

Sierra Iron Ore Corporation
Management Discussion and Analysis (“MD&A”)
Three Month Period Ended December 31, 2015

The effective date of this report is February 25, 2016.

Management Discussion & Analysis

Management’s discussion and analysis (“MD&A”) provides a detailed analysis of the results and financial condition of Sierra Iron Ore Corporation (the “Company” or “Sierra”) for the period ended December 31, 2015. The following MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements for the periods ended December 31, 2015 and 2014, which have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting.

The reader should also refer to the audited consolidated financial statements for the year ended September 30, 2015, which were prepared in accordance with IFRS.

The condensed consolidated interim financial statements were prepared in accordance with IFRS with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The operations of the Company were primarily funded by the issue of share capital.

The continued operations of the Company are dependent on its ability to develop a sufficient financing plan, receive continued financial support from related parties, complete sufficient public equity financing, or generate profitable operations in the future. The condensed consolidated interim financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue business.

The Company’s continuing operations are dependent upon its ability to identify, evaluate and negotiate an agreement to acquire an interest in a material asset or business. Any acquisition or investment proposed by the Company will be subject to regulatory approval.

News releases and previous filings may be found on SEDAR at www.SEDAR.com.

The Company’s management is responsible for presentation and preparation of the financial statements and the MD&A.

Description of Business

Sierra Iron Ore Corporation (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on July 20, 2009 and is publicly listed and traded on the TSX Venture Exchange (“TSX-V”). The Company is currently engaged in the identification, acquisition and exploration of prospective precious metal properties in Canada. The Company’s head office address is 13236 Cliffstone Court, Lake Country, British Columbia, V4V 2R1, Canada. The Company’s registered and records office is located at 1400 – 1125 Howe Street, Vancouver, British Columbia, V6Z 2K8, Canada.

Forward Looking Statements

Certain information within the meaning of applicable Canadian securities laws. Such forward-looking information may include, but is not limited to, information which reflect management’s expectations regarding the Company’s future growth, results of operations (including, without limitation to future production and capital expenditures), performance (both operational and financial) and business prospects (including the timing and development of new deposits and the success of exploration activities) and opportunities. Often, this information includes words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate” or “believes” or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved.

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In making and providing the forward-looking information included in this MD&A the Company’s assumptions may include among other things: (i) assumptions about the price of base metals; (ii) that there are no material delays in the optimization of operations at the exploration and evaluation assets; (iii) assumptions about operating costs and expenditures; (iv) assumptions about future production and recovery; (v) that there is no unanticipated fluctuation in foreign exchange rates; and (vi) that there is no material deterioration in general economic conditions. Although management believes that the assumptions made and the expectations represented by such information are reasonable, there can be no assurance that the forward-looking information will prove to be accurate. By its nature, forward-looking information is based on assumptions and involves known and unknown risks, uncertainties and other factors that may cause the Company’s actual results, performance or achievements, or results, to be materially different from future results, performance or achievements expressed or implied by such forward-looking information. Such risks, uncertainties and other factors include among other things the following: (i) decreases in the price of base metals; (ii) the risk that the Company will continue to have negative operating cash flow; (iii) the risk that additional financing will not be obtained as and when required; (iv) material increases in operating costs; (v) adverse fluctuations in foreign exchange rates; and (vi) environmental risks and changes in environmental legislation.

This MD&A (See “Financial Instruments and Risk Management”) contains information on risks, uncertainties and other factors relating to the forward-looking information. Although the Company has attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward-looking information, there may be other factors that cause actual results, performances, achievements or events not to be anticipated, estimated or intended. Also, many of the factors are beyond the Company’s control. Accordingly, readers should not place undue reliance on forward-looking information. The Company undertakes no obligation to reissue or update forward looking information as a result of new information or events after the date of this MD&A except as may be required by law. All forward-looking information disclosed in this document is qualified by this cautionary statement.

Overall Performance

- The Company’s loss for the period ended December 31, 2015 was \$296,580.
- Working capital deficit was \$1,078,262 at December 31, 2015.

Mineral Properties

Iron Ore Property, Emo, Ontario

The Company entered into a series of agreements, the last of which was finalized during the period ended December 31, 2015, to acquire the right to earn up to a 92% interest in the iron mineralization on the Emerald Lake Property located north of the town of Emo, Ontario.

Pursuant to the agreements, the Company paid \$65,000 in fiscal 2014 and issued 2,865,625 common shares valued at \$386,859 in fiscal 2015. In order to complete the acquisition of an initial 60% interest, the Company is required to pay four additional installments of \$50,000 each commencing April 15, 2016 and continuing every six months to October 17, 2017, plus additional finder’s fees of 115,475 common shares, which were issued during the period ended December 31, 2015 and valued at \$46,190 and an additional 6,392,000 common shares on the earlier of a positive feasibility or the commencement of commercial production. The Company is also required to incur exploration expenditures of \$1,500,000 by October 15, 2017. The Company has the option to acquire an additional 32% interest in the iron ore mineralization present on the property at fair market value, plus the right of first refusal on future properties acquired by the vendor.

Farm Property, Emo, Ontario

The Company entered into a series of agreements, the last of which was finalized during the period ended December 31, 2015, to acquire the right to earn up to a 92% interest in Iron Property located in Emo, Ontario.

Pursuant to the agreements, the Company paid \$250,000 in fiscal 2015. In order to complete the acquisition of an initial 50% interest, the Company is required to pay \$10,000 within five days of regulatory approval and an additional \$250,000

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within 18 months of regulatory approval. The Company is also required to incur exploration expenditures of \$2,000,000 within the 36-month period following the date of the agreement (by October 22, 2018).

Provided the Company completes the requirements to complete the purchase of 50% of the property, for a period of 2-years from the date of earning the Company will have a right of first refusal to purchase an additional 42% interest in the property by issuing common shares that equal 42% of the then fair market value of the property. The property is subject to a 3% NSR.

This acquisition remains subject to regulatory approval.

The property consists primarily of an approximately kilometre long segment of a linear tabular body existing along a strike length of approximately 31 kilometres. The area has been shown by detail ground magnetics to possess width regularity and the mineralized zone is hosted by clastic sediments, representing a portion of the Richardson trough. An anticlinal fold has been decapitated by erosion so as to expose an underlying noritic (lacomorphic) layered complex. Thermal effects attributed to the emplacement of the complex, have yet to be determined. The presence of nearby outcropping of bedrock suggests the presence of variable to manageable thicknesses of overburden.

In June 2015, the Company announced positive results from a geochemical survey conducted on its Emo, Ontario optioned claims. In addition to defining a drill target for gold, targets were located for other metals, including Ni -Cu-PGMs were identified. Significantly all targets align along the apparently same NNE- SSW trend. Additional anomalies will require and expanded geochemical survey to enhance refinement.

In June 2015, the Company announced that it was analyzing its geochemical results for the purpose of confirming suggested mineralization trends. This analysis will assist in the prioritization of its identified anomalies in preparation for planned Q3 diamond drilling. The Company has solicited tenders for diamond drilling of previously unidentified anomalies located on its optioned ground in western Ontario. The Ni- Cu – PGM anomalies appear to be supplemented by Fe (magnetite) +Au. Sierra fully expects the drilling to commence in Q3.

On July 22, 2015, the Company announced it had received competitive bids from a number of drilling contractors for the drilling program. The bids are being currently being reviewed with the successful bid being awarded at a later date for an August start.

Allen Property, Emo, Ontario

The Company entered into a series of agreements, the last of which was finalized during the period ended December 31, 2015, to acquire the right to earn up to a 51% interest in the Allen Property located in Emo, Ontario.

Pursuant to the agreements, the Company paid \$100,000 in fiscal 2015. In order to complete the acquisition of an initial 15% interest, the Company is required to pay \$10,000 upon regulatory approval, \$500,000 within 8 months of regulatory approval, \$1,500,000 within 12 months of regulatory approval and issue 3,500,000 common shares over a period of 15 months after regulatory approval. The Company is also required to incur exploration expenditures of \$1,500,000 within 24 months following regulatory approval. The Company has the option to acquire an additional 36% interest in the property at fair market value, plus the right of first refusal on future properties acquired by the vendor.

This acquisition remains subject to regulatory approval.

The Allen Property contains polymetallic Ni – Cu – Co sulphides hosted by basic norites presumed to be the basal layer of a phased layered (lacomorphic) Complex referred to as the Emo Complex. The sulphides describe massive, parallel trending lenses (also referred to as shoots) with historic drilling indicates widths of 14 feet to 40 feet. These widths may be significantly greater but must be tested.

Mr. Frank Puskas, P. Eng., a Qualified Person (QP) as defined by National Instrument 43-101, is responsible for the technical information contained in this MD&A relating to the Ontario Properties.

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Tom Cat Claims, British Columbia

The Company owns a 100% interest in certain mining claims, known as the Tom Cat Claims, located in the Nicloa Mining District, British Columbia. The claims are subject to a 2% Net Smelter Royalty (“NSR”), of which 1% may be purchased for \$2,000,000 for five years from the start of commercial production.

The Tom Cat property is located 200 kilometers east-northeast of Vancouver within the historic Aspen Grove copper camp and shares a property boundary with the Big Kidd property that was recently optioned by Extrata and currently under exploration. The region is well known to host some of the world's significant copper resources, including those at Copper Mountain and at the Highland Valley.

In October 2012, the Company announced the commencement of an exploration program of geological mapping and sampling program as a prelude to a planned diamond drill program on the property.

In December 2012, the Company staked additional mineral claims adjacent to the Tom Cat property and, with the addition of the newly staked claims, the Tom Cat property is now comprised of ten contiguous mineral claims covering an area of 4013 hectares.

The Aspen Grove area was recognized for its potential in developing economic mineral deposits since the initial discovery of copper mineralization in in the late 1880's. The recognition was later progressively justified with the perseverance of exploration to the development of productive mineral resources at the recently reactivated Copper Mountain mine 50 kilometres to the south and the world class Highland Valley mine 80 kilometres to the north, in addition to other producers, past producers and pending producers within this prime geological porphyry belt. The ground covered by the property has been explored by prospecting and trenching since 1906 resulting in the discovery of nine documented mineral prospects and/or showings. Continued exploration on the Tom Cat showing resulted in a 1965 Pyramid Mining drill intersection of 45.7 meters of 0.32% copper. In 2006 & 2007 exploration by Bold Ventures resulted in the delineation of variable chargeability IP drill targets followed by a the diamond drilling on the Tom Cat showing which confirmed the historic result in the intersection of 4.4 metres of 0.54% copper in a 40 metre section of mineralization. In one of the nine holes drilled a - 50° drill hole (K07-05) 650 metres north of the Tom Cat was terminated in progressively altered volcanics indicating a potential intrusive contact.

The degree of mineralization and potential for a copper mineral zones is indicated on the properties adjacent to the Property.

To the north, Minfile records report an an inferred 1.8 million tonnes of 1.00% copper on the Paycinci developed prospect and a drill indicated 54,000 tonnes of 0.876% copper on the Cincinnatti. To the south at the Par prospect, Minfile records report a historical noncompliant assay from a trench over various samples taken on 116 meters averaged 0.64% copper.

(NOTE: Historic records cannot be relied upon unless verified in accordance with NI 43-101.)

Laurence Sookocoff, P Eng, a Qualified Person (QP) as defined by National Instrument 43-101, is responsible for the technical information contained in this MD&A relating to the Tom Cat property.

Liquidity, Capital Resources and Capital Expenditures

The continued operations of the Company are dependent on its ability to develop a sufficient financing plan, receive continued financial support from related parties, complete sufficient public equity financing, or generate profitable operations in the future.

The Company's continuing operations are dependent upon its ability to identify, evaluate and negotiate an agreement to acquire an interest in a material asset or business.

The Company will take appropriate measures to raise the necessary funding through private placements, exercising of stock options, warrants and/or credit facilities to address its liabilities and to continue operations.

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At December 31, 2015, the Company’s working capital (deficit), defined as current assets less current liabilities, was \$(1,078,262) down from \$(942,302) at September 30, 2015, primarily due to settlement of accounts payable.

During the period from October 1, 2015 to February 25, 2016, the Company:

- i) closed a debt settlement and issued 334,000 common shares to creditors to settle debts aggregating \$167,000.
- ii) issued 166,667 common shares pursuant to exercise of warrants for gross proceeds of \$66,667.
- iii) issued 666,667 common shares pursuant to exercise of warrants for gross proceeds of \$266,667.
- iv) issued 33,333 common shares pursuant to exercise of warrants for gross proceeds of \$13,333.
- v) closed a non-brokered private placement and issued 400,000 units for net proceeds of \$160,000. Each unit consists of one common share, issued at \$0.40 per share, and on-half common share purchase warrant. Each warrant may be exercised by the holder to purchase an additional common share at a price of \$.055 on or before December 22, 2017.
- vi) issued 115,475 shares at a value of \$46,190 as the balance due for the finder’s fee payable on the acquisition of the Emerald Lake property.
- vii) closed a debt settlement and issued 745,620 common shares to creditors to settle debts aggregating \$298,248.

The Company’s cash is mainly in Canadian dollars. The Company is subject to only minor exchange rate fluctuations relative to the reporting currency.

The Company has not made any commitments for capital expenditures, for exploration and development expenses, or for mineral property option payments.

The Company has not made any arrangements for sources of financing that remain undrawn.

Contractual Obligations

The Company has no long-term debt outstanding or contractual obligations other than those contained in option agreements respecting its mineral properties.

Summary of Quarterly Results

The table below provides, for each of the quarters since incorporation, a summary of both property acquisition and exploration costs on a project-by-project basis, and of corporate expenses.

	Loss per quarter	Fully diluted loss per share	Interest income	Property costs – Tom Cat claims	Property costs - Emerald Lake	Property costs EI Creston
Jan. 1, 2014 –Mar. 31, 2014	(229,853)	0.01	-	3,000	-	87,743
Apr.1, 2014 – Jun. 30, 2014	(210,898)	0.01	-	-	5,000	96,136
Jul.1, 2014 – Sept. 30, 2014 (i)	(5,866,598)	0.26	-	24,000	60,000	50,566
Oct. 1, 2014 – Dec. 31, 2014	(238,541)	0.01	-	-	4,500	-
Jan. 1, 2015 – Mar. 31, 2015	(209,943)	0.01	-	-	-	-
Apr. 1, 2015 – Jun. 30, 2015	(174,919)	0.01	-	-	8,800	-
Jul.1, 2015 – Sept. 30, 2015 (ii)	(870,390)	0.03	-	20,841	149,094	-
Oct. 1, 2015 –Dec. 31, 2015	(296,580)	0.01	-	41,353	192,494	-

(i) Includes the write off of EI Creston property and equipment of \$5,536,567.

(ii) Include share based compensation expense of \$412,724 and write off of due from related party of \$194,793.

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Three Months Ended December 31, 2015

Net loss and comprehensive loss for the period ended December 31, 2015 was \$296,580 compared to \$238,541 for the period ended December 31, 2014. During the period ended December 31, 2015:

- i) Consulting fees increased to \$50,768 (2014 - \$47,713) due to increased usage of consulting services during the current period.
- ii) General, rent, and administrative decreased to \$13,386 (2014 - \$17,530) due to a decrease of administrative activities during the current period.
- iii) Office and miscellaneous increased to \$101,776 (2014 - \$48,958) due to increased overall activities in the current period.
- iv) Professional fees increased to \$92,333 (2014 - \$62,402) due to increased overall activities in the current period.
- v) Regulatory fees decreased to \$1,767 (2014 - \$3,083) due to a decrease filing activities in the current period.
- vi) Management fees increased to \$31,147 (2014 - \$15,000) due to increased overall activities in the current period.
- vii) Gain on settlement of accounts payable increased to \$31,948 (2014 - \$Nil) due to debt settlement in the current period.

Financial Risk Factors

The Company’s risk exposures and the impact on the Company’s financial instruments are summarized below:

The carrying value of the Company’s receivables, due from related parties, accounts payable and accrued liabilities, due to related parties, and mortgage payable approximate their fair value because of the short-term nature of these instruments. Cash is carried at a fair value using a level 1 fair value measurement. Loans payable are accounted for using the effective interest rate method.

Credit risk

Credit risk is the risk of loss associated with counterparty’s inability to fulfil its payment obligations. The Company’s management believes it has no significant credit risk.

Liquidity risk

The Company’s approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2015, the Company had a cash balance of \$9,736 (September 30, 2015 - \$155,430) to settle current liabilities of \$1,125,310 (September 30, 2015 - \$1,118,929). All of the Company’s accounts payable and accrued liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. The Company expects to fund these liabilities through the use of existing cash resources and additional equity financing.

Capital Management

The Company’s primary objectives in capital management are to safeguard the Company’s ability to continue as a going concern in order to provide return for shareholders and to maintain sufficient funds to finance the exploration and of its exploration and evaluation interests. Capital is comprised of the Company’s shareholders’ equity (deficiency). As at December 31, 2015, the Company’s shareholders’ equity was \$581,631 (September 30, 2015 - \$466,638).

The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements. There were no changes in the Company’s approach to capital management during the period ended December 31, 2015.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

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a) Interest rate risk

The Company has cash balances held with financial institutions. The Company is satisfied with the credit rating of its bank.

b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash and accounts payable and accrued liabilities that are denominated in a foreign currency. As at December 31, 2015, the Company had minimal cash amounts in foreign currencies and considers foreign currency risk insignificant.

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company’s earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of commodities, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Off Balance Sheet Arrangements

The Company did not have any off-balance sheet arrangements as at December 31, 2015.

Related Party Transactions

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company’s executive officers and Board of Director members. Other than disclosed below, there was no other compensation paid to key management during the period ended December 31, 2015 and 2014. During the period ended December 31, 2015, the Company paid or accrued:

- (i) general, rent and administration fees of \$1,500 (2014 - \$2,475) to the CEO and a company with a common director of the Company.
- (ii) management fees of \$31,147 (2014 - \$28,632) to the CEO and CFO and companies controlled by CEO and CFO of the Company.
- (iii) directors fees of \$7,225 (2014 - \$9,000) to directors and a former director of the Company.
- (iv) professional and admin fees of \$Nil (2014 - \$Nil) and \$12,480 (2014- \$ Nil) to a former director and spouse of a director.
- (v) professional fees of \$69,814 (2014 - \$Nil) to a law firm managed by a director of the Company for legal services.

Included in accounts payable and accrued liabilities as at December 31, 2015 is \$217,478 (September 30, 2015 - \$144,320) due to directors, a spouse of a director, former directors and companies controlled by directors.

At December 31, 2015, the Company owed the CEO \$279,068 (September 30, 2015 - \$329,890) for management fees as well as expenses that he paid for on behalf of the Company and \$30,000 (September 30, 2015 - \$Nil) for loans received from the CEO. The Company has a balance receivable from a corporation with a common director of \$Nil (September 30, 2015 – \$Nil) for expenses incurred for the USA Subsidiary.

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Outstanding Share Information at February 25, 2016

Authorized Capital

Unlimited common shares without par value.

Issued and Outstanding Capital

38,146,083 shares outstanding

Stock Options and Warrants Outstanding

The following stock options were outstanding February 25, 2016:

Expiry Date	Exercise Price	Number of Options	Number of Options Exercisable
June 28, 2016	\$ 0.80	144,903	144,903
July 21, 2017	\$ 0.75	1,540,000	1,540,000
May 8, 2018	\$ 0.40	400,000	400,000
September 7, 2018	\$ 0.40	132,500	132,500
September 17, 2018	\$ 0.43	117,500	117,500
		2,334,903	2,334,903

The following warrants were outstanding at February 25, 2016:

Number of Warrants	Exercise Price	Expiry Date
257,500	0.55	March 2, 2016
800,001	0.20	June 19, 2016
1,767,000	0.20	December 21, 2016
1,066,667	0.20	March 2, 2017
300,000	0.20	April 6, 2017
1,000,000	0.24	May 4, 2017
200,000	0.55	December 21, 2017
5,391,168		

Uncertainties and Risk Factors

Being in the exploration stage, the Company will face a variety of risks, and while unable to eliminate all of them, the Company aims at managing and reducing such risks as much as possible. The Company faces a variety of risk factors such as project feasibility, risks related to determining the validity of mineral property title claims, commodities prices, Political and environmental laws and regulations. Management monitors its activities and those factors that could impact them in order to manage risk and make timely decisions.

Board of Directors

On November 25, 2015, the Company announced the appointment of Mr. Ellis Martin to the Board of Directors.

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Financial Instruments

Please refer to Note 2 and Note 8 in the December 31, 2015 Condensed Interim Consolidated Financial Statements on www.SEDAR.com for financial instrument information.

New Accounting Policies and New Accounting Pronouncements

Please refer to Note 2 in the December 31, 2015 Condensed Interim Consolidated Financial Statements on www.SEDAR.com for newly adopted accounting policies and recent accounting pronouncements.

Technical Advisory Board

In January 2016, the Company created a technical advisory board (“TAB”) to assist management with its Emo, Ontario exploration and development project.

The TAB is presently comprised of Messrs. Frank Puskas and Peter Fischer; their professional qualifications and major involvements have been summarized in associated press releases.

Presidents Message

The Management Team would like to thank all stakeholders for their continued support in the Company’s goal of establishing economic mineralization on its properties. Management’s goal is to continue pursuing opportunities in order to enhance shareholder value.

During the period ended December 31, 2015, the Company continued to focus its attention on Canada and exploration initiatives undertaken on its recently acquired Emo, Ontario properties. The Company has completed its phase 1 drilling program on each of the Farm and Allen properties.

Management is excited and encouraged by the fully funded program, and is looking forward to receiving and disclosing the preliminary drilling results once they become available.