

SONORO METALS CORP.

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016 and 2015
(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF SONORO METALS CORP.

We have audited the accompanying consolidated financial statements of Sonoro Metals Corp., which comprise the consolidated statements of financial position as at December 31, 2016 and 2015 and the consolidated statements of comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sonoro Metals Corp. as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
May 1, 2017

Vancouver
7th Floor 355 Burrard St
Vancouver, BC V6C 2G8
T: 604 687 1231
F: 604 688 4675

Langley
305 – 9440 202 St
Langley, BC V1M 4A6
T: 604 282 3600
F: 604 357 1376

Nanaimo
201 – 1825 Bowen Rd
Nanaimo, BC V9S 1H1
T: 250 755 2111
F: 250 984 0886

SONORO METALS CORP.

(An Exploration Stage Company)

Consolidated statements of financial position

(Expressed in Canadian Dollars)

As at	Note	December 31, 2016	December 31, 2015
Assets			
Current Assets			
Cash and cash equivalents		\$ 204,394	\$ 27,547
Receivables	6	59,646	12,315
Assets held for sale	6	1,566,838	-
Prepaid expenses		6,331	16,960
		1,837,209	56,822
Non-Current Assets			
Exploration and evaluation assets	6	806,550	2,217,665
		\$ 2,643,759	\$ 2,274,487
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	7, 8	\$ 173,807	\$ 61,122
Deferred sale proceeds	6	650,000	-
Due to related parties	8	10,500	11,550
		834,307	72,672
Shareholders' Equity			
Share capital	9	5,284,028	5,206,278
Share-based payment reserve	9	118,582	451,310
Deficit		(3,593,158)	(3,455,773)
		1,809,452	2,201,815
		\$ 2,643,759	\$ 2,274,487

Approved on behalf of the Board:

*"Stephen Kenwood" (signed)**"Gary Freeman" (signed)*

Stephen Kenwood, Director

Gary Freeman, Director

SONORO METALS CORP.

(An Exploration Stage Company)

Consolidated statements of comprehensive loss

(Expressed in Canadian Dollars)

Year ended December 31,	Note	2016	2015
Expenses			
Consulting fees	8	\$ 172,783	\$ 319,101
Exploration expenditures	6	43,454	347,937
Legal and audit		114,124	41,143
Office and administration	8	34,530	45,863
Share-based payments	8	8,522	80,390
Transfer agent fees		18,720	16,958
Travel and promotion		24,585	54,752
		(416,718)	(906,144)
Other (expenses) and income			
Interest income		36	3,420
Interest expense	8	(12,711)	-
Write-down of mineral properties	6	-	(52,829)
Foreign exchange gain (loss)		(13,992)	7,609
		(26,667)	(41,800)
Loss and Comprehensive Loss for the Year		\$ (443,385)	\$ (947,944)
Basic and diluted loss per share		\$ (0.02)	\$ (0.04)
Weighted average number of shares outstanding		24,026,011	23,099,572

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

SONORO METALS CORP.

(An Exploration Stage Company)

Consolidated statements of changes in shareholders' equity

(Expressed in Canadian Dollars)

	Note	Share Capital		Share-Based Payment Reserve	Deficit	Shareholders' Equity
		Shares	Amount			
Balance, December 31, 2014		22,202,586	\$5,029,778	\$ 370,920	\$ (2,507,829)	\$ 2,892,869
Private placement, net of issuance costs	9(b)(iii)	1,450,000	145,000	-	-	145,000
Acquisition of mineral properties	9(b)(iv) & (v)	300,000	31,500	-	-	31,500
Share-based payments		-	-	80,390	-	80,390
Net loss for the year		-	-	-	(947,944)	(947,944)
Balance, December 31, 2015		23,952,586	5,206,278	451,310	(3,455,773)	2,201,815
Acquisition of mineral properties	9(b)(i)	50,000	5,000	-	-	5,000
Share-based payments	9(c)	-	-	8,522	-	8,522
Exercised options	9(b)(ii)	375,000	37,500	-	-	37,500
Reallocation of reserve on exercise of options	9(b)(ii)	-	35,250	(35,250)	-	-
Reallocation of reserve on expiry of options	9(b)	-	-	(306,000)	306,000	-
Net loss for the year		-	-	-	(443,385)	(443,385)
Balance, December 31, 2016		24,377,586	\$5,284,028	\$ 118,582	\$ (3,593,158)	\$ 1,809,452

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

SONORO METALS CORP.
(An Exploration Stage Company)
Consolidated statements of cash flows
For the years ended December 31
(Expressed in Canadian Dollars)

	Note	2016	2015
Operating Activities			
Net loss	\$	(443,385)	\$ (947,944)
Item not involving cash			
Share-based payments		8,522	80,390
Write down of mineral properties		-	52,829
Changes in non-cash working capital			
Receivables		(47,331)	6,223
Prepaid expenses		10,629	89,672
Accounts payable and accrued liabilities		112,685	(119,825)
Due to related parties		(1,050)	7,980
Cash Used in Operating Activities		(359,930)	(830,675)
Investing Activities			
Advances for disposition of mineral property		650,000	-
Expenditures on exploration and evaluation assets		(150,723)	(553,191)
Cash Provided by/(Used in) Investing Activities		499,277	(553,191)
Financing Activities			
Common shares issued for cash, net of share issuance costs		-	145,000
Proceeds received from exercise of stock options		37,500	-
Cash Provided by/(Used in) Financing Activities		37,500	145,000
Inflow (Outflow) of Cash and Cash Equivalents		176,847	(1,238,866)
Cash and Cash Equivalents, Beginning of Year		27,547	1,266,413
Cash and Cash Equivalents, End of Year	\$	204,394	\$ 27,547
Cash and Cash Equivalents Consists of			
Cash	\$	179,394	\$ 2,547
Term deposit		25,000	25,000
	\$	204,394	\$ 27,547
Supplemental Disclosure with Respect to Cash Flows			
Interest received	\$	36	\$ 3,284
Shares issued for mineral properties	\$	5,000	\$ 31,500

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

SONORO METALS CORP.

(An Exploration Stage Company)

Notes to the consolidated financial statements

For the years ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Sonoro Metals Corp. (“Sonoro” or the “Company”) was incorporated in Ontario on November 30, 1944 under the *Company Act* of Ontario. On January 15, 2007, the Company was issued a Certificate of Continuation by the Province of British Columbia. The Company’s principal business activity is the acquisition, exploration and development of exploration and evaluation assets. The Company is a publicly-traded company listed on the TSX Venture Exchange (“TSX-V”) under the symbol “SMO”.

The head office, registered address and records office of the Company are located at suite 1430 – 800 West Pender Street, Vancouver, British Columbia, Canada, V6C 2V6.

The Company reported net loss of \$443,385 (2015 - \$947,944) for the year ended December 31, 2016 and has an accumulated deficit of \$3,593,158 (2015 - \$3,455,773) as at December 31, 2016. As at December 31, 2016, the Company had working capital of \$1,002,902 (2015 - \$15,850 deficit) available to meet its liabilities as they become due.

The Company has no source of revenue, and has significant cash requirements to meet its administrative overhead and to finance mineral property acquisitions and future exploration. The Company does not generate cash flow from operations to adequately fund its activities and has therefore relied principally upon the issuance of securities for financing. The Company will be required to and intends to continue relying upon the issuance of securities to finance its future activities, but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company. Although these consolidated financial statements do not include any adjustments that may result from the inability to secure future financing, such a situation would have a material adverse effect on the Company’s business, results of operations and financial condition. These matters indicate the existence of material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern.

These consolidated financial statements do not include any adjustments related to the recoverability of assets and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

The Board of Directors approved these consolidated financial statements for issue on May 1, 2017.

2. BASIS OF PREPARATION

These consolidated financial statements, have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board. These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments measured at fair value. These consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned integrated subsidiaries, Cap Capital Corp. (“Cap Capital”), Minera Mar de Plata S.A. de C.V (“MMP”) and Minera Breco, S.A. de C.V. (“Breco”). A subsidiary is an entity in which the Company has control, where control requires exposure or rights to variable returns and the ability to affect those returns through power over the investee. All significant intercompany transactions and balances have been eliminated.

SONORO METALS CORP.

(An Exploration Stage Company)

Notes to the consolidated financial statements

For the years ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION (Continued)

Critical accounting estimates and judgments

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Critical accounting estimates

Critical accounting estimates are made by management that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year include, but are not limited to, the following:

Share-based payments

The fair value of share-based payments is subject to the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in certain assumptions. As the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices and expected forfeiture rate, changes in subjective input assumptions can materially affect the fair value estimate.

Recovery of deferred tax assets

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include, but are not limited to, the following:

Exploration and evaluation assets

Management is required to make judgments on the status of each mineral property and the future plans with respect to finding commercial reserves. The nature of exploration and evaluation activity is such that only a few projects are ultimately successful and some assets are likely to become impaired in future periods.

In respect of costs incurred for its mineral properties, management has determined that acquisition costs, which have been capitalized, continue to be appropriately recorded on the consolidated statement of financial position at carrying value. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit, including geologic and metallurgic information, economic assessment/studies, accessible facilities and existing permits.

SONORO METALS CORP.

(An Exploration Stage Company)

Notes to the consolidated financial statements

For the years ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION (Continued)

Critical accounting estimates and judgments (Continued)

Exploration and evaluation assets (Continued)

Assets or cash-generating units are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's mineral properties.

Assets held for sale

Judgment is required in determining whether an asset meets the criteria for classification as "assets held for sale" in the consolidated statements of financial position. Criteria considered by management include the existence of and commitment to a plan to dispose of the assets, the expected selling price of the assets, the expected timeframe of the completion of the anticipated sale and the period of time any amounts have been classified within assets held for sale. The Company reviews the criteria for assets held for sale each quarter and reclassifies such assets to or from this financial position category as appropriate. In addition, there is a requirement to periodically evaluate and record assets held for sale at the lower of their carrying value and fair value less costs to sell. Management has evaluated the expected fair value less costs to sell and determined that it is higher than the carrying value, based on an offer to purchase the asset.

Functional currency

The Company applies judgment in assessing the functional currency of each entity consolidated in these consolidated financial statements, including determinations of whether each entities' functional currency is impacted by the direction of the Canadian head office, or local market forces.

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

3. SIGNIFICANT ACCOUNTING POLICIES

Non-monetary consideration

Shares issued for non-monetary consideration to non-employees are recorded at the fair value of the goods or services received. When such fair value cannot be estimated reliably, fair value is measured based on the quoted market value of the Company's shares on the date of share issuance. Shares to be issued, which are contingent upon future events or actions, are recorded by the Company when it is reasonably determinable that the shares will be issued.

SONORO METALS CORP.

(An Exploration Stage Company)

Notes to the consolidated financial statements

For the years ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign exchange

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the group of companies. The functional currency for all entities within the group of companies is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21 *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the consolidated statement of financial position date. Exchange gains and losses arising on translation are included in net income (loss).

Cash equivalents

The Company considers cash equivalents to be highly liquid short-term interest-bearing investments cashable at any time and having maturities of three months or less from the date acquired. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax is recorded using the asset and liability method, in respect of temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantively enacted at the consolidated statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

Income (loss) per common share

Basic income (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted income per share is computed similar to basic income (loss) per share, except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by

SONORO METALS CORP.

(An Exploration Stage Company)

Notes to the consolidated financial statements

For the years ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income (loss) per common share (Continued)

assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. However, diluted loss per share does not include the increase to weighted average shares, as the effect of including additional shares would be anti-dilutive.

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the assets were acquired:

Fair value through profit or loss – This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in net income (loss).

Loans and receivables – These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are originally recognized at fair value and carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments – These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in net income (loss).

Available-for-sale – Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized as other comprehensive income and classified as a component of equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in net income (loss).

All financial assets, except for those at fair value through profit or loss, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories. The Company's accounting policy for each category is as follows:

Fair value through profit or loss – This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in

SONORO METALS CORP.

(An Exploration Stage Company)

Notes to the consolidated financial statements

For the years ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities (Continued)

the consolidated statement of financial position at fair value with changes in fair value recognized in net income (loss).

Other financial liabilities – Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss over the period to maturity using the effective interest method. Other financial liabilities are classified as current or non-current based on their maturity date.

Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Inputs for assets or liabilities that are not based on observable market data.

Exploration and evaluation expenditures

Exploration and evaluation assets

The Company capitalizes the acquisition costs of exploration and evaluation assets.

Exploration and evaluation expenditures are expensed as incurred. These direct expenditures include such costs as materials used, geological and geophysical evaluation, surveying costs, drilling costs, payments made to contractors, and depreciation on plant and equipment during the exploration phase.

When a project is deemed to no longer have commercially viable prospects for the Company, exploration and evaluation assets in respect of that project are deemed to be impaired. As a result, those exploration and evaluation assets, in excess of estimated recoveries, are written off to net income (loss).

The Company assesses exploration and evaluation assets for indicators of impairment at each reporting date.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction". Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized costs.

SONORO METALS CORP.

(An Exploration Stage Company)

Notes to the consolidated financial statements

For the years ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Exploration and evaluation expenditures (Continued)

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.

Capitalized costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the applicable mineral rights are allowed to lapse.

Share-based payments

The Company has a stock option plan that is described in note 9(c). Share-based payments to employees are measured at the fair value of the equity instruments issued and are amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or at the fair value of the equity instruments issued (if it is determined the fair value of the goods or services cannot be reliably measured), and are recorded at the date the goods or services are received. The offset to the recorded cost is to share-based payment reserve. If and when the stock options are ultimately exercised, the applicable amounts of fair value are transferred from the share-based payment reserve to share capital. If options and warrants expire unexercised, the applicable amounts of fair value are transferred from share-based payments reserve to deficit.

Unit offerings

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market value of the common shares at the time the units are priced, and any excess is allocated to warrants.

Changes in accounting standards not yet adopted

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements. The standards that may be applicable to the Company include the following:

IFRS 9 *Financial Instruments* (2014)

This is a finalized version of IFRS 9, which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a “fair value through other comprehensive income” category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39; however, there are differences in the requirements applying to the measurement of an entity's own credit risk.

SONORO METALS CORP.

(An Exploration Stage Company)

Notes to the consolidated financial statements

For the years ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS 9 *Financial Instruments* (2014) (Continued)

- **Impairment.** The 2014 version of IFRS 9 introduces an “expected credit loss” model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- **Hedge accounting.** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition.** The requirements for the de-recognition of financial assets and liabilities are carried forward from IAS 39.

Applicable to the Company's annual period beginning on January 1, 2018.

IFRS 16 *Leases*

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 *Leases*.

Applicable to the Company's annual period beginning on January 1, 2019.

Disclosure Initiative (Amendments to IAS 7 *Statement of Cash Flows*)

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendment to IAS 7 is applicable to the Company's annual period beginning on January 1, 2017.

Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 *Income Taxes*)

The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value.

The amendments to IAS 12 are applicable to the Company's annual period beginning on January 1, 2017.

SONORO METALS CORP.

(An Exploration Stage Company)

Notes to the consolidated financial statements

For the years ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

4. FINANCIAL INSTRUMENTS

The Company has classified its cash and cash equivalents as fair value through profit and loss; receivables (excluding input tax credits receivable) as loans and receivables, and accounts payable and accrued liabilities and due to related parties, as other financial liabilities.

Fair value

The carrying values of receivables, accounts payable and accrued liabilities and due to related parties approximate their fair values due to the short-term nature of these financial instruments. Cash and cash equivalents are measured at their market value in accordance with Level 1 of the fair value hierarchy.

Credit risk

The Company is exposed to credit risk with respect to its cash and cash equivalents and receivables. The risk arises from the non-performance of counterparties of contracted financial obligations. Credit risk is mitigated as cash and cash equivalents have been placed on deposit with major Canadian and Mexican financial institutions.

Concentration of credit risk exists with respect to the Company's cash and cash equivalents and maximum exposure thereto is as follows:

	December 31, 2016	December 31, 2015
Cash and cash equivalents held at major Canadian financial institutions	\$ 84,200	\$ 25,317
Cash held at major Mexican financial institutions	120,194	2,230
Total cash and cash equivalents	\$ 204,394	\$ 27,547

As at December 31, 2016, the Company held a cashable guaranteed investment certificate of \$25,000 (2015 - \$25,000) earning interest at prime less 1.95% (2015 - prime less 1.95%), maturing May 1, 2017.

As at December 31, 2016, the Company held a cashable guaranteed investment certificate of \$105,535 (2015 - \$nil) earning interest at 6.45% (2015 - \$nil), maturing January 25, 2017.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company has working capital at December 31, 2016 in the amount of \$1,002,902 (2015 - \$15,850 deficit).

SONORO METALS CORP.

(An Exploration Stage Company)

Notes to the consolidated financial statements

For the years ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

4. FINANCIAL INSTRUMENTS (Continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(a) Interest rate risk

The Company's cash and cash equivalents consist of cash held in bank accounts. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of December 31, 2016 and 2015.

(b) Foreign currency risk

The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars.

The Company is exposed to foreign currency risk with respect to cash and cash equivalents and accounts payable and accrued liabilities as a portion of these amounts are denominated in US dollars and Mexican pesos. The Company has not entered into any foreign currency contracts to mitigate this risk.

As at December 31, 2016 and 2015, the Company's significant exposure to foreign currency risk, based on the consolidated statement of financial position carrying values, were to the Mexican peso and the US dollar, as follows:

	December 31, 2016	
	MXN	USD
Cash	1,621,165	3,246
Accounts payable and accrued liabilities	(2,001,328)	-
Total	(380,163)	3,246
Canadian dollar equivalent	\$ (26,741)	\$ 4,358

	December 31, 2015	
	MXN	USD
Accounts payable and accrued liabilities	(94,904)	-
Total	(94,904)	-
Canadian dollar equivalent	\$ (7,132)	\$ -

The sensitivity analysis of the Company's exposure to foreign currency risk suggests that a 10% change in foreign exchange rates between the Mexican peso, US dollar and Canadian dollar would impact net income (loss) for the year ended December 31, 2016 by \$3,000 (2015 - \$750).

SONORO METALS CORP.

(An Exploration Stage Company)

Notes to the consolidated financial statements

For the years ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

4. FINANCIAL INSTRUMENTS (Continued)

Market risk (Continued)

(c) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to significant other price risk.

5. CAPITAL MANAGEMENT

The Company's primary objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to be able to identify and continue with the exploration activities on its exploration and evaluation assets. The Company defines capital that it manages as shareholders' equity.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue shares from treasury, which is the Company's primary source of funds. The Company does not use other sources of financing that require fixed payments of interest and principal due to lack of cash flow from current operations and is not subject to any externally imposed capital requirements.

There have been no changes to the Company's approach to capital management during the year ended December 31, 2016.

SONORO METALS CORP.

(An Exploration Stage Company)

Notes to the consolidated financial statements

For the years ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS

	Chipriona	Santa Clara	Los Pinos	San Marcial	Hilltop	Monroe	Total
Balance, December 31, 2014	\$ 927,147	\$ 320,131	\$ 319,560	\$ 68,965	\$ -	\$ 50,000	\$ 1,685,803
Acquisition costs	-	-	-	86,240	495,622	2,829	584,691
Write-down of mineral properties	-	-	-	-	-	(52,829)	(52,829)
Balance, December 31, 2015	\$ 927,147	\$ 320,131	\$ 319,560	\$ 155,205	\$ 495,622	\$ -	\$ 2,217,665
Acquisition costs	-	-	-	114,512	41,211	-	155,723
Transfer to held for sale	(927,147)	(320,131)	(319,560)	-	-	-	(1,566,838)
Balance, December 31, 2016	\$ -	\$ -	\$ -	\$ 269,717	\$ 536,833	\$ -	\$ 806,550

During the year ended December 31, 2016, the Company incurred the following exploration expenditures:

	Chipriona	Santa Clara	Los Pinos	San Marcial	Total
Geological Fees	\$ -	\$ -	\$ -	\$ 19,885	\$ 19,885
Drilling	-	-	-	-	-
Assays	-	-	-	-	-
Taxes	3,850	385	1,144	4,102	9,481
Supplies	-	-	-	13,846	13,846
Travel	-	-	-	242	242
Balance, December 31, 2016	\$ 3,850	\$ 385	\$ 1,144	\$ 38,075	\$ 43,454

During the year ended December 31, 2015, the Company incurred the following exploration expenditures:

	Chipriona	San Marcial	Monroe	Total
Geological fees	\$ -	\$158,451	\$ 12,550	\$171,001
Drilling	-	-	102,614	102,614
Assays	-	18,187	-	18,187
Concession taxes	20,836	13,614	-	34,450
Supplies	-	17,313	-	17,313
Travel	-	4,372	-	4,372
Balance, December 31, 2015	\$ 20,836	\$211,937	\$115,164	\$347,937

SONORO METALS CORP.

(An Exploration Stage Company)

Notes to the consolidated financial statements

For the years ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (Continued)

(a) Chipriona, Santa Clara, Los Pinos

On December 13, 2016, through its wholly owned subsidiary, MMP, the Company entered into an assignment agreement (the "Agreement") with Agnico Sonoro, S.A. de C.V. ("Agnico"), a subsidiary of Agnico Eagle Mines Limited, for the sale of the Company's Chipriona, Santa Clara and Los Pinos projects (the "Properties"), and the obligations of the relating underlying royalties, for \$4 million plus a 1% net smelter return royalty ("NSR"). The NSR may be purchased by Agnico at any time for \$1.5 million.

The consideration will be paid by Agnico in four tranches, with an initial instalment of \$650,000 (received) payable upon execution of the Agreement. Three additional payments of \$650,000, \$800,000 and \$1,900,000, respectively, are due and payable following registration of title at Mexico's Public Registry of Mining, commencing with the registration of title from the original vendors through final registration under Agnico.

Upon execution of the Agreement, the Company has presented the carrying value of the Properties of \$1,566,838 as held for sale and has recorded the initial instalment of \$650,000 that was received as deferred sale proceeds. The Company will record the sale upon completion of the milestones and receipt of funds. The transaction is expected to close in 2017.

(b) San Marcial

On July 8, 2014, the Company completed the acquisition of Breco, a private Mexican company that holds the San Marcial project in Sonora, Mexico. The Company acquired all of the issued and outstanding shares of Breco by paying \$40,000 cash and issuing 50,000 common shares with a market value of \$16,000. The acquisition of Breco was deemed to be the acquisition of an asset.

As a result of the acquisition of Breco, Sonoro assumes the original option agreement obligation with the original optionors of the San Marcial property. Future-stage cash payments to an aggregate of \$60,000 over two years and share issuances to an aggregate of 150,000 shares over three years to maintain interest in the underlying San Marcial property option agreement will be made at Sonoro's discretion to the vendors of Breco as follows:

	Cash	Shares
first anniversary date	\$30,000	50,000
second anniversary date	30,000	50,000
third anniversary date	nil	50,000
	<u>\$60,000</u>	<u>150,000</u>

During the year ended December 31, 2016, the Company advanced the second anniversary payment of \$30,000 (2015 - \$30,000 first anniversary payment) and issued 50,000 shares (2015 - 50,000 shares) with a fair value of \$5,000 (2015 - \$5,250).

SONORO METALS CORP.

(An Exploration Stage Company)

Notes to the consolidated financial statements

For the years ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (Continued)

(b) San Marcial (continued)

On September 10, 2012, Breco entered into an option agreement with certain vendors (the "Vendors") whereby Breco can enter into a Final Binding Agreement to acquire a 100% interest in an additional concession that is contiguous to the San Marcial project for periodic cash payments of US \$180,000 to the Vendors (contingent on the Company continuing to exercise its right to proceed with each subsequent phase) and other consideration*, as follows:

Cash		
Payable September 2012	US \$ 10,000	(paid by Breco - \$9,837)
Payable on execution of Final Agreement	10,000	(paid in October 2014)
Payable 6 months following Final Agreement	20,000	(paid in April 2015)
Payable 12 months following Final Agreement	20,000	(paid in November 2015)
Payable 18 months following Final Agreement	30,000	(paid in August 2016)
Payable 24 months following Final Agreement	30,000	(paid in December 2016)
Payable 30 months following Final Agreement	30,000	
Payable 36 months following Final Agreement	30,000	
Total	US \$180,000	

* The San Marcial concession is subject to a 2% NSR, which may be purchased for US\$750,000 at the Company's election.

The Company, as a result of the acquisition of Breco described above, has assumed the option to acquire a 100% interest in the San Marcial concession per the consideration noted above.

(c) Monroe Property

On November 6, 2014, the Company entered into an option agreement whereby the Company can earn a 50% interest in the Monroe property. To exercise the option, Sonoro must expend \$2,500,000 on exploration and development of the property and make certain staged option payments of \$400,000 over four years as follows:

Cash payments:		
Payable upon signing	\$ 50,000	(paid in 2014)
On or before the first anniversary	50,000	
On or before the second anniversary	100,000	
On or before the third anniversary	200,000	
Total	\$ 400,000	

Exploration and development expenditures:

A cumulative total of not less than \$250,000 by November 6, 2015 (incurred)
A cumulative total of not less than \$750,000 by November 6, 2016
A cumulative total of not less than \$1,250,000 by November 6, 2017
A cumulative total of not less than \$2,500,000 by November 6, 2018

During the year ended December 31, 2015, the Company terminated the option and wrote-down the value of the Monroe property to \$nil. As a result, \$52,829 was included in net loss as a write-down of mineral properties during the year ended December 31, 2015. The Company has no further continuing obligations.

SONORO METALS CORP.

(An Exploration Stage Company)

Notes to the consolidated financial statements

For the years ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (Continued)

(d) Hilltop Property

On June 12, 2015, the Company entered into a Definitive Agreement with Northern Empire Resources Corp. ("Northern Empire") that grants the Company the option to earn a 60% interest in Northern Empire's Hilltop Gold project ("Hilltop") located in Alaska, USA. During the term of the option, Northern Empire will be the operator of the project. To exercise the option and earn its 60% interest in the Hilltop project, the Company must incur \$3,000,000 on exploration activities to advance the Hilltop project and issue 1,000,000 common shares of the Company to Northern Empire as follows:

	Expenditures	Shares
Within 5 days of signing	\$ 250,000 (incurred)	250,000 (issued)
On or before December 31, 2017	500,000 *	250,000
On or before December 31, 2018	750,000	250,000
On or before December 31, 2019	1,500,000	250,000
	\$3,000,000	1,000,000

During the year ended December 31, 2016, the Company capitalized \$41,211 (2015 - \$nil) incurred for claim maintenance.

* As at December 31, 2016, the Company has incurred \$286,833 in qualifying exploration expenditures.

(e) Realization of assets

The Company's investment in and expenditures on exploration and evaluation assets comprise a significant portion of the Company's assets. Realization of the Company's investment in the assets is dependent on establishing legal ownership of the property interest, on the attainment of successful commercial production or from the proceeds of its disposal. The recoverability of the amounts shown for the exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of the exploration and evaluation assets, and upon future profitable production or proceeds from the disposition thereof.

(f) Title to mineral properties

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history of many exploration and evaluation assets. Although the Company has taken steps to ensure title to the exploration and evaluation assets in which it has an interest, in accordance with industry standards for the current stage of exploration of such assets, these procedures may not guarantee the Company's title. Asset title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

SONORO METALS CORP.

(An Exploration Stage Company)

Notes to the consolidated financial statements

For the years ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (Continued)

(g) Environmental matters

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its exploration and evaluation assets. The Company conducts its exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current assets that may result in a material liability to the Company.

Environmental legislation is becoming increasingly stringent and the costs of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the exploration and evaluation assets, the potential for production on these assets may be diminished or negated.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities for the Company are broken down as follows:

	December 31, 2016	December 31, 2015
Trade payables	\$ 146,807	\$ 40,622
Accrued liabilities	27,000	20,500
Total	\$ 173,807	\$ 61,122

All accounts payable and accrued liabilities for the Company are due within the next 12 months.

8. RELATED PARTY TRANSACTIONS

The Company entered into the following transaction with related parties during the year:

- Rent of \$nil (2015 - \$1,900) was paid to a company with directors in common and is included in office and administration.

At December 31, 2016, \$10,500 (2015 - \$11,550) is owing to related parties without interest and is payable on demand.

During the year ended December 31, 2016, the Company borrowed \$273,000 (2015 - \$nil) from directors and officers, which were repaid on December 23, 2016. The loans accrued simple interest at 8% per annum and were payable on demand. For the year ended December 31, 2016, interest expense of \$7,657 (2015 - \$nil) is included in net loss relating to interest paid to directors and officers.

SONORO METALS CORP.

(An Exploration Stage Company)

Notes to the consolidated financial statements

For the years ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

8. RELATED PARTY TRANSACTIONS (Continued)

Compensation of key management

Key management comprises directors and executive officers. Compensation awarded to key management is as follows:

	For the year ended December 31,	
	2016	2015
Consulting fees	\$ 131,000	\$ 213,500
Share-based payments	8,522	80,390
	<u>\$ 139,522</u>	<u>\$ 293,890</u>

The Company incurred no post-employment benefits, no long-term benefits and no termination benefits.

9. SHARE CAPITAL AND RESERVES

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued

- (i) On December 5, 2016, the Company issued 50,000 common shares of the Company with a fair value of \$5,000 pursuant to the San Marcial property option agreement. These common shares were fair valued at \$0.10 per common share based on the market price on the date of issue.
- (ii) On October 24, 2016, 375,000 stock options with an exercise price of \$0.10 were exercised for gross proceeds of \$37,500 to the Company. Upon exercise, \$35,250 in share-based payment reserve was allocated to share capital.
- (iii) On June 29, 2015, the Company completed a private placement of 1,450,000 units at a price of \$0.10 per unit for gross proceeds of \$145,000. Each unit consisted of one share and one share purchase warrant exercisable for a term of three years. Each warrant entitles the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.12 during the first year, escalating to \$0.15 in the second and third years, subject to the right of the Company to accelerate the expiry of the warrants, if at any time after four months and one day from the issue date of the warrants, the common shares of the Company close at a price at or above \$0.25 per share for more than 20 consecutive trading days.
- (iv) On June 26, 2015, the Company issued 50,000 common shares of the Company with a fair value of \$5,250 pursuant to the San Marcial property option agreement. These common shares were fair valued at \$0.105 per common share based on the share price on the date of issue.

SONORO METALS CORP.

(An Exploration Stage Company)

Notes to the consolidated financial statements

For the years ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

8. RELATED PARTY TRANSACTIONS (Continued)

(b) Issued (Continued)

- (v) On June 15, 2015, the Company issued 250,000 common shares of the Company with a fair value of \$26,250 pursuant to the Hilltop property option agreement. These common shares were fair valued at \$0.105 per common share based on the share price on the date of issue.

(c) Stock options

Pursuant to the policies of the TSX-V, under the Company's stock option plan, options to purchase common shares are granted to directors, employees and consultants at exercise prices determined by reference to the market value on the date of grant for a maximum term of five years. The Board of Directors may grant options for the purchase of up to a total of 10% of the outstanding shares at the time of the option grant less the aggregate number of existing options and number of common shares subject to issuance under outstanding rights that have been issued under any other share compensation arrangement. Options granted under the plan may vest over a period of time at the discretion of the Board of Directors.

A summary of the Company's outstanding and exercisable stock options is as follows:

	Outstanding	Exercisable	Weighted Average Exercise Price
Balance, December 31, 2015 and 2014	2,080,000	2,080,000	\$ 0.27
Expired	(637,500)	(637,500)	\$ 0.60
Exercised	(375,000)	(375,000)	\$ 0.10
Balance, December 31, 2016	1,067,500	1,067,500	\$ 0.12

On December 23, 2016, 637,500 stock options expired unexercised with the relating fair value of \$306,000 being allocated from share-based payment reserve to deficit.

During the year ended December 31, 2016, 304,375 stock options vested with the fair value of \$8,522 being recognized as share-based payments in the consolidated statement of comprehensive loss.

No options were granted during the year ended December 31, 2016.

The following summarizes information on the number of stock options outstanding:

Expiry Date	Exercise Price	December 31, 2016	December 31, 2015
December 23, 2016	\$ 0.60	-	637,500
April 7, 2019	\$ 0.20	225,000	225,000
December 17, 2019	\$ 0.10	842,500	1,217,500
		1,067,500	2,080,000

The weighted average remaining contractual life for the outstanding options at December 31, 2016 is 2.82 (2015 – 2.97) years.

SONORO METALS CORP.

(An Exploration Stage Company)

Notes to the consolidated financial statements

For the years ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES (Continued)

(d) Warrants

As at December 31, 2016, the Company had share purchase warrants outstanding entitling the holders to acquire common shares as follows:

Exercise Price	Expiry Date	Outstanding, December 31, 2015	Issued	Expired	Outstanding, December 31, 2016
\$0.15/\$0.20/\$0.25	November 20, 2017	1,666,667	-	-	1,666,667
\$0.15/\$0.20/\$0.25	November 27, 2017	7,000,000	-	-	7,000,000
\$0.15/\$0.20/\$0.25	December 3, 2017	2,865,000	-	-	2,865,000
\$0.12/\$0.15/\$0.15	June 29, 2018	1,450,000	-	-	1,450,000
		12,981,667	-	-	12,981,667

As at December 31, 2015, the Company had share purchase warrants outstanding entitling the holders to acquire common shares as follows:

Exercise Price	Expiry Date	Outstanding, December 31, 2014	Issued	Expired	Outstanding, December 31, 2015
\$0.15/\$0.20/\$0.25	November 20, 2017	1,666,667	-	-	1,666,667
\$0.15/\$0.20/\$0.25	November 27, 2017	7,000,000	-	-	7,000,000
\$0.15/\$0.20/\$0.25	December 3, 2017	2,865,000	-	-	2,865,000
\$0.12/\$0.15/\$0.15	June 29, 2018	-	1,450,000	-	1,450,000
		11,531,667	1,450,000	-	12,981,667

10. SEGMENTED INFORMATION

The Company has one business segment, the exploration of mineral properties. The Company's significant assets are distributed by geographic locations as follows:

As at December 31, 2016

	Exploration and Evaluation Assets
United States	\$ 536,833
Mexico	269,717
Total	\$ 806,550

As at December 31, 2015

	Exploration and Evaluation Assets
Canada	\$ 495,622
Mexico	1,722,043
Total	\$ 2,217,665

SONORO METALS CORP.

(An Exploration Stage Company)

Notes to the consolidated financial statements

For the years ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

11. INCOME TAXES

- (a) A reconciliation of income tax provision computed at Canadian statutory rates to the reported income tax provision is provided as follows:

	2016	2015
Loss before incometaxes	\$ (443,385)	\$ (947,944)
Canadian statutory tax rate	26%	26%
Income tax recovery computed at statutory rates	(115,280)	(246,465)
Non-deductible items	2,216	20,901
Temporary differences	195	8,086
Foreign tax rates different from statutory	(3,942)	(8,574)
Effects of foreign exchange on tax assets	-	(29,815)
Unused tax losses and tax offsets not recognized	(120,166)	255,867
Under(over) provided in prior years	236,977	-
Income tax recovery	\$ -	\$ -

The Mexican income tax rate remained constant at 30%.

- (b) The Company recognizes tax benefits on losses or other deductible amounts generated in countries where it is probable deferred tax assets will be realized. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	2016	2015
Non-capital losses	\$ 3,250,000	\$ 3,563,000
Share issue costs	30,000	35,000
Tax value over book value of exploration and evaluation assets	-	158,000
Tax value over book value of equipment	10,000	10,000
Unrecognized deferred tax	\$ 3,290,000	\$ 3,766,000

As at December 31, 2016, the Company has non-capital losses carried forward of approximately \$2,760,000 and \$490,000 that may be applied against future income for income tax purposes in Canada and Mexico, respectively. The operating losses expire between 2017 and 2036.