FORM 51-102F3

MATERIAL CHANGE REPORT

Item 1 **Name and Address of Company**

Sierra Madre Developments Inc.
Suite 3206, 610 Granville Street
Vancouver, B.C. V6C 3J3

Item 2 **Date of Material Change**

January 22, 2014

Item 3 **News Release**

The news release dated January 22, 2014 was issued in Vancouver, BC, and disseminated through Stockwatch.

Item 4 **Summary of Material Change**

By news release dated January 22, 2014, Sierra Madre Developments Inc. (the "Issuer") announced that further to its news release of October 22, 2013, the sale by the Issuer of its Penoles project interests in Mexico to Morro Bay Capital Ltd. ("Morro Bay") has closed as of today's date.

Item 5 **Full Description of Material Change**

5.1 Full Description of Material Change

By news release dated January 22, 2014 the Issuer announced that further to its news release of October 22, 2013, the sale by the Issuer of its Penoles project interests in Mexico to Morro Bay Capital Ltd. ("Morro Bay") has closed as of today's date. The Issuer received 16,000,000 common shares and 8,000,000 warrants of Morro Bay as partial consideration for the sale, which the Issuer has agreed to distribute to the Issuer's shareholders as a dividend-in-specie.

The Morro Bay shares and warrants are to be distributed pursuant to the TSX Venture Exchange's *due bill trading* policy. Pursuant to that policy, the Issuer announces that:

(i) the **Record Date** to determine shareholders of the Issuer entitled to receive Morro Bay securities is February 3, 2014;

(ii) the *due bill trading date* will be January 30, 2014 (two trading days prior to the Record Date);

(iii) the payment or **Distribution Date** will be February 14, 2014;

(iv) the *ex-distribution date* will be February 18, 2014 (the next trading day following the Distribution Date); and

(v) the *due bill redemption date* will be February 20, 2014 (the second trading day following the ex-distribution date).

For clarification, "due bills" will represent the Morro Bay shares and warrants that the Issuer's shareholders will be entitled to receive. The due bills will be deemed to attach to the Issuer's common shares two trading days prior to the Record Date, and will continue to attach to the Issuer's shares until the end of the Distribution Date. Accordingly, the Issuer's shares will trade on a "due bill" basis from January 30, 2014 until close of trading on February 14, 2014 (the "**Due Bill Period**"). This means that persons who sell their Issuer shares during the Due Bill Period shall also sell their entitlement to the dividend to the purchasers of such shares. The Issuer's shares will commence trading on an ex-distribution basis (i.e. without an attached "due Bill" entitlement to the dividend) from the opening of trading on February 18, 2014 (i.e. the next trading day after the Distribution Date). The Due Bills will be redeemed on February 20, 2014 once all trades with attached due bills entered during the Due Bill Period have settled.

The Issuer is expected to have 53,980,827 common shares outstanding on the Record Date, such that for each common share of the Issuer held, a shareholder can expect to receive approximately 0.2964 Morro Bay shares and 0.1482 Morro Bay warrants. No fractional Morro Bay securities will be issued, and will instead be rounded to the nearest whole number.

Notwithstanding the dividend, the Morro Bay securities will remain subject to a four month hold period expiring May 23, 2014.

The Issuer has agreed with the TSX Venture Exchange that, upon closing of the transaction, the Morro Bay securities received by the Issuer will be subject to escrow; provided however, that if the dividend-in-kind is effected within 45 days of closing, the escrow provisions will be waived. In addition to the foregoing, in connection with the dividend-in-kind, (i) the directors and officers of the Issuer have agreed to place all Morro Bay securities received by them, and (ii) Riverside Resources Inc. (which owns more than 10% of the outstanding shares of the Issuer) has agreed to place 70% of the Morro Bay securities received by it in escrow until December 31, 2014. In addition, each of Carl von Einsiedel and Garth Kirkham (who are directors of the Issuer and who became directors of Morro Bay on closing) will place all the Morro Bay shares and warrants that they will receive under the dividend-in-kind, directly or indirectly, in escrow pursuant to the standard TSXV Tier 2 Value Security Escrow Agreement to be released over the 36 months following closing.

Disclosure for Restructuring Transactions

N/A.

Item 6 Reliance on subsection 7.1(2) or (3) of National Instrument 51-102

Confidentiality is not requested.

Item 7 Omitted Information

No information has been omitted in respect of the material change.

Item 8 Executive Officer

Carl von Einsiedel, CEO & Director
Tel (604) 685 - 3357

Item 9 Date of Report

January 22, 2014