

SIERRA MADRE DEVELOPMENTS INC.

(An Exploration Stage Company)

Condensed Interim Financial Statements

For The Six Months Ended September 30, 2019 and 2018

In Canadian Dollars

**SIERRA MADRE DEVELOPMENTS INC.
(AN EXPLORATION STAGE COMPANY)
Condensed Interim Financial Statements**

For the Six Months Ended September 30, 2019 and 2018

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**NOTICE OF NO AUDITOR REVIEW OF
INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying un-audited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of condensed interim financial statements by an entity's auditor.

SIERRA MADRE DEVELOPMENTS INC.
(AN EXPLORATION STAGE COMPANY)
Condensed Interim Statements of Financial Position
As at,
(in Canadian Dollars)

	September 30, 2019	March 31, 2019
	\$	\$
ASSETS		
Current		
Cash	50,382	162,128
Amounts receivable	13,855	13,835
Reclamation bond	-	15,000
Total Assets	64,237	190,963
LIABILITIES		
Current		
Accounts payable and accrued liabilities	121,490	89,940
Due to related parties (note 8)	420,852	801,143
Total Liabilities	542,342	891,083
SHAREHOLDERS' EQUITY (DEFICIT)		
Capital stock (note 7)	7,167,294	7,437,198
Contributed surplus	1,495,015	930,281
Deficit	(9,140,414)	(9,067,599)
Total Shareholders' Equity (Deficit)	(478,105)	(700,120)
Total Liabilities and Shareholders' Equity (Deficit)	64,237	190,963

Nature and continuance of operations (Note 1)

Approved on behalf of the Board:

"Carl von Einsiedel"

..... Director

Carl von Einsiedel

"Robert Anderson"

..... Director

Robert Anderson

The accompanying notes are an integral part of these consolidated interim financial statements

SIERRA MADRE DEVELOPMENTS INC.
(AN EXPLORATION STAGE COMPANY)
Condensed Statements of Comprehensive Loss
(in Canadian Dollars)

	Three months ended September 30, 2019	Three months ended September 30, 2018	Six months ended September 30, 2019	Six months ended September 30, 2018
Expenses	\$			\$
Bank charges	43	18	61	36
Management fees (note 8)	-	9,000	-	18,000
Professional fees (note 8)	44,841	66,674	58,240	80,874
Regulatory fees	11,765	54,737	14,515	54,737
Rent (note 8)	-	3,000	-	6,000
Loss before other items	56,649	133,429	72,816	159,647
Net Loss and Comprehensive Loss for the Period	56,649	133,429	72,816	159,647
Basic and Diluted Loss per Share	\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.00)
Weighted Average Number of Common Shares Outstanding (note 7)	10,798,086	53,980,828	10,798,086	53,980,828

The accompanying notes are an integral part of these consolidated interim financial statements

SIERRA MADRE DEVELOPMENTS INC.
(An Exploration Stage Company)
Condensed Statements of Changes in Equity
(in Canadian Dollars)

	Number of Shares (restated - note 2)	Amount	Contributed Surplus	Deficit	Total
		\$	\$	\$	\$
Balance at March 31, 2017	5,398,086	7,167,198	930,281	(8,800,133)	(702,654)
Net loss for the year	-	-	-	(59,672)	(59,672)
Balance at March 31, 2018	5,398,086	7,167,198	930,281	(8,859,805)	(762,326)
Net loss for the period	-	-	-	(159,647)	(159,647)
Balance at September 30, 2018	5,398,086	7,167,198	930,281	(9,019,452)	(921,973)
Private placement	5,400,000	270,000	-	-	270,000
Net loss for the year	-	-	-	(48,147)	(48,147)
Balance at March 31, 2019	10,798,086	7,437,198	930,281	(9,067,599)	(700,120)
Net loss for the period	-	-	-	(72,815)	(72,815)
Balance at September 30, 2019	10,798,086	7,437,198	930,281	(9,140,414)	(772,935)

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SIERRA MADRE DEVELOPMENTS INC.
(AN EXPLORATION STAGE COMPANY)
Condensed Statements of Cash Flows
For the Six months ended September 30, 2019 and 2018
(in Canadian Dollars)

	2019	2018
	\$	\$
Operating Activities		
Net loss for the period	(72,815)	(26,218)
Changes in non-cash working capital items:		
Restatement on balance sheet from disposal of subsidiary	564,734	-
Expenses paid for with shares	(269,904)	-
Amounts receivable	14,980	(784)
Accounts payable and accrued liabilities	31,550	2,174
Due to related parties	(380,291)	12,599
Cash Used in Operating Activities	(111,746)	(12,229)
Increase (Decrease) in Cash	(111,746)	(12,229)
Cash, Beginning of Year	162,128	19,771
Cash, End of Period	50,382	7,542

1. NATURE AND CONTINUANCE OF OPERATIONS

Sierra Madre Developments Inc. (“the Company”) has historically been a gold and silver focused exploration company and currently has no current interests in any mineral properties nor projects. The Company’s head office and principal address is 8792 Shook Road, Mission BC, V2V 7N1.

The Company’s shares are listed on the NEX branch of the TSX Venture Exchange under the symbol SMG.H.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. There are conditions and events that may cast significant doubt on the validity of this assumption. As at September 30, 2019, the Company had a working capital deficiency of \$506,433 (2018 - \$921,973) and an accumulated deficit of \$9,140,414 (2018 - \$9,019,452). The Company has no source of revenue and does not have sufficient cash to meet its administrative overhead. The Company’s ability to continue as a going concern is dependent upon the successful sourcing of new mineral properties and/or other projects and successfully funding the same by way of raising equity capital or borrowings sufficient to meet current and future obligations. The business of mining and exploration involves a high degree of risk and there can be no assurance that management’s plans will be successful. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

2. BASIS OF PRESENTATION

Statement of Compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of consolidated financial statements. The significant accounting policies have been applied consistently to all periods presented in these consolidated financial statements.

Basis of Preparation

These consolidated financial statements have been prepared on an accrual basis, except for cash flow information, and are based on historical costs, except for certain financial instruments carried at fair value. The Company’s functional and presentation currency is the Canadian dollar.

Basis of Consolidation

The Company spun out its wholly owned subsidiary, Bear Mountain Gold Mines Ltd. (“BMGML”) in the second quarter of fiscal 2020. For the Six months ended September 30, 2019 these statements are unconsolidated, and the fiscal 2019 these statements are consolidated and include the accounts of the Company and BMGML, Inter-company balances and transactions are eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, bank deposits and short-term investments with original maturity dates of Six months or less. As at September 30, 2019 and 2018, the Company had no cash equivalents.

The accompanying notes are an integral part of these consolidated interim financial statements

b) Foreign Currency Translation

The functional and presentation currency of the Company is the Canadian dollar. Transactions in foreign currencies are translated to the functional currency of the entity at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the consolidated statements of financial position date are retranslated at the period-end date exchange rates. Non-monetary items which are measured using historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

c) Exploration and Evaluation Expenditures

Exploration and evaluation activities involve the search for minerals, the determination of technical feasibility, and the assessment of commercial viability of an identified resource.

The Company expenses all costs related to expenditures on mineral property interests, for which the Company does not possess unrestricted ownership and exploration rights, on a property-by-property basis. Such costs include mineral property acquisition costs pursuant to option agreements and exploration and development expenditures, net of any recoveries. Costs are expensed until such time as the extent of mineralization has been determined and mineral property interests are developed.

From time-to-time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As such options are exercisable entirely at the discretion of the optionee. Option payments are recorded as property costs or recoveries when the payments are made or received.

d) Long-lived Assets and Impairment

Long-lived assets are reviewed by management for possible impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. An impairment loss is recognized when the carrying amount of an asset exceeds the estimated undiscounted future cash flow expected to result from the use of the asset and its eventual disposition.

e) Earnings/Loss per Share

Earnings (loss) per share is calculated using the weighted average number of shares outstanding during the reporting period. The Company uses the treasury stock method for computing diluted earnings per share. This method assumes that any proceeds obtained upon exercise of dilutive outstanding options or warrants would be used to purchase common shares at the average market price during the period. Diluted loss per share is equivalent to basic loss per share, as the potentially dilutive securities would be anti-dilutive.

f) Share Issue Costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Estimates and Judgements

The preparation of the consolidated financial statements requires management to make certain judgements, estimates and assumptions which affect the reported amounts of assets and liabilities at the

The accompanying notes are an integral part of these consolidated interim financial statements

date of the consolidated financial statements and the reported amounts of expenses during the period. Significant areas requiring the use of management estimates include fair value measurements for financial instruments. Financial results as determined by actual events could differ from those estimates.

Management has applied its judgement in evaluating the Company's ability to continue as a going concern and related disclosures.

h) Financial Instruments

The Company recognizes a financial asset or financial liability on the consolidated statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value, and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a de-recognition event. Write-off occurs when the Company has no reasonable expectations of recovering the contractual cash flows on a financial asset.

Classification and Measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

- i. those to be measured subsequently at fair value, either through profit or loss ("FVTPL") or through other comprehensive income ("FVTOCI"); and,
- ii. those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

After initial recognition at fair value, financial liabilities are classified and measured at either:

- i. amortized cost;
- ii. FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or,
- iii. FVTOCI, when the change in fair value is attributable to changes in the Company's credit risk.
- iv. The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Financial Instruments (continued)

- v. Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at FVTOCI or amortized cost are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial

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liabilities classified at FVTPL are expensed in profit or loss.

The Company's financial assets consists of cash, which is classified and measured at FVTPL, with realized and unrealized gains or losses related to changes in fair value reported in net loss, and reclamation bond, which is classified and measured at amortized cost using the effective interest method. The Company's financial liabilities consist of accounts payable and accrued liabilities, and amounts due to related parties, which are classified and measured at amortized cost using the effective interest method. Interest expense is reported in net loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

i) Income Taxes

Current income taxes are recognized for the estimated income taxes payable or recoverable for the current year. Deferred income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities. Deferred income tax assets and liabilities are measured using substantially enacted tax rates that apply for the years in which the temporary differences are expected to be recovered or settled. Deferred income tax assets are recognized to the extent that it is probable the asset will be realized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Share-based compensation

The Company records all share-based payments at fair value. Share-based compensation expense for share option grants to employees and others providing similar services is based on the fair value of the stock options issued at the grant date, which is determined using the Black-Scholes Option Pricing Model. Where equity instruments are granted to non-employees, they are recorded at the fair value of goods or services received. When the value of goods or services cannot be reliably estimated, the Black-Scholes

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Option Pricing Model is used. Compensation expense for share options granted to non-employees is recognized as the options are earned and the services are provided. Compensation expense for share options granted to employees is amortized over the vesting period using the graded vesting model. On exercise of stock options, consideration paid together with the fair value amount previously credited to contributed surplus is recorded as share capital. On expiry of share options, the related share-based compensation previously credited to contributed surplus, remains in contributed surplus.

The Company anticipates that the application of the above new and revised standards and amendments will have no material impact on its consolidated results and financial position.

4. CAPITAL MANAGEMENT

The Company considers its capital structure to consist of equity, which at September 30, 2019 was a deficit of \$9,140,414. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The property in which the Company currently has an interest is in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company expects to raise additional funds. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

5. FINANCIAL INSTRUMENTS

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value, by reference to the reliability of the inputs used to estimate the fair values:

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

As at March 31, 2019, the Company's financial instruments consisted of cash, reclamation bond, accounts payable and accrued liabilities, and amounts due to related parties. Cash is stated at fair value and classified within Level 1. The fair values of the reclamation bond, accounts payable and accrued liabilities, and amounts due to related parties approximate their carrying values because of the short-term nature of these instruments.

Financial risks

The Company's risk exposures arising from financial instruments and the impact on the Company's

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consolidated financial statements are summarized below:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in a major bank in Canada; accordingly, there is a concentration of credit risk, but it is not considered to be significant.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company's approach to managing liquidity risk is to ensure that it will have sufficient funds available to meet liabilities when due. The Company's primary source of funding has been the issuance of equity securities for cash, primarily through private placements, and amounts from related parties. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Market risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Management does not believe the Company is exposed to significant currency, interest or other price risk.

6. EXPLORATION AND EVALUATION EXPENDITURES

The Company spun out its wholly owned subsidiary, Bear Mountain Gold Mines Ltd. ("BMGML") in the second quarter of fiscal 2020. The Company has divested title to all of its mineral properties.

7. CAPITAL STOCK

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

At September 30, 2019, there were 10,798,086 issued and fully paid common shares (September 30, 2018 – 5,398,086).

7. CAPITAL STOCK (continued)

On February 15, 2019, the Company consolidated the outstanding common shares on a 10 for 1 basis.

During the year ended March 31, 2019, the Company issued through a private placement, 5,400,000 common shares at \$0.05 per share for gross proceeds of \$270,000.

Stock options

The Company has adopted a 10% rolling Stock Option Plan (the "Plan"). Under the Plan, the Company may grant stock options to directors, officers, employees and consultants of the Company. The terms and conditions of the options are determined by the Board of Directors.

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At September 30, 2019 and 2018, the Company had no stock options outstanding.

8. RELATED PARTY TRANSACTIONS

Key management is considered to include the Company's directors and officers. For the periods ended September 30, 2019 and 2018, the Company incurred the following transactions with the President/CEO/CFO and companies controlled by the President/CEO/CFO and directors of the Company:

Six months ended September 30,	2019	2018
	\$	\$
Management fees	-	18,000
Accounting and compliance services	13,100	-
Rent	-	6,000
	13,100	24,000

At September 30, 2019, the Company owed \$420,852 (2018 - \$782,120) in respect of services provided to and payments made on behalf of the Company.

	2019	2018
	\$	\$
Amounts owed to a company controlled by the CEO	403,952	753,792
Amounts owed to a company controlled by a director	-	28,328
Amounts owed to a company controlled by a director	14,000	-
Amounts owed to a company controlled by a director	2,900	-
	420,852	782,120

These amounts are unsecured, non-interest-bearing and have no specific terms of repayment.

These transactions occurred in the normal course of business and were measured at the exchange amount, which was the amount of consideration agreed upon between the related parties.

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