

SIERRA MADRE DEVELOPMENTS INC.

(An Exploration Stage Company)

Consolidated Financial Statements

For The Years Ended March 31, 2019 and 2018

In Canadian Dollars

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

For the Years Ended March 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

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To the Shareholders of Sierra Madre Developments Inc.:

Opinion

We have audited the consolidated financial statements of Sierra Madre Developments Inc., and its subsidiary (the “Company”), which comprise the consolidated statements of financial position as at March 31, 2019 and 2018, and the consolidated statements of comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which describes conditions indicating that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management’s Discussion and Analysis filed with the relevant Canadian securities commissions.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits and remain alert for indications that the other information appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor’s report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Graeme L. Cocke.

Baker Tilly WM LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, B.C.

July 28, 2019

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

	March 31, 2019	March 31, 2018
	\$	\$
ASSETS		
Current		
Cash	162,128	19,771
Amounts receivable	13,835	10,913
Reclamation bond	15,000	15,000
Total Assets	190,963	45,684
LIABILITIES		
Current		
Accounts payable and accrued liabilities	89,940	53,832
Due to related parties (note 8)	801,143	754,178
Total Liabilities	891,083	808,010
SHAREHOLDERS' EQUITY (DEFICIT)		
Capital stock (note 7)	7,437,198	7,167,198
Contributed surplus	930,281	930,281
Deficit	(9,067,599)	(8,859,805)
Total Shareholders' Equity (Deficit)	(700,120)	(762,326)
Total Liabilities and Shareholders' Equity (Deficit)	190,963	45,684

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 financial statements

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

	Year ended March 31, 2019	Year ended March 31, 2018
Expenses	\$	\$
Bank charges	73	72
Exploration and evaluation expenditures (notes 6 and 8)	40,200	-
Insurance	2,565	-
Management fees (note 8)	18,000	36,000
Professional fees (note 8)	96,737	11,600
Regulatory fees	58,582	-
Rent (note 8)	6,000	12,000
Loss before other items	222,157	59,672
Reversal of outstanding accrued liabilities	(14,363)	-
Net Loss and Comprehensive Loss for the Year	207,794	59,672
Basic and Diluted Loss per Share	\$ (0.04)	\$ (0.01)
Weighted Average Number of Common Shares Outstanding (note 7)	5,501,644	5,398,082

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

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

	Number of Shares (restated - note 2)	Amount	Contributed Surplus	Deficit	Total
		\$	\$	\$	\$
Balance at March 31, 2017	5,398,082	7,167,198	930,281	(8,800,133)	(702,654)
Net loss for the year	-	-	-	(59,672)	(59,672)
Balance at March 31, 2018	5,398,082	7,167,198	930,281	(8,859,805)	(762,326)
Private placement	5,400,000	270,000	-	-	270,000
Net loss for the year	-	-	-	(207,794)	(207,794)
Balance at March 31, 2019	10,798,082	7,437,198	930,281	(9,067,599)	(700,120)

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

SIERRA MADRE DEVELOPMENTS INC.
(AN EXPLORATION STAGE COMPANY)
Consolidated Statements of Cash Flows
(in Canadian Dollars)

	Year ended March 31, 2019	Year ended March 31, 2018
	\$	\$
Operating Activities		
Net loss for the year	(207,794)	(59,672)
Less non-cash items:		
Reversal of outstanding accrued liabilities	14,363	-
Changes in non-cash working capital items:		
Amounts receivable	(2,922)	(2,576)
Accounts payable and accrued liabilities	21,745	3,752
Due to related parties	46,965	47,924
Cash Used in Operating Activities	(127,643)	(10,572)
Financing Activities		
Issuance of shares for private placement	270,000	-
Cash Provided by Investing Activities	270,000	-
Increase (Decrease) in Cash	142,357	(10,572)
Cash, Beginning of Year	19,771	30,343
Cash, End of Year	162,128	19,771

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

SIERRA MADRE DEVELOPMENTS INC.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
For the years ended March 31, 2019 and 2018
(in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Sierra Madre Developments Inc. (“the Company”) is a gold and silver focused exploration company with an interest in a mineral property in Canada. The Company has not yet been able to determine whether this property contains resources that are economically recoverable. 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 and its subsidiary will continue as a going concern, meaning they 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 March 31, 2019, the Company had a working capital deficiency of \$700,120 (2018 - \$762,326) and an accumulated deficit of \$9,067,599 (2018 - \$8,859,805). The Company has no source of revenue and does not have sufficient cash to meet its administrative overhead and maintain its mineral property interests. The Company’s ability to continue as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds therefrom and/or to raise 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.

The consolidated financial statements for the years ended March 31, 2019 and 2018 were reviewed by the audit committee and approved for issue by the board of directors on July 28, 2019.

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.

On February 15, 2019, the Company enacted a 1:10 share consolidation. The number of shares and per share amounts throughout the consolidated financial statements have been retroactively restated to reflect that share consolidation.

2. BASIS OF PRESENTATION (continued)

Basis of Consolidation

For the years ended March 31, 2019, and 2018 the consolidated financial statements included the accounts of the Company and the Company's wholly owned subsidiary, Bear Mountain Gold Mines Ltd. 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 three months or less. As at March 31, 2019 and 2018, the Company had no cash equivalents.

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 the amounts payable or receivable are not recorded at the time of the agreement. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Deferred financing costs related to financing transactions that are not completed are charged to profit or loss.

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Financial Instruments (continued)

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

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 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 asset's 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) Flow-through Shares

Flow-through shares are accounted for as compound instruments comprising liability and equity components upon issuance, with any premium received that can be reasonably determined being attributed to the tax benefit provided and considered a liability. Upon qualifying expenditures being incurred, this liability is reversed and recognized in profit or loss. Costs related to the liability component are also charged to profit or loss.

The Company estimates the value of the liability component using the residual method, whereby the quoted price of the Company's non-flow-through shares issued is compared to the price investors paid for the flow-through shares and any difference forms the premium amount.

k) 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 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.

l) New Accounting Standards Issued but Not Yet Effective

Certain new standards, and amendments to existing standards have been issued by the IASB that are mandatory for accounting periods noted below. The Company has not early adopted the following new and revised standards that have been issued but are not yet effective. Some updates that are not applicable or are not consequential to the Company have been excluded from the list below.

New accounting standards effective for the Company April 1, 2019:

- IFRS 16 Leases (New in 2016; to replace IAS 17, IFRIC 4, SIC-15 and SIC-27); and
- IAS 12 Income Taxes (Annual improvements to IFRS Standards 2015-2017 Cycle).

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 March 31, 2019 was a deficit of \$700,120. 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 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.

5. FINANCIAL INSTRUMENTS (continued)

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

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims that may be impacted by the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, titles to all of its properties are in good standing.

Harrison Gold (Abo) Project

On November 17, 2011, the Company signed an Option to Purchase Agreement with Omineca Mining and Metals Ltd. (“Omineca”) to acquire a 100% interest in mineral claims located near Harrison Lake, British Columbia (the “Abo property”). In order to exercise the option, the Company agreed to make cash payments of \$1,000,000, issue 133,333 shares and incur exploration expenditures of at least \$3,000,000 over five years from November 21, 2011. The vendor will retain a 2% Net Smelter Return royalty (“NSR”). The Company, at any time on or before three years following commencement of commercial production from the property, has the right to purchase one-half of the NSR (1%) for \$1,000,000 in cash.

On April 16, 2012, the Company incorporated a wholly owned subsidiary Bear Mountain Gold Mines Ltd. (“Bear Mountain”) to hold title to any additional claims acquired within the Area of Interest established under the option agreement with Omineca.

On May 21, 2015, the Company and Omineca amended the option agreement by agreeing to extend the share payment and expenditure due dates for a period of one year and to reduce the total expenditures requirements to \$2,000,000; and by amending the terms of the cash payments such that \$400,000 may be made in shares of the Company and the balance of \$500,000 paid in instalments by way of an Advanced Preferred Royalty. In consideration, the Company agreed to issue an additional 150,000 shares.

On February 20, 2017, the Company and Omineca further amended the option agreement on the Abo property changing the definition of “Triggering Event”, adding Bear Mountain to the agreement as a third party and amending the option payments schedule. As consideration, Bear Mountain (as amended, and previously the Company) agreed to issue an additional 500,000 shares to Omineca.

SIERRA MADRE DEVELOPMENTS INC.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
For the years ended March 31, 2019 and 2018
(in Canadian Dollars)

6. EXPLORATION AND EVALUATION EXPENDITURES (continued)

A fourth amending agreement was signed on December 31, 2018. The fourth amending agreement acknowledged that the rights and obligations of the agreement had been transferred from the Company to Bear Mountain, and that all future expenditures, share issuances and payments would be delivered from Bear Mountain. In addition, the issuance of 666,666 common shares to Omineca was amended to be due April 30, 2019, instead of the previously agreed December 31, 2018 (such change is reflected in the below table).

Payments, share issuances and exploration expenditures are now due as follows:

Cash Payments	Share Issuances	Exploration Expenditures	Due Dates
\$		\$	
25,000	- *	-	On execution date (paid)
25,000	6,667 *	-	December 5, 2011 (paid and issued)
50,000	10,000 *	-	December 5, 2012 (paid and issued)
-	- *	50,000	December 31, 2017 (incurred)
-	- *	100,000	December 31, 2018 (incurred)
-	666,666 **	-	April 30, 2019 (issued subsequent to year-end)
-	500,000 **	100,000	December 31, 2019
400,000	2,000,000 **	1,750,000	December 31, 2020
500,000	- **	-	Preferred Advance Royalty payments
<u>1,000,000</u>	<u>3,183,333</u>	<u>2,000,000</u>	

*Paid or incurred by the Company. As per note 2, share issuances have been restated for the 1:10 consolidation.

** Paid, incurred, or will be paid or incurred by Bear Mountain.

The Preferred Advance Royalty payments of \$500,000 start with the beginning of commercial production or the sale of the property.

Haro Option & Joint Venture Agreement.

On November 30, 2017, Bear Mountain signed a property option and joint venture agreement with Haro Metals Corp. ("**Haro**"). The agreement was amended subsequent to year-end on May 23, 2019; the amendments have been identified below. This agreement grants to Haro the sole and exclusive right and option (the "**Option**") to acquire from Bear Mountain up to an undivided 60% right, title and interest in and to mineral claims collectively referred to as the Harrison South Gold Property, as staked by Bear Mountain.

To exercise the Option, Haro must pay an aggregate of \$100,000 to Bear Mountain (either in cash or Shares, at Haro's election), and incur an aggregate of \$500,000 of expenditures on the property in accordance with the following:

- (i) on or before December 31, 2017, incur at least \$100,000 of expenditures on the property (incurred);
- (ii) on or before June 30, 2019 (amended to December 31, 2019), incur an additional \$100,000 of expenditures on the property;
- (iii) on or before December 31, 2020, incur an additional \$300,000 of expenditures on the property, and pay the sum of \$100,000 to Bear Mountain (either in cash or shares, at Haro's election).

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6. EXPLORATION AND EVALUATION EXPENDITURES (continued)

Exploration Expenditures

Exploration expenditures incurred during the year related to Bear Mountain were as follows:

Year ended March 31,	2019	2018
	\$	\$
Metallurgical testing	8,000	-
Office rent	6,000	-
Geological fieldwork	2,000	-
Project management	18,000	-
Reports, drafting and maps	6,000	-
Legal	200	-
	40,200	-

7. CAPITAL STOCK

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

At March 31, 2019, there were 10,798,082 issued and fully paid common shares (March 31, 2018 – 5,398,082).

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.

There were no common share transactions in the year ended March 31, 2018.

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.

At March 31, 2019 and 2018, the Company had no stock options outstanding.

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8. RELATED PARTY TRANSACTIONS

Key management is considered to include the Company's directors and officers. For the years ended March 31, 2019 and 2018, the Company incurred the following transactions with the President/CEO, the CFO and companies controlled by the President/CEO and a director of the Company:

Year ended March 31,	2019	2018
	\$	\$
Management fees	18,000	36,000
Bear Mountain project management	24,000	-
Accounting and compliance services	29,600	-
Rent	6,000	12,000
	77,600	48,000

At March 31, 2019, the Company owed \$733,177 (2018 - \$754,178) 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	768,615	725,850
Amounts owed to a company controlled by a director	28,328	28,328
Amounts owed to a company controlled by a director	3,800	-
Amounts owed to a company controlled by a director	400	-
	801,143	754,178

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.

9. INCOME TAX

- a) Reconciliation of Canadian income taxes at statutory rates with the reported income taxes is as follows:

Year ended March 31,	2019	2018
	\$	\$
Net loss for the year	207,794	59,672
Statutory tax rate	27.00%	26.25%
Expected income tax recovery	(56,104)	(15,664)
Change in unrecognized temporary differences	56,104	15,664
Total income tax recovery	-	-

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9. INCOME TAX (continued)

- b) The significant components of deferred tax assets are as follows:

	2019	2018
	\$	\$
Non capital losses carried forward	2,715,000	2,547,000
Exploration and evaluation costs	273,000	233,000
Share issue costs	696,000	696,000
Deductible temporary differences	3,684,000	3,476,000
Unrecognized deductible temporary differences	(3,684,000)	(3,476,000)
	-	-

Deferred tax asset items have not been recognized in these consolidated financial statements and have been offset by a valuation allowance due to the uncertainty as to their realizability.

- c) As at March 31, 2019, the Company has available non-capital losses for Canadian income tax purposes of approximately \$2,715,000 which may be carried forward and applied against future taxable income as follows:

	\$
2030	319,000
2031	379,000
2032	665,000
2033	462,000
2034	451,000
2035	77,000
2036	62,000
2037	72,000
2038	60,000
2039	168,000
	<u>2,715,000</u>

10. SEGMENTED INFORMATION

The Company has one operating segment – the acquisition, exploration and development of mineral properties. As at March 31, 2019, the Company had only one property, located in Canada.

11. SUBSEQUENT EVENTS

On October 22, 2018 the Company announced its intention to dispose of its interest in the Harrison Gold Property to its subsidiary Bear Mountain Gold Mines Ltd. (“BMGM”). On November 9, 2018 shareholders approved such sale. Under the terms of such sale, BMGM issued 2,699,041 common shares in its capital to the Company, and assumed \$287,822 of debt owed by the Company, which amount relates primarily to expenditures incurred by the Company with respect to the Harrison Gold Property. As at March 31, 2019, the Company had not yet completed the distribution of the BMGM shares to the shareholders of the Company. It is expected that this transaction will occur before the end of the second quarter of fiscal 2020.