

SIERRA MADRE GOLD AND SILVER LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

Expressed in Canadian Dollars

Unaudited

SIERRA MADRE GOLD AND SILVER LTD.

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 Company's interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated 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 the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

"Alexander Langer"

President and Chief Executive Officer

"Kenneth Scott"

Chief Financial Officer

November 24, 2022

SIERRA MADRE GOLD AND SILVER LTD.
CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

Expressed in Canadian Dollars

Unaudited

ASSETS	September 30, 2022	December 31, 2021
Current		
Cash	\$ 3,190,824	\$ 10,206,323
Receivables	81,251	24,346
Prepaid expenses	330,509	492,970
Cash in escrow (Note 5)	5,926,142	-
	<u>9,528,726</u>	<u>10,723,639</u>
Deferred transaction costs (Note 5)	694,720	-
Equipment	66,338	5,359
Mineral property (Note 4)	202,785	202,785
	<u>\$ 10,492,569</u>	<u>\$ 10,931,783</u>
 LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 300,680	\$ 141,872
Subscription receipts (Note 5)	6,178,021	-
	<u>6,478,701</u>	<u>141,872</u>
 SHAREHOLDERS' EQUITY		
Share capital (Note 3)	16,319,356	16,319,356
Contributed Surplus (Note 3)	3,605,017	3,132,975
Deficit	(15,910,505)	(8,662,420)
	<u>4,013,868</u>	<u>10,789,911</u>
	<u>\$ 10,492,569</u>	<u>\$ 10,931,783</u>

Subsequent events (Note 8)

ON BEHALF OF THE BOARD:

"Alexander Langer", Director

"Sean McGrath", Director

- the accompanying notes are an integral part of these financial statements -

**SIERRA MADRE GOLD AND SILVER LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

Expressed in Canadian Dollars

Unaudited

	Share Capital (Note 3)	Contributed Surplus (Note 3)	Subscriptions Received In Advance (Note 3)	Deficit	Total
Balance – December 31, 2020	\$ 2,564,585	\$ 508,990	\$ 13,751,256	\$ (1,550,241)	\$ 15,274,590
Subscription receipts converted to shares	13,751,256	-	(13,751,256)	-	-
Exercise of warrants	3,515	(1,205)	-	-	2,310
Share-based compensation	-	2,235,412	-	-	2,235,412
Comprehensive loss for the period	-	-	-	(5,506,159)	(5,506,159)
Balance – September 30, 2021	16,319,356	2,743,197	-	(7,056,400)	12,006,153
Share-based compensation	-	389,778	-	-	389,778
Comprehensive loss for the period	-	-	-	(1,606,020)	(1,606,020)
Balance – December 31, 2021	16,319,356	3,132,975	-	(8,662,420)	10,789,911
Share-based compensation	-	472,042	-	-	472,042
Comprehensive loss for the period	-	-	-	(7,248,085)	(7,248,085)
Balance – September 30, 2022	\$ 16,319,356	\$ 3,605,017	\$ -	\$ (15,910,505)	\$ 4,013,868

- the accompanying notes are an integral part of these financial statements -

**SIERRA MADRE GOLD AND SILVER LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS
OF LOSS AND COMPREHENSIVE LOSS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30**

Expressed in Canadian Dollars

Unaudited

	Three Months September 30	Three Months September 30	Nine Months September 30	Nine Months September 30
	2022	2021	2022	2021
Expenses				
Accounting and audit <i>(Note 6)</i>	\$ 176,999	\$ 30,000	\$ 285,030	\$ 134,542
Consulting	45,222	-	149,203	-
Depreciation	8,603	861	10,122	1,435
Director fees	27,000	27,000	81,000	54,000
Exploration and evaluation <i>(Note 4)</i>	1,379,824	600,234	4,175,535	1,685,361
Foreign exchange loss (gain)	(53,197)	10,247	(12,819)	37,597
Interest income	(19,738)	(888)	(41,206)	(3,268)
Investor relations and promotions	162,745	250,839	994,005	760,312
Legal	18,022	11,512	47,662	131,734
Management fees <i>(Note 6)</i>	661,100	96,000	853,100	288,000
Office services and supplies	21,903	21,012	77,918	40,417
Share-based compensation <i>(Note 3)</i>	53,769	746,043	472,042	2,235,412
Shareholder communications	3,060	6,213	15,113	8,613
Stock exchange and filing	19,530	4,483	43,790	51,078
Transfer agent	2,119	7,359	10,829	45,439
Travel and accommodation	35,668	32,515	86,761	35,487
Loss and comprehensive loss for the period	\$ 2,542,629	\$ 1,843,430	\$ 7,248,085	\$ 5,506,159
Loss per share - basic and diluted	\$ 0.04	\$ 0.03	\$ 0.11	\$ 0.10
Weighted-average shares outstanding – basic and diluted	63,943,008	63,943,008	63,943,008	54,286,952

- the accompanying notes are an integral part of these financial statements -

SIERRA MADRE GOLD AND SILVER LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30

Expressed in Canadian Dollars
Unaudited

CASH RESOURCES PROVIDED BY (USED IN)	2022	2021
Operating activities		
Loss for the period	\$ (7,248,085)	\$ (5,506,159)
Items not involving cash		
Share-based compensation	472,042	2,235,412
Depreciation	10,122	1,435
Changes in non-cash working capital		
Receivables	(31,077)	(13,026)
Prepaid expenses	162,461	(237,576)
Accounts payable and accrued liabilities	74,828	(101,507)
	<u>(6,559,709)</u>	<u>(3,621,421)</u>
Investing activities		
Payment of deferred transaction costs	(315,861)	(15,357)
Purchase of equipment	(71,101)	(7,655)
	<u>(386,962)</u>	<u>(23,012)</u>
Financing activities		
Payment of deferred financing costs	(68,828)	(294,708)
Shares issued for cash	-	2,310
Repayment of due to related party	-	(59,191)
	<u>(68,828)</u>	<u>(351,589)</u>
Change in cash position for the period	(7,015,499)	(3,996,022)
Cash position - beginning of period	10,206,323	15,280,736
Cash position - end of period	\$ 3,190,824	\$ 11,284,714

Supplemental schedule of non-cash investing and financing transactions

Shares issued on conversion of subscription receipts, net of issuance costs	\$ -	\$ 13,751,256
Proceeds of subscription receipts deposited in escrow	\$ 6,178,021	\$ -
Deferred financing costs paid from escrow funds	\$ 251,879	\$ -
Accrued deferred transaction costs	\$ 30,524	\$ -
Accrued deferred financing costs	\$ 53,456	\$ -
Deferred transaction costs converted to receivable	\$ (25,828)	\$ -
Fair value of warrants exercised	\$ -	\$ 1,205

- the accompanying notes are an integral part of these financial statements -

SIERRA MADRE GOLD AND SILVER LTD.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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1. NATURE OF OPERATIONS

Sierra Madre Gold and Silver Ltd. (the "Company") is a mineral exploration company incorporated in British Columbia with its registered office located at 10th Floor – 595 Howe Street, Vancouver, British Columbia, Canada. The Company received a conditional listing approval from the TSX Venture Exchange ("TSX-V") on March 25, 2021 and its shares commenced trading on April 19, 2021. Effective May 25, 2022, trading in the Company's shares was halted pending completion of the acquisition of the La Guitarra silver-gold mine from First Majestic Silver Corp. (Note 5).

The Company holds an interest in the Tepic and La Tigra mineral properties located in Mexico, which are considered to be in the exploration stage. Based on the information available to date, the Company has not yet determined whether its mineral properties contain ore reserves. The Company has no source of operating revenue and is dependent upon the issuance of shares to fund its operations and exploration activities. The Company's continuing operation is dependent upon establishing reserves and resources, maintaining its rights, access, and title to the properties, obtaining the financing necessary to maintain operations and successfully complete its exploration and development of the properties, and attaining future profitable production.

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations for at least the next twelve months. As at September 30, 2022, the Company has working capital (current assets less current liabilities) of \$3,050,025, which management considers sufficient to fund its committed operating and exploration activities for the ensuing twelve months.

The outbreak of the COVID-19 global pandemic has adversely affected workforces, economies, and financial markets globally. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board and applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. These statements do not include all of the information and disclosures required by IFRS for annual financial statements. In the opinion of management, all adjustments and information considered necessary for fair presentation have been included in these financial statements.

These condensed interim consolidated financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements and should be read in conjunction with the Company's audited consolidated financial statements including the notes thereto for the year ended December 31, 2021. All financial information presented herein is unaudited. The Company's board of directors approved these financial statements for issue on November 24, 2022.

SIERRA MADRE GOLD AND SILVER LTD.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION - *continued*

Basis of measurement

These condensed interim consolidated financial statements have been prepared under the historical cost convention using the accrual basis of accounting, except for cash flow information.

Principles of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and the accounts of its wholly-owned subsidiaries, Pita Exploration Limited (a British Columbia company) and Pita Exploration, S. de R.L. de C.V. (a Mexican company).

These condensed interim consolidated financial statements also include the accounts of Minera Sierra Madre Oro Y Plata, S. de R.L. de C.V., a wholly-owned Mexican subsidiary incorporated by the Company on May 5, 2021.

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant inter-company transactions, balances, and unrealized foreign exchange translation gains or losses have been eliminated.

Foreign currency translation

The presentation currency of the Company and the functional currency of the Company and its subsidiaries is the Canadian dollar. Transactions denominated in foreign currencies are translated at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the reporting date. Translation gains and losses are reflected in profit or loss for the period.

3. SHARE CAPITAL AND CONTRIBUTED SURPLUS

The Company's authorized share capital consists of an unlimited number of voting common shares without par value.

Details of the issued and outstanding shares and contributed surplus are as follows:

	Number of Shares	Share Capital	Contributed Surplus
Balance – December 31, 2020	33,294,888	\$ 2,564,585	\$ 508,990
Subscription receipts converted to shares	30,643,500	15,321,750	-
Share issuance costs	-	(1,570,494)	-
Exercise of warrants	4,620	3,515	(1,205)
Share-based compensation	-	-	2,625,190
Balance – December 31, 2021	63,943,008	16,319,356	3,132,975
Share-based compensation (<i>Note 4</i>)	-	-	472,042
Balance – September 30, 2022	63,943,008	\$ 16,319,356	\$ 3,605,017

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3. SHARE CAPITAL AND CONTRIBUTED SURPLUS - continued

Shares held in escrow

A total of 20,641,776 shares held by directors, officers and seed shareholders of the Company were held in escrow until October 19, 2021, being six months after the date that the Company obtained a listing of its shares on the TSX-V, and were released as to 10% on that date with tranches of 15% being released each six months thereafter. An additional 13,089,107 shares issued in the June 2020 private placement were subject to a hold period until July 19, 2021, being three months after the date that the Company obtained its listing and were released as to 8.33% on that date with tranches of 8.33% being released each month thereafter. As at September 30, 2022, there was a total of 15,481,332 shares remaining in escrow and subject to hold periods.

Stock options and warrants

The Company has an Incentive Stock Option Plan that complies with the rules of the TSX-V limiting the total number of incentive stock options to 10% of the issued common shares. Stock options may be issued at the discretion of the board of directors and may be exercisable during a period not exceeding ten years. Vesting provisions and exercise price are at the discretion of the board of directors, subject to the policies of the TSX-V.

In April 2021, the Company granted 4,600,000 five-year stock options and 200,000 two-year stock options to directors, officers, and consultants; these options vested as to one-third on the grant date, one-third after six months, and the remaining one-third after twelve months. The Company also granted 185,000 two-year stock options to investor relations consultants; these options vested as to 25% three months after the grant date and 25% each three months thereafter.

In April 2022, the Company granted 500,000 five-year stock options to consultants; these options vest as to one-third on the grant date, one-third after six months, and the remaining one-third after twelve months.

Stock option and share purchase warrant transactions are summarized as follows:

	Warrants		Options	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, December 31, 2020	1,951,565	\$ 0.50	-	\$ -
Exercised	(4,620)	\$ 0.50	-	\$ -
Granted	-	\$ -	<u>4,985,000</u>	\$ 0.74
Outstanding, December 31, 2021	1,946,945	\$ 0.50	4,985,000	\$ 0.74
Granted	-	\$ -	<u>500,000</u>	\$ 0.74
Outstanding, September 30, 2022	1,946,945	\$ 0.50	5,485,000	\$ 0.74
Exercisable, September 30, 2022	1,946,945	\$ 0.50	5,151,667	\$ 0.74

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3. SHARE CAPITAL AND CONTRIBUTED SURPLUS - continued

Stock options and warrants - continued

At September 30, 2022, the Company had outstanding stock options and warrants enabling holders to acquire common shares as follows:

	Number of Shares	Exercise Price	Expiry Date
Options	385,000	\$ 0.74	April 26, 2023
	4,600,000	\$ 0.74	April 26, 2026
	500,000	\$ 0.74	April 29, 2027
	5,485,000		
Warrants	840,490	\$ 0.50	October 7, 2022
	1,106,455	\$ 0.50	October 15, 2022
	1,946,945 (i)		

At September 30, 2022, the weighted-average remaining life for the outstanding stock options was 3.45 years and 0.03 years for the outstanding warrants.

(i) Subsequent to September 30, 2022, 187,670 warrants were exercised; the balance of 1,759,275 warrants expired.

Share-based compensation

The following table presents information relating to incentive stock options granted during the periods ended September 30:

	2022	2021
Options granted	500,000	4,985,000
Average exercise price	\$ 0.74	\$ 0.74
Estimated fair value per option	\$ 0.43	\$ 0.59
Estimated fair value of options granted	\$ 213,712	\$ 2,935,990

The fair value of the share-based compensation to be recognized in the accounts has been estimated using the Black-Scholes Option-Pricing Model with the following weighted-average assumptions:

	2022	2021
Risk-free interest rate	2.75%	0.88%
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	100%	100%
Expected forfeiture rate	0.00%	0.00%
Expected option life in years	5.00	4.77

Share-based compensation is recorded over the vesting periods. The following table presents options vested and share-based compensation recognized during the periods ended September 30:

	2022	2021
Options vested	1,859,167	1,646,250
Compensation recognized	\$ 472,042	\$ 2,235,412

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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4. MINERAL PROPERTIES AND EXPLORATION AND EVALUATION

Tepic Property, Mexico

In December 2017, the Company entered into an agreement providing it with the option to purchase a 100% interest in the Tepic project located in Nayarit, Mexico. During the term of the option, the Company was required to keep the concessions in good standing and pay the owner US\$450,000 in semi-annual payments of US\$50,000 over four years. As at September 30, 2022, payments totalling US\$450,000 had been made to the option holder and the Company is in a position to exercise its option under the agreement.

The Company can exercise its option and complete the purchase of the property by either making a final payment to the owner of US\$1,500,000 or granting a 3% net smelter returns royalty ("NSR"), which would be extinguished upon payment of a total of US\$4,000,000 in royalty payments. Should the Company elect to grant the NSR, it would subsequently have the right to purchase the NSR from the owner at a price of US\$1,000,000 for each 1% (one-third) of the NSR purchased, to a maximum of US\$3,000,000 for the entire NSR.

The carrying value of the Tepic project consists of the fair value of the asset acquired through the acquisition of Pita Exploration Limited and its wholly-owned subsidiary Pita Exploration, S. de R.L. de C.V., which holds an interest in the property. The carrying value of \$202,785 represents the cost of acquiring the asset and does not necessarily represent the current or future value.

La Tigra Property, Mexico

In June 2021, the Company entered into an agreement pursuant to which the Company obtained the right to explore and the option to acquire an interest in the La Tigra project located in Nayarit, Mexico. Under the terms of the agreement the Company must make cash payments of US\$1,500,000 to the owner of the property over three years as follows:

	Cash Payments
Upon signing of the agreement (<i>paid</i>)	US\$ 75,000
On or before December 21, 2021 (<i>paid</i>)	75,000
On or before June 21, 2022 (<i>paid</i>)	112,500
On or before December 21, 2022	112,500
On or before June 21, 2023	250,000
On or before December 21, 2023	375,000
On or before June 21, 2024	500,000
	<u>US\$ 1,500,000</u>

The Company must also complete a National Instrument 43-101 compliant technical report containing a resource estimation before June 21, 2024 and make a written election to exercise its right to acquire the property upon completion of the cash payments and delivery of the compliant technical report. Upon the Company completing its option payments, delivering the compliant technical report and the election, the owner can either:

- if the technical report estimate contains more than one million ounces of gold mineral resources, elect to form a joint venture with the Company and be assigned a 51% interest in the joint venture with the Company being assigned a 49% interest; or
- regardless of the number of ounces reported in the technical report, elect to transfer a 100% interest in the property to the Company and retain a 2.5% NSR. The Company can reduce the NSR to 1.5% upon payment to the owner of US\$1,500,000 at any time and to 0.5% upon payment to the owner of a further US\$1,000,000.

SIERRA MADRE GOLD AND SILVER LTD.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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4. MINERAL PROPERTIES AND EXPLORATION AND EVALUATION - *continued*

Expenditures

The Company expenses exploration and evaluation expenditures in the period incurred. Expenditures for the periods ended September 30 and cumulative expenditures as at September 30, 2022 are as follows:

Mexico	Expenditures 2022	Expenditures 2021	Cumulative 2022
Tepic			
Option payments	\$ 74,169	\$ 72,755	\$ 612,394
Administration	89,521	23,189	131,134
Assays	276,509	148,838	440,561
Consulting	-	6,569	6,569
Drilling	635,818	231,188	867,438
Environmental and permits	-	12,322	21,864
Field materials	84,436	70,157	167,751
Geology	477,139	399,674	1,124,241
Land holding costs	62,312	58,750	276,681
Legal	26,563	13,321	188,483
Local labour	103,394	15,572	169,023
Mapping and survey	19,927	9,910	78,251
Road work	32,449	6,125	48,170
Surface rights and social license	6,452	18,599	57,936
Transportation and rentals	3,617	13,941	15,515
Travel and accommodation	47,156	95,673	168,095
	1,939,462	1,196,583	4,374,106
La Tigra			
Option payments	166,508	197,504	474,642
Administration	89,918	12,072	113,208
Assays	317,011	25,589	363,712
Consulting	39,641	20,357	72,830
Drilling	748,253	-	748,253
Environmental and permits	25,919	11,401	41,323
Field materials	69,655	4,431	78,043
Geology	496,998	159,196	790,112
Land holding costs	8,523	3,954	12,477
Legal	22,476	8,699	29,830
Local labour	156,814	19,804	204,357
Mapping and survey	18,869	1,497	20,366
Road work	2,733	-	2,733
Surface rights and social license	20,619	-	20,619
Transportation and rentals	6,947	4,083	8,316
Travel and accommodation	45,189	20,191	90,244
	2,236,073	488,778	3,071,065
	\$ 4,175,535	\$ 1,685,361	\$ 7,445,171

Title

Title to mineral properties involves certain inherent risks due to the difficulties in determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties. The Company has investigated title to its mineral properties and, to the best of its knowledge, title is in good standing and in accordance with the related option agreements.

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5. ACQUISITION OF LA GUITARRA SILVER-GOLD MINE

On May 24, 2022, the Company signed a definitive agreement, subject to regulatory approval, shareholder approval, and certain conditions precedent, to acquire a 100% interest in the La Guitarra silver-gold mine ("La Guitarra") in Mexico (the "Transaction") from First Majestic Silver Corp. ("First Majestic"). The agreement, as amended October 28, 2022, provides for the Company to issue 69,063,076 common shares (the "Consideration Shares") to First Majestic at a deemed price of \$0.65 per share for total consideration of approximately US\$35,000,000, plus certain working capital adjustments. The Company anticipates that the Transaction will constitute a reverse take-over. The Consideration Shares issued to First Majestic will be subject to certain resale restrictions and First Majestic will have the right to distribute all such Consideration Shares, in excess of 19.9% of the issued and outstanding shares of the Company, pro rata to its shareholders. First Majestic will retain a 2% NSR on all mineral production from La Guitarra, subject to the Company's right to buy back one-half of the NSR for US\$2,000,000 at any time. First Majestic will also have the right to maintain its pro rata interest in the Company, to a maximum of 19.9%, by participating in future share offerings of the Company.

To September 30, 2022, the Company had incurred and deferred legal and consulting costs totalling \$320,557 in respect of the Transaction. Should the Transaction not be completed as contemplated, these costs will be expensed in the period that the Transaction is terminated.

As a condition of completing the Transaction, the Company is required to complete a minimum financing of \$10,000,000. The Company has signed an agency agreement to raise up to \$10,000,250 by issuing up to 9,385,000 subscription receipts and 6,000,000 common shares each at a price of \$0.65. The agents have the option to sell up to an additional 2,307,750 subscription receipts for additional proceeds of up to \$1,500,038. All proceeds from the subscription receipts will be placed into escrow until the Transaction is completed and all escrow conditions are satisfied at which time each subscription receipt will automatically convert into one common share of the Company. The Company will pay the agents a cash commission ranging from 3% to 6% of the proceeds raised, a corporate finance fee, and compensation options ranging from 3% to 6% of the subscription receipts and common shares issued. Each compensation option is exercisable into one common share of the Company at a price of \$0.65 per share for a period of 24 months following the conversion of the subscription receipts.

On September 8, 2022, the Company closed, in escrow, the first tranche of the financing by issuing 9,504,647 subscription receipts at a price of \$0.65 per subscription receipt for gross proceeds of \$6,178,021. The agents received payment of their expenses and 50% of their commission totalling \$251,879, which was deducted from the gross proceeds with the balance of \$5,926,142 being held in escrow. These funds will be released to the Company upon completion of the Transaction and satisfaction of all escrow conditions, less \$123,334 being the remaining 50% of the agents' commission. Should the financing not close as contemplated, the agents will not receive the remaining 50% of their commission, the Company will be required to deposit \$251,879 into escrow, and the subscribers of the subscription receipts will have the full amount of their subscriptions returned.

The final tranche of the financing is expected to complete upon closing of the Transaction.

To September 30, 2022, the Company had incurred and deferred certain commissions, legal and other costs totalling \$374,163 in respect of the financing. These costs have been deferred and will be recorded as share issuance costs upon completion of the financing. Should the financing not be completed as contemplated, these costs will be expensed in the period that the financing is terminated.

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6. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

The Company had transactions with related persons or corporations, which were undertaken in the normal course of operations. Key management includes directors and officers. The compensation paid or payable to key management for the periods ended September 30 is as follows:

	2022	2021
Accounting	\$ 90,000	\$ 90,000
- bonus	138,000	-
Administration (exploration and evaluation)	28,867	12,595
- bonus	103,500	-
Director fees	81,000	54,000
Geological (exploration and evaluation)	67,500	67,500
Management fees	308,000	288,000
- bonuses	545,100	-
	<u>\$ 1,361,967</u>	<u>\$ 512,095</u>

In addition, the Company recorded share-based compensation of \$272,635 (2021 - \$1,653,145), which relates to incentive stock options granted to directors and officers. Share-based compensation is a non-cash item calculated using the Black-Scholes Option-Pricing Model with the assumptions detailed in Note 3.

As at September 30, 2022, accounts payable includes \$43,027 (December 31, 2021 – \$18,734) due to a director of the Company for management fees/expenses due for reimbursement.

7. SEGMENTED INFORMATION

The Company currently operates in only one operating segment, that being the mineral exploration industry, with operations in Canada and Mexico. The Company has minimal office and field equipment located in Canada and Mexico and the mineral properties in which it is maintaining an interest are located in Mexico.

8. SUBSEQUENT EVENTS

Subsequent to September 30, 2022, the Company:

- Amended the May 24, 2022 definitive agreement with First Majestic in respect of the La Guitarra Transaction (*Note 5*);
- issued 187,670 shares upon the exercise of warrants for proceeds of \$93,835; 1,759,275 warrants expired (*Note 3*).