Office Held at Company	Held Office Since	Common Shares Beneficially Held or Over Which Control is Exercised
Michael H. Farrant Toronto, Ontario, Canada	Director, President and Chief Executive Officer of the Company	2008	348,000
Rebecca Hudson Toronto, Ontario, Canada	Chief Financial Officer of the Company	2008	Nil
Philip C. Davies Hermosillo, Sonora, Mexico	Chief Operating Officer of the Company	2008	Nil
Keith Piggott(2) Hermosillo, Sonora, Mexico	Director	2006	23,531,271
Julian Kemp(3)*(5) London, Ontario, Canada	Director	2002	45,950
William Cavalluzzo(3)(4)(5) Toronto, Ontario, Canada	Director	2003	Nil
Donald Goldman(4)*(5)* Toronto, Ontario, Canada	Director	2006	476,500
David Ingram(3)(4) Vancouver, British Columbia, Canada	Director	2006	75,000
James Boyle Toronto, Ontario, Canada	Corporate Secretary	2008	Nil
TOTAL			24,476,721

Notes:

(1) Information regarding common shares held does not include common shares issuable upon the exercise of options or warrants of the Company.

(2) Chairman of the Board of Directors.

(3) Member of the Audit Committee.

(4) Member of the Compensation and Governance Committee.

(5) Member of the Strategic Review Committee.

* Denotes committee chair.

The directors and officers of the Company, in the aggregate, beneficially owned, directly or indirectly, or exercised control or direction over approximately 24,476,721 common shares or approximately 30.80% of the common shares of the Company issued and outstanding as at March 31, 2009.

Set forth below is the principal occupation during the five preceding years for the above-named directors and executive officer.

Michael H. Farrant is the President, Chief Executive Officer and a Director of the Company. Mr. Farrant is a chartered accountant with 17 years of financial and operational management experience with the last 13 spent in the gold mining sector. Most recently, he has served as Chief Financial Officer of a number of junior mining companies in various stages of growth from exploration and development to a junior gold producer. Mr. Farrant held the positions of Vice President and Treasurer and Operations Controller at Kinross Gold Corporation ("Kinross"). Mr. Farrant also sat on the Ore Reserve Audit Committee which oversaw the calculation of Kinross' NI 43-101 compliant estimated mineral reserve and resource inventory. Prior to that, he spent six years with Barrick

Gold Corporation ("Barrick"), principally in the role of Corporate Controller. Mr. Farrant holds a Bachelor of Commerce with Honours, from Queen's University and earned his C.A. designation in 1995 while with Coopers & Lybrand. Mr. Farrant also serves as a director and Chair of the Audit Committee of Everton Resources Inc. ("Everton").

Rebecca Hudson is the Chief Financial Officer of the Company. Ms. Hudson was most recently Controller of Zacoro Metals Corp. ("Zacoro"). Zacoro is a widely held Toronto-based mining company, with exploration and development projects in Mexico. In addition to assuming responsibility for financial reporting and internal controls, Ms. Hudson managed all local Mexican financial, tax and legal matters working through Mexican accounting and law firms. Prior to this, Ms. Hudson spent two years with Xstrata Canada (formerly Falconbridge Limited), as Manager, Financial Reporting and Control. She played a key role in the implementation of Sarbanes-Oxley regulations. Ms. Hudson has also recently provided consulting services to IAMGOLD Corporation and Argenta Oil and Gas. Ms. Hudson holds a Bachelor of Arts and a Masters of Accounting from the University of Waterloo. She earned her C.A. designation in 2000 with Grant Thornton LLP, followed by two years with PricewaterhouseCoopers LLP in the Dominican Republic. Ms. Hudson is fluent in both English and Spanish.

Philip C. Davies is the Chief Operating Officer of the Company. Mr. Davies is a mining industry executive with 30 years experience in operating, change management and board involvement. His successes include a track record of increasing mine profitability through various optimization initiatives, beginning at the feasibility stage, continuing through mine planning and design, and culminating in operations that maximized for efficiency and cost effectiveness. Mr. Davies most recently worked with GMA Resources Plc as Operations Manager overseeing gold producing assets in Algeria. Prior to this, Mr. Davies spent five years with Ashanti Goldfields Co. as General Manager at the Siguri Gold Mine in Guinea, West Africa, where he grew the mine into a 9 million tonne, 300,000 ounce a year open pit operation. Mr. Davies successfully managed all aspects of mining from feasibility through to full production, including exploration, safety and environmental and established and maintained key relationships with local governmental agencies. Mr. Davies has enjoyed other senior operating and consulting roles at operations in Chile, Australia, India, Namibia, Alaska, Panama, Brazil, Papua New Guinea and Malaysia.

Keith Piggott is the Chairman of the Board. Over the last 40 years, Mr. Piggott has started and operated numerous underground, open cut and beach sand mines in Zambia, Australia, and Mexico. In addition to producing copper, cobalt, rutile, zircon, tungsten and tin at various times, Mr. Piggott has spent the majority of his career producing gold and silver. He has undertaken exploration work in Australia, Papua New Guinea, Chile, the United States of America, and various regions of Central America. Mr. Piggott has a wealth of experience in Mexico which has come through operating a number of gold mines in the region for nearly 10 years. Mr. Piggott earned a Mining Engineering degree from the Camborne School of Mines in 1964.

Julian Kemp holds a B.B.A. degree from Wilfred Laurier University and obtained his Chartered Accountant designation in 1991. He is the Vice President of Finance and Chief Financial Officer of Fortune Minerals Limited. Prior thereto, he was Chief Financial Officer of St. Andrew Goldfields Ltd. and he has held senior management positions and directorships with other junior resource companies with international operations.

William Cavalluzzo holds a B.A. (Geography) degree from the Pennsylvania State University. He is currently Vice President of Investor Relations of Rubicon Minerals Corporation, a TSXV listed company, a position he has held since January 2001.

Donald Goldman has been active in the practice of law and has been involved in the syndication and development of real estate projects in both the United States and Canada. Mr. Goldman has been a consultant and advisor to several junior start-up companies in the pharmaceutical and mining industries, and has been instrumental in the raising of funds by way of private placement for several junior mining companies.

David Ingram has focused his business career on management strategy, business advice and investment in new ventures and start-ups in a variety of sectors, including technology, resources, services and real estate. Most of these enterprises have been developed, operated, and sold within the private sector. Apart from being the member of the Company's Board of Directors, Mr. Ingram also sits on the board of directors / advisory board of several private corporations. Prior to his involvement in the private sector, Mr. Ingram worked for several years

for the Canadian Government and the People's Bank, Sri Lanka. Mr. Ingram holds a B.Comm. from the University of Toronto and an M.B.A. from Harvard University.

James P. Boyle is the corporate secretary of the Company. Mr. Boyle founded Boyle & Co. LLP in 2003, where he practices exclusively in the area of securities law.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Except as disclosed below, to the knowledge of the Company, no director or executive officer of the Company:

(a) is, as at the date of this Annual Information Form, or was within 10 years before the date of this Annual Information Form, a director, chief executive officer or chief financial officer of any company (including Sierra), that:

- (i) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or
- (ii) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

For the purposes of subsection (a), "**order**" means

- (i) a cease trade order;
- (ii) an order similar to a cease trade order; or
- (iii) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days.

On April 4, 2007, a management cease trade order was issued against:

- Martin J. Walter, President, Chief Executive Officer and Director;
- Wayne Acton, Chief Financial Officer;
- Keith Piggott, Chairman of the Board of Directors;
- Julian Kemp, Director,
- William Cavalluzzo, Director;
- Donald Goldman, Director;
- David Ingram, Director;
- G. Michael Hobart, Secretary; and
- Warman Investments Pty. Ltd.

for the Company's failure to file its financial statements by the required filing date under applicable Canadian securities laws for the fiscal year ended December 31, 2006. The cease trade order was lifted on June 28, 2008. To the knowledge of the Company, no director or executive officer or a shareholder holding a sufficient number of securities of Sierra to affect materially the control of Sierra:

(b) is, as at the date of this Annual Information Form, or has been within the 10 years before the date of this Annual Information Form, a director or executive officer of any company (including Sierra) that:

- (i) while that person was acting in the that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (ii) become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

To the knowledge of the Company, no director or executive officer or a shareholder holding a sufficient number of securities of your company to affect materially the control of the Company:

(c) has been subject to:

- (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Board Committees

The Board has three standing committees: the audit committee (the "**Audit Committee**"), the compensation and governance committee (the "**Compensation and Governance Committee**"), and the strategic review committee (the "**Strategic Review Committee**"). Information with respect to the Audit Committee can be found in Item 14 of this Annual Information Form.

The Compensation and Governance Committee is comprised of Messrs. Cavalluzzo, Goldman and Ingram, with Mr. Goldman as Chair. The Compensation and Governance Committee is responsible for: establishing, administering and evaluating the compensation philosophy, policies and plans for non-employee directors and executive officers; and making recommendations to the Board regarding director and executive compensation and to review the performance and determine the compensation of the Chairman and Chief Executive Officer of the Company, based on criteria including the Company's performance and accomplishment of long-term strategic objectives.

The Strategic Review Committee is comprised of Messrs. Kemp, Goldman and Cavalluzzo, with Mr. Goldman as Chair. The Committee's purpose is to evaluate and make recommendations to the full Board of Directors on mergers and acquisition opportunities presented to the Company by various parties and opportunities identified internally by the Company's management. The committee's mandate is to identify, review and recommend opportunities that create superior shareholder value in relation to the Company's current operating plans and organic growth initiatives.

Conflicts of Interest

Certain of the directors of the Company also serve as directors of other companies involved in natural resource exploration and development and consequently there exists the possibility for such directors to be in a position of conflict. Specifically, the Chair of the Company, Keith Piggott, and Warman own or control Minera Secotec, which performs services for the Company and is compensated for such services by the Company. In addition, Secocon, a company owned by the ex-spouse of the Company Chair, has an agreement with the Company for Secocon to provide employees to operate the Cerro Colorado Gold Mine. In May 2008, all of the employees were transferred from Secocon to a new company, Pabelini, S.A. de C.V. ("Pabelini"), still owned by the ex-spouse of the Chairman. Effective June 1, 2008, Pabelini began operating in the same manner as Secocon with the same fee structure. The 5% administrative fee has been included in operating costs.

In addition to Pabelini, a number of expatriate workers including the Company's Chairman are employed by MINOP, S.A. de C.V. ("Minop"). Minop is a private company controlled by the stepson of the Chairman. Similar to Pabelini, Minop charges a service fee equal to 5% of the base salary paid to the employees. The 5% payment is meant to reimburse Minop for administrative costs incurred by the company in providing these services. Effective October 1, 2008, this fee was reduced to 3% of base salaries.

All related party transactions during each reporting period are detailed in the Company's Management Discussion & Analysis for the fiscal year ended December 31, 2008. Any decision made by such directors involving the Company will be made in accordance with the duties and obligations of directors to deal fairly and in good faith with the Company and such other companies.

In addition, such directors declare, and refrain from voting on, any matter in which such directors may have a conflict of interest.

ITEM 9 LEGAL PROCEEDINGS

The Company is not a party to any material legal proceedings and is not aware of any such proceedings known to be contemplated. The Company is not a party to (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority during the fiscal year ended December 31, 2008, (b) any penalties or sanctions imposed by a court or regulatory body; or (c) any settlement agreements entered into before a court relating to securities legislation or with a securities regulatory authority during the fiscal year ended December 31, 2008.

ITEM 10 INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as described below, in the three most recently completed financial years or the current financial year, no director, officer, insider or associate or affiliate of any director, officer or insider of the Company had or is expected to have any material direct or indirect transactions with the Company that materially affected or would materially affect the Company. All related party transactions are detailed in the Company's Management Discussion & Analysis for the fiscal year ended December 31, 2008.

All related party amounts in this section are expressed in United States dollars unless otherwise stated.

i) Together, the Chair of the Board, Keith Piggott, and Warman own or control Minera Secotec. Prior to the completion of the Acquisition, the owners of Minera Secotec incorporated Granmin Malaysia and its subsidiary Granmin Mexico. Granmin Mexico purchased the Cerro Colorado Mine division from Minera Secotec on June 30, 2007. Mr. Piggott and Warman, upon closing of the Acquisition, pursuant to their shareholdings in Granmin Malaysia, each acquired control or direction in excess of 10% of the issued and outstanding common shares of Sierra. Mr. Piggott was appointed a director and Chair of the Board at the annual and special meeting of shareholders on August 24, 2006.

ii) As at December 31, 2008 the Company owed Secotec \$438,024 (December 31, 2007 - \$582,403) for services provided and materials and supplies that Secotec obtained on behalf of Granmin Mexico. During the year ended December 31, 2008, Secotec invoiced the Company a total of \$74,879 (December 31, 2007 - \$546,207) and Granmin Mexico made payments to Secotec of \$77,790 (December 31, 2007 - \$678,265). The resulting liability to Secotec has been included under the caption "Due to related party".

iii) Due to the particulars of Mexican law, it is common for operating companies to employ their workers through a management type company. Up to May 2008, the employees of Granmin Mexico were employed by ("Secocon"), a company owned by the ex-spouse of the Chairman. Under an agreement between Granmin Mexico and Secocon, Secocon would pay all of the Cerro Colorado mine employees and Granmin Mexico administrative personnel and would be reimbursed by Granmin Mexico. Secocon charged a fee equal to 5% of the base salaries of the employees, before additions for statutory remittances. This fee was meant to reimburse Secocon for its office costs and administrative overhead costs incurred in managing the payroll, calculating and making all required remittances to the Mexican government in association with the payroll, compensation received by such employees. The excess of this fee over these administrative costs provided for a small profit margin.

During May 2008, all of the employees were transferred from Secocon to a new company, Pabelini, S.A. de C.V. ("Pabelini"), still owned by the ex-spouse of the Chairman. Effective June 1, 2008, Pabelini began operating in the same manner as Secocon with the same fee structure. The 5% administrative fee has been included in operating costs. As at December 31, 2008, amounts owing to Pabelini totalled \$18,053 (2007 - \$116,481).

iv) In addition to Pabelini, a number of expatriate workers including the Company's Chairman are employed by Minop. Minop is a private company controlled by the step-son of the Chairman. Similar to Pabelini, Minop charges a service fee equal to 5% of the base salary paid to the employees. The 5% payment is meant to reimburse Minop for administrative costs incurred by the company in providing these services. Effective October 1, 2008, this fee was reduced to 3% of base salaries. For the year ended December 31, 2008, the Chairman was

paid \$54,000 for services rendered. As at December 31, 2008 a balance of \$49,829 was outstanding to Minop (December 31, 2007 - \$51,415).

v) Laramide Resources Inc. ("Laramide") formerly had an agreement with Sierra to receive a royalty on net smelter returns ("NSR") of 2.5% through its Mexican subsidiary, Cerro Dorado S.A. de C.V. ("Cerro Dorado") until it transferred Cerro Dorado and the NSR to Treasury Metals Incorporated ("Treasury"). During the year Granmin Mexico paid \$95,413 for withholding taxes on behalf of Cerro Dorado, of which Laramide reimbursed the Company for \$37,246 in March 2008 while it still held the asset. At December 31, 2008, Sierra reported a receivable from Treasury of \$37,840 in respect of tax withholdings and allowable refining and other costs as per the royalty agreement.

vi) The Company entered into a 20 year lease agreement with the owner of a near by water well for exclusive rights to use water from the well in the operations of the Cerro Colorado mine. The water well is owned by the step-son of the Company's Chairman. No rental fees are charged or payable under this agreement. Upon expiry of the lease, ownership and all rights of use relating to the well revert back to the step-son. Fees payable to the Mexican government based on water consumption are solely the responsibility of the Company during the term of the lease.

vii) Group Resources Inc. ("Goldgroup"), a private company exploring for gold in northern Mexico shares two directors in common with Sierra and is run by the Chair of Sierra. During the period ended September 30, 2007, a supplier common to both companies, charged Granmin Mexico \$51,091 for goods and services belonging to Gold Group. A credit note was subsequently issued by the supplier and together with purchases subsequently made by Granmin Mexico. No amount is owing from the supplier.

viii) During the year ended December 31, 2008, a director of the Company exercised stock options to purchase 29,950 common shares of the Company at C\$0.15 per share for gross proceeds of C\$4,493 (\$3,654).

ix) During the year, the Company granted options to officers and a director of the Company to purchase up to 1,000,000 common shares of the Company at a price of C\$0.10 per share for a period of five years. The options vest over a six-month period.

Transactions referenced in the notes to the audited consolidated financial statements for the year ended December 31, 2008:

Transaction	Related Party	Note Reference
Warman I Loan	Warman Investments Pty. Ltd.	Note 9
Warman II Loan	Warman Investments Pty. Ltd.	Note 9
Piggott Loan	Keith Piggott	Note 9
Shares issued for debt	Martin Walter	Note 12(b)
Sierra costs paid by Aquiline	Martin Walter and Aquiline Resources Inc.	Note 8 (i)
Fees charged by officer's of the Company	Martin Walter and Ironbark International Ltd.	Note 8 (ii)
Legal fees charged to Sierra	Michael Hobart and Fogler, Rubinoff LLP	Note 8 (iii)
Legal fees charged to Sierra	James Boyle and Boyle & Co. LLP	Note 8 (v)

All of the above transactions with related parties have occurred in the normal course of operations and are measured at the exchange amounts, which are the amounts of consideration established and agreed to by the related parties. Unless specifically noted as being included in "Due to related party" or "Loans payable", all liabilities to related parties are included in "Accounts payable and accrued liabilities".

Accounts payable and accrued liabilities with related parties consist of the following:

As at December 31, 2008	2008	2007
	\$	\$
Aquiline Resources Inc. (i)	132,089	128,410
Martin Walter (ii)	-	128,256
Directors' fees payable	93,092	60,723
Fogler, Rubinoff LLP (iii)	59,787	53,662
Wayne Acton (iv)	40,000	51,518
Boyle & Co. LLP (v)	13,900	-

(i) The former President, Director and CEO of the Company is also an officer and director of Aquiline Resources Inc. ("Aquiline"). Up to June 30, 2008, the Company shared office premises with Aquiline and Aquiline provided administrative services to the Company by way of an undocumented agreement to share certain expenses. At December 31, 2008, the Company has recorded \$132,089 owing to Aquiline (December 31, 2007 - \$128,410). Subsequent to year end, Sierra paid Aquiline CAD\$75,727 in respect of this payable.

(ii) During the year ended December 31, 2008, the Company issued 541,457 common shares to Mr. Martin Walter, former President and Chief Executive Officer and Director of the Company, at a deemed price of CAD\$0.35 per share in settlement of CAD\$189,510 (\$183,314) owing to Mr. Walter. Included in this amount was CAD\$67,500 (\$65,293) pursuant to a separation agreement dated June 27, 2008. Mr. Walter billed Sierra for his fees through a company of which he was a director (Ironbark International Ltd.) and held an interest.

(iii) The Corporate Secretary of the Company, up to September 4, 2008, is a partner with Fogler, Rubinoff LLP ("Foglers"). During the year ended December 31, 2008, Foglers charged \$54,875 (December 31, 2007 - \$77,719) for legal counsel rendered. As at December 31, 2008, the Company owed \$59,787 (2007 - \$53,662) to Foglers, in respect of work performed by the Corporate Secretary. This account was paid in full subsequent to December 31, 2008.

(iv) This amount relates to fees owing to Mr. Wayne Acton, incurred in his capacity as the former Chief Financial Officer of the Company. This amount was paid subsequent to December 31, 2008.

(v) The new Corporate Secretary of the Company, effective September 4, 2008, is a partner with Boyle & Co. LLP ("BoyleCo"). During the year ended December 31, 2008, BoyleCo charged \$57,427 (December 31, 2007 - \$nil) for legal counsel rendered. As at December 31, 2008, the Company owed \$13,900 to BoyleCo. This account was paid in full subsequent to December 31, 2008.

ITEM 11 TRANSFER AGENT AND REGISTRAR

The Company's transfer agent and registrar is:

Computershare Investor Services Inc.
 1500 University Street, 7th Floor
 Montreal Quebec H3A 3S8
 Tel: 514 982 7888
 Fax: 514 982 7635

Transfers may be affected in the City of Montreal, Quebec and Toronto, Ontario, and registration facilities are maintained in the City of Montreal, Quebec.

ITEM 12 MATERIAL CONTRACTS

The Company is not a party to any material contracts entered into within the most recently completed financial year, or before the most recently completed financial year, but that are still in effect, other than those contracts entered into in the ordinary course of business.*

*material contracts entered into in the ordinary course of business exclude material contracts entered into in the ordinary course of business that are any of the following:

- (a) a contract to which directors, officers, or promoters are parties other than a contract of employment;
- (b) a continuing contract to sell the majority of the reporting issuer's products or services or to purchase the majority of the reporting issuer's requirements of goods, services, or raw materials;
- (c) a franchise or licence or other agreement to use a patent, formula, trade secret, process or trade name;
- (d) a financing or credit agreement with terms that have a direct correlation with anticipated cash distributions;
- (e) an external management or external administration agreement; or
- (f) a contract on which the reporting issuer's business is substantially dependent.

ITEM 13 INTERESTS OF EXPERTS

Name of Experts

The audited consolidated financial statements of the Company for the period ended December 31, 2007 has been audited by BDO Dunwoody LLP, Chartered Accountants, of 200 Bay Street, 33rd Floor, Royal Bank Plaza, Toronto, Ontario M5J 2J8.

The Cerro Colorado Mine Technical Report was prepared by Kappes, Cassidy & Associates, with Clarence J. Wendt, P. Geo. as the responsible "qualified person" under NI 43-101.

Interests of Experts

As at March 31, 2009, BDO Dunwoody LLP, Kappes, Cassidy & Associates and Clarence J. Wendt did not own, beneficially, directly or indirectly, any securities of the Company.

ITEM 14 AUDIT COMMITTEE

The Audit Committee is responsible for the Company's financial reporting process and the quality of its financial reporting. The Audit Committee is charged with the mandate of providing independent review and oversight of the Company's financial reporting process, the system of internal control and management of financial risks, and the audit process, including the selection, oversight and compensation of the Company's external auditors. The Audit Committee also assists the Board in fulfilling its responsibilities in reviewing the Company's process for monitoring compliance with laws and regulations and its own code of business conduct. In performing its duties, the Audit Committee maintains effective working relationships with the Board, management, and the external auditors and monitors the independence of those auditors. The Audit Committee is also responsible for reviewing the Company's financial strategies, its financing plans and its use of the equity and debt markets.

The full text of the Charter of the Audit Committee is included as Schedule "B" to this Annual Information Form.

Composition of the Audit Committee

The Audit Committee of Sierra is comprised of the following members of the Board:

Name	Corporate Position	Independent	Financial Literacy
Julian Kemp	Director	Yes	Yes
David Ingram	Director	Yes	Yes
William Cavalluzzo	Director	Yes	Yes

The following table describes the education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member:

Name of Audit Committee Member Relevant Experience and Qualifications

Julian Kemp	Julian Kemp holds a B.B.A. degree from Wilfred Laurier University and obtained his Chartered Accountant designation in 1991. He is the Vice President Finance and Chief Financial Officer of Fortune Minerals Limited. Prior thereto, he was the Chief Financial Officer of St. Andrew Goldfields Ltd. and has held senior management positions and directorships with other junior resource companies with international operations.
David Ingram	David Ingram's business career has focused on management strategy, business advice and investment in new ventures and start-ups, in a variety of sectors, including technology, resources, services and real estate. Most of these enterprises have been developed, operated, and sold within the private sector. Mr. Ingram sits on the board of directors/advisory board of several private corporations, as well as two public corporations: the Company and Amicus Capital Corp., a capital pool corporation. Prior to his involvement in the private sector, and since graduating from University, Mr. Ingram worked for several years for the Canadian Government and the People's Bank, Sri Lanka. Mr. Ingram graduated from University of Toronto with a Bachelor of Commerce in 1962 and with a Master of Business Administration from Harvard University in 1966.
William Cavalluzzo	William Cavalluzzo holds a B.A. (Geography) degree from the Pennsylvania State University (1969). He is currently Vice-President, Investor Relations of Rubicon Minerals Corporation, a TSX listed company, a position he has held since January 2001.

External Auditor Service Fees

Expressed in C\$	2008 Fee Amount	2007 Fee Amount
Audit Fees	\$ 60,000	\$ 90,824
Audit Related Fees	\$ 24,800	\$ 44,386
Tax Fees	Nil	Nil
All Other Fees	Nil ⁽¹⁾	Nil ⁽²⁾
Total:	\$ 84,800	\$135,210

Notes:

⁽¹⁾ Granmin Mexico paid BDO Mexico US\$35,000 in respect of audit fees for the fiscal year ended December 31, 2008.

⁽²⁾ Granmin Mexico paid BDO Mexico US\$31,970 in respect of audit fees for the fiscal year ended December 31, 2007.

ITEM 15 ADDITIONAL INFORMATION

Financial information about the Company is contained in its comparative financial statements and Management's Discussion & Analysis for the fiscal years ended December 31, 2008 and 2007, and additional information relating to the Company is available on SEDAR, under the Company's name, at www.sedar.com as well as from the Company's website at www.sierraminerals.ca.

Additional information, including directors' and officers' remuneration and indebtedness, the principal holders of the Company's securities authorized for issuance under equity compensation plans, where applicable, is contained in the Company's Management Information Circular expected to be filed on SEDAR in April 2009 in connection with its annual meeting of shareholders to be held in June 2009.

SCHEDULE "A"

Summary of the Cerro Colorado Technical Report

1.0 EXECUTIVE SUMMARY

Minera Secotec S.A. de C.V. (MS) engaged Kappes, Cassidy & Associates (KCA) to prepare a Technical Report under the CSA Standard 43-101 rules of the Cerro Colorado gold resource in Sonora, Mexico. KCA's assignment was to review existing data on the property, assure its technical correctness, and compile the information into a single document to confirm to CSA Standard 43-101.

The evaluation consisted of a site visit to the property in Sonora, Mexico during November 17- 22, 2003 and a review of the data in the Minera Secotec S.A. de C.V. office at the Cerro Colorado Mine site in Sonora, Mexico.

The data supplied to KCA consisted of reports from the following sources:

- A 1972-73 report by Contratista Tormex
- A 1985 report from a joint venture between Papanton Minas S.A. de C.V. and BP Minerals International Ltd. (Kennecott)
- A 1990 report from a joint venture between Coromex Syndicate, Hecla, Outokumpu and Placer-Dome
- A 1991 report by Compañía Fresnillo, S.A. de C.V.
- A 1997 report by Laramide Resources

Data reviewed included surface and underground plan maps and cross sections prepared by Contratista Tormex and Compañía Fresnillo.

The Cerro Colorado Project encompasses a historic gold mining district in northern Sonora, Mexico. Past production from underground and placer work is estimated at 50,000 ounces of gold. The project consists of six contiguous mining titles covering approximately 2,874 hectares.

Previous exploration work in the area has been conducted by Papanton Minas S.A. de C.V., BP Minerals International, Ltd. (Kennecott), Contratista Tormex (Tormex), Compañía Fresnillo S.A. de C.V. (a major Mexican mining company) and Coromex (a Hecla, Outokumpu and Placer-Dome joint venture). The work by Papanton-BP Minerals included surface mapping, geologic studies, mineralogical examinations, geochemical surveys and the drilling of 23 holes totaling approximately 4,000 meters. The work completed by Laramide Resources consisted of geologic mapping, geochemical rock and soil surveys, both surface and underground sampling, and drilling 162 holes totaling 14,565 meters. The work by Laramide defined a resource of 181,140 ounces of gold and indicated areas for further exploration.

None of the historic resource estimates conform to modern 43-101 standards and will need to be confirmed with appropriate confirmation drilling. The author of this report mentions the historic resource estimates for historical reference only and because the author did not perform the resource estimates, the author does not infer or assert that the resource estimates were performed under current NI 43-101 guidelines, or that the historical gold resource estimates are reliable or accurate.

The exposed geology in the area consists of a Precambrian metamorphic basement gneiss unconformably overlain by a younger Precambrian sequence of carbonate rocks with lesser beds of quartz arenite and shale. This entire sequence has been intruded by the Cerro Colorado rhyolite of Tertiary age. The sedimentary rocks strike north-south and dip 60-65 degrees to the west. This sedimentary sequence is composed principally of a dark gray crystalline limestone which outcrops to the north, south and west of the area.

The metamorphic rocks in the project area are mainly intermediate colored biotite gneiss, containing approximately equal amounts of light and dark minerals. Individual quartz, feldspar, biotite and ferromagnesium minerals can be seen with the aid of a hand lens.

A fine-grained to near aphanitic light buff-colored rhyolite plug intrudes the entire sequence. This rhyolite contains the occasional quartz eye and altered feldspars and is of Tertiary age. The rock is generally well silicified and locally hard and dense.

Large blocks of faulted limestones form low hills and are structurally similar to those found in the Basin and Range Province of the western United States. Acidic volcanics were extruded/intruded into this section. Structurally the La Cienega Fault is an important economic feature as several targets have been developed adjacent to this structure. This fault is also the site of a series of collapsed breccias which have been mineralized and lie adjacent to the underlying intrusive.

SCHEDULE "B"

The Audit Committee's Charter

1. Overall Purpose / Objectives

To the extent considered appropriate by the audit committee (the "**Committee**") of the Board of Directors (the "**Directors**") and as required by regulation or law (specifically National Instrument 52-110 Audit Committees), the Committee will review and oversee:

- the financial reporting process of Sierra Minerals Inc ("**Sierra**");
- the system of internal controls, management of the financial risks of Sierra and compliance with legal, ethical and regulatory requirements; and
- the audit process of the financial information of Sierra.

2. Authority

The Committee shall have the authority to:

- communicate directly with the external auditor of Sierra (the "**auditor**") and require that the auditor reports directly to the Committee;
- engage independent counsel and other advisors as the Committee determines necessary to carry out its duties;
- set and pay the compensation for any advisors including the auditor employed by the Committee;
- investigate possible violations and if required discipline violators of the Code of Business Conduct and Ethics

The Committee shall have unrestricted and unfettered access to all personnel and documents of Sierra and shall be provided with the resources necessary to fulfill its responsibilities.

The Directors authorize the chair of the Committee (the "**Chair**") to approve any non-audit or additional audit services which the Chair considers necessary or desirable and to notify the other members of the Committee.

3. Membership and Organization

The Committee will be comprised of at least three members all of whom are independent and financially literate. The members of the Committee shall be appointed by the Directors to serve one year terms and are permitted to serve an unlimited number of consecutive terms. The Chair will be nominated by the Committee from time to time.

A quorum for any meeting of the Committee will be a majority of the then members of the Committee. The secretary of the Committee will be the secretary of Sierra or a person designated by the Committee. Minutes should be kept in respect of the proceedings of all meetings of the Committee.

The Committee will meet as considered appropriate or desirable by the Committee. The Committee may invite such persons to meetings of the Committee as the Committee considers appropriate, and in particular may invite the auditor to be present at any meeting of the Committee and to comment on any financial statements, or on any of the financial aspects, of Sierra.

4. Roles and Responsibilities

To the extent appropriate or required by applicable law or regulation, the Committee shall:

a) with respect to the audit process:

- recommend to the Directors the auditor to be nominated for the purpose of preparing or issuing an auditor's report on the annual financial statements of Sierra or performing other audit, review or attest services. The Committee will consider the independence of the auditor and review the range of advisory services provided

- recommend the compensation to be paid to the auditor and review the performance of the auditor;
- review the proposed audit scope and approach of the auditor and ensure no unjustifiable restriction or limitations have been placed on the scope of the audit;
- meet with management and the auditor to review the annual financial statements of Sierra and the results of the audit thereof;
- be responsible for overseeing the work of the auditor including:
 - review of judgmental areas (e.g. valuation of the assets and liabilities and other commitments and contingencies of Sierra);
 - review of audit issues related to the material associated and affiliated entities of Sierra;
 - the resolution of disagreements between management and the auditor regarding any financial reporting matter;
 - pre-approve all non-audit services to be provided to Sierra or any subsidiary entities thereof by the auditor
 - review and approve the issuer's hiring policies regarding partners, employees and former partners and employees of the present and former auditor

b) with respect to the review of internal controls and management of the financial risks

- review the significant business, financial, and control risks to Sierra and assess whether management of Sierra is managing these risks effectively;
- review Sierra's procedures and satisfy itself as to the soundness of the system of internal controls to safeguard shareholder's investment and determine
- if internal control recommendations made by the auditor have been implemented by management;

c) with respect to the review of the financial reporting process

- review and be satisfied as to the integrity of financial and accounting controls and reporting processes
- ensure that appropriate procedures are in place for the review of the public disclosure of Sierra of financial information extracted or derived from the financial statements and MD&A of Sierra and periodically assess the adequacy of those procedures
- review the financial statements of Sierra, MD&A and any annual and interim earnings press releases of Sierra before Sierra publicly discloses such information and consider:
 - the fairness of the financial statements and financial disclosure
 - if generally accepted accounting principles have been consistently applied
 - if any changes in accounting or financial reporting practices are required
 - if disclosure is adequate in particular regarding (1) significant or unusual events or transactions (2) the purpose of related party transactions, (3) the quality of the MD&A and breadth and depth of analysis
- review any legal matters which could significantly impact the financial statements of Sierra as reported on by counsel and meet with counsel to Sierra whenever deemed appropriate;
- institute special investigations and, if appropriate, hire special counsel or experts to assist in such special investigations;

d) with respect to the monitoring of ethical and legal compliance

- review Sierra's compliance procedures with the Exchange and relevant securities Acts
- review, update and enforce the Code of Business Conduct and satisfy itself as to a culture of integrity
- ensure procedures exist for the receipt, retention and treatment of complaints received by Sierra regarding accounting, internal accounting controls, or auditing matters; and the confidential, anonymous submission by employees of Sierra of concerns regarding questionable accounting or auditing matters.