SONORO METALS CORP.

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017

(Expressed in Canadian Dollars)

Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF SONORO METALS CORP.

Opinion
We have audited the consolidated financial statements of Sonoro Metals Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive (loss) income, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

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

Material Uncertainty Related to Going Concern
We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $2,479,504 during the year ended December 31, 2018 and, as of that date, the Company had an accumulated deficit of $5,428,028. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information
Management is responsible for the other information. The other information comprises of Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Kevin Yokichi Nishi.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 29, 2019

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SONORO METALS CORP.
(An Exploration Stage Company)
Consolidated statements of financial position
(Expressed in Canadian Dollars)

As at	Note		December 31, 2018		December 31, 2017
Assets					
Current Assets					
Cash and cash equivalents		$	732,636	$	2,211,595
Receivables			228,236		72,369
Loan receivable	6		-		71,016
Prepaid expenses			86,097		50,020
			1,046,969		2,405,000
Non-Current Assets					
Exploration and evaluation assets	7		872,022		1,031,308
		$	1,918,991	$	3,436,308
Liabilities					
Current Liabilities					
Accounts payable and accrued liabilities	8	$	308,338	$	142,349
Due to related parties	9		-		3,590
Taxes payable	12		725,270		725,270
			1,033,608		871,209
Shareholders' Equity					
Share capital	10		6,112,299		5,330,278
Share-based payment reserve	10		214,112		236,302
Subscription receivable	10		(13,000)		-
Deficit			(5,428,028)		(3,001,481)
			885,383		2,565,099
		$	1,918,991	$	3,436,308

Approved on behalf of the Board:

"Stephen Kenwood" (signed) *"Ken MacLeod" (signed)*

Stephen Kenwood, Director Ken MacLeod, Director

SONORO METALS CORP.

(An Exploration Stage Company)
Consolidated statements of comprehensive (loss) income
(Expressed in Canadian Dollars)

	Note	2018	2017
Expenses			
Consulting fees	9	$ 429,572	$ 429,571
Exploration expenditures	7	915,238	159,217
Legal and audit		158,626	184,879
Office and administration		52,161	45,663
Share-based payments	9, 10	127,288	117,720
Transfer agent and filing fees		21,452	42,143
Travel and promotion		127,199	50,052
		(1,831,536)	(1,029,245)
Other (expenses) and income			
Interest income		78,934	2,429
Gain on disposal of mineral property	7	-	2,433,162
Write-down of mineral properties	7	(694,659)	-
Foreign exchange loss		(32,243)	(68,167)
Write-down of receivables		-	(21,232)
		(647,968)	2,346,192
Income (loss) before taxes		(2,479,504)	1,316,947
Income tax recovery (expense)		-	(725,270)
(Loss) income and comprehensive (loss) income for the year		$ (2,479,504)	$ 591,677
Basic and diluted (loss) income per share		$ (0.10)	$ 0.02
Weighted average number of shares outstanding		25,781,093	24,396,575

SONORO METALS CORP.
(An Exploration Stage Company)
Consolidated statements of changes in shareholders' equity
(Expressed in Canadian Dollars)

	Note	Share Capital Shares	Share Capital Amount	Share-Based Payment Reserve	Subscription Receivable	Deficit	Shareholders' Equity
Balance, December 31, 2016		24,377,586	$5,284,028	$ 118,582	$ -	$ (3,593,158)	$ 1,809,452
Acquisition of mineral properties	7	300,000	46,250	-	-	-	46,250
Share-based payments	10	-	-	117,720	-	-	117,720
Net loss for the period		-	-	-	-	591,677	591,677
Balance, December 31, 2017		24,677,586	5,330,278	236,302	-	(3,001,481)	2,565,099
Private placement	10	5,000,000	500,000	-	-	-	500,000
Acquisition of mineral properties	7	350,000	62,000	-	-	-	62,000
Exercised options	10	1,102,500	123,500	-	(13,000)	-	110,500
Reallocation of reserve on exercise of options	10	-	96,521	(96,521)	-	-	-
Reallocation of reserve on expiry of options	10	-	-	(52,957)	-	52,957	-
Share-based payments	9, 10	-	-	127,288	-	-	127,288
Net loss for the period		-	-	-	-	(2,479,504)	(2,479,504)
Balance, December 31, 2018		31,130,086	$6,112,299	$ 214,112	$ (13,000)	$ (5,428,028)	$ 885,383

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

		2018		2017
Operating Activities				
Net (loss) income	$	(2,479,504)	$	591,677
Item not involving cash				
Share-based payments		127,288		117,720
Interest expense		-		-
Interest income		-		(521)
Gain on disposition of mineral property		-		(2,433,162)
Write-down of mineral property		694,659		-
Write-down of receivables		-		21,232
Changes in non-cash working capital				
Receivables		(155,867)		(33,955)
Prepaid expenses		(36,077)		(43,689)
Accounts payable and accrued liabilities		165,989		(81,795)
Loan payable		-		-
Due to related parties		(3,590)		(6,910)
Income taxes payable		-		725,270
Cash Used in Operating Activities		(1,687,102)		(1,144,133)
Investing Activities				
Loan receivable		71,016		(70,495)
Proceeds from disposition of mineral property		-		3,350,000
Expenditures on exploration and evaluation assets		(473,373)		(128,171)
Cash (Used in)/Provided by Investing Activities		(402,357)		3,151,334
Financing Activities				
Common shares issued for cash, net of share issuance costs		500,000		-
Proceeds received from exercise of stock options		110,500		-
Cash Provided by/(Used in) Financing Activities		610,500		-
(Outflow) Inflow of Cash and Cash Equivalents		(1,478,959)		2,007,201
Cash and Cash Equivalents, Beginning of Year		2,211,595		204,394
Cash and Cash Equivalents, End of Year	$	732,636	$	2,211,595
Cash and Cash Equivalents Consists of				
Cash	$	707,221	$	2,186,595
Term deposit		25,415		25,000
	$	732,636	$	2,211,595
Supplemental Disclosure with Respect to Cash Flows				
Interest received	$	78,934	$	1,908
Interest paid	$	-	$	-
Shares issued for exploration and evaluation assets		39,500		46,250
Exploration and evaluation expenditures in accounts payable	$	-	$	50,337

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 1112 – 409 Granville Street, Vancouver, British Columbia, Canada, V6C 1T2.

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. The Company incurred a net loss of $2,479,504 during the year ended December 31, 2018 (2017 - $591,677 net income) and has an accumulated deficit of $5,428,028 (2017 - $3,001,481) as at December 31, 2018. As at December 31, 2018, the Company had working capital of $13,361 (2017 - $1,533,791) available to meet its liabilities as they become due. Although these consolidated financial statements do not include any adjustments that may result from the inability to secure future financing, or to the recoverability of assets and classification of assets and liabilities, 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.

The Board of Directors approved these consolidated financial statements for issue on April 29, 2019.

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.

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.

Critical accounting estimates

Critical accounting estimates 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 judgment

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.

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.

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.

Gain on disposal of mineral properties

The Company applies judgment in assessing the gain on disposal of its' mineral properties. The tax related to the gain on disposal of mineral property is in Mexico and the Company is undertaking a legal assessment of the tax basis relating to the disposed mineral properties to determine a tax estimate, which is not yet complete. A reliable tax estimate is necessary before it is recorded in the financial statements. When a reliable tax estimate has been determined, it may have a material impact on the financial statements.

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.

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.

As at December 31, 2018 the Company has restricted cash of $25,415, held in a one-year cashable GIC with an annual interest rate of 0.5%. This investment is held as collateral for the Company's visa and matures on May 12, 2019.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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

Recognition and measurement of financial assets

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument.

Classification of financial assets

The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income or measured at fair value through profit or loss.

Amortized cost - A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost.

- The Company's business model for such financial assets is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary.

Financial assets measured at fair value through profit or loss ("FVTPL")

A financial asset measured at fair value through profit or loss is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets measured at fair value through other comprehensive income ("FVTOCI")

A financial asset measured at fair value through other comprehensive income is recognized initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included as "financial asset at fair value through other comprehensive income" in other comprehensive income.

Derecognition of financial assets

The Company derecognizes a financial asset if the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or retained by the Company are recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in the consolidated statement of loss and comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial liabilities

Recognition and measurement of financial liabilities

The Company recognizes financial liabilities when it becomes a party to the contractual provisions of the instruments.

Classification of financial liabilities

The Company classifies financial liabilities at initial recognition as financial liabilities: measured at amortized cost or measured at fair value through profit or loss.

Financial liabilities measured at amortized cost

A financial liability at amortized cost is initially measured at fair value less transaction cost directly attributable to the issuance of the financial liability. Subsequently, the financial liability is measured at amortized cost based on the effective interest rate method.

Financial liabilities measured at fair value through profit or loss

A financial liability measured at fair value through profit or loss is initially measured at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial liability is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

Derecognition of financial liabilities

The Company derecognizes a financial liability when the financial liability is discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of loss and comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Adoption of new accounting standard

The following accounting standard has been adopted as at January 1, 2018 in accordance with the transitional provisions outlined in the standard.

IFRS 9 - Financial Instruments
The final version of IFRS 9, Financial Instruments, was issued in July 2014 to replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. Classification is determined at initial recognition in one of the following categories: fair value through profit and loss ("FVTPL"), fair value through other comprehensive income ("FVTOCI") or at amortized cost. In addition, the standard amended some of the requirements of IFRS 7, Financial Instruments: Disclosures, including the requirement for added disclosures about investments in equity instruments measured at FVTOCI and guidance on financial liabilities and derecognition of financial instruments. The Company adopted the standard on January 1, 2018. Retrospective application was required, but there was no requirement to restate comparative periods disclosed.

The Company has assessed the classification and measurement of its financial assets and financial liabilities under IFRS 9 and have summarized the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 in the following table:

	Measurement Categories	
	IAS 39	**IFRS 9**
Cash and cash equivalents	FVTPL	FVTPL
Receivables	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Due to related parties	Amortized cost	Amortized cost

The adoption of IFRS 9 resulted in no impact to the Company's financial statements.

New accounting standards issued but not yet effective

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 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.*

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Applicable to the Company's annual period beginning on January 1, 2019. The Company does not expect the adoption of these standards and interpretations to have a material impact on its financial statements.

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 amortized cost

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, 2018	December 31, 2017
Cash and cash equivalents held at major Canadian financial institutions	$ 474,671	$ 370,355
Cash held at major Mexican financial institutions	257,965	1,841,240
Total cash and cash equivalents	$ 732,636	$ 2,211,595

As at December 31, 2018, the Company held a cashable guaranteed investment certificate of $25,414 (2017 - $25,000) earning interest at 0.5% (2017 - prime less 1.95%), maturing May 12, 2019.

As at December 31, 2018, the Company held a cashable guaranteed investment certificate of $nil (2017 - $469,500) earning interest at nil% (2017 - 7.08%).

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 had working capital at December 31, 2018 in the amount of $13,361 (2017 –$1,533,791) and will require additional sources of capital in order to extinguish liabilities as they become due.

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, 2018 and 2017.

(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, 2018 and 2017, 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, 2018	
	MXN	USD
Cash	$ 3,716,016	$ 455
Accounts receivable	2,900,979	-
Accounts payable and accrued liabilities	(3,108,565)	-
Total	3,508,430	455
Canadian dollar equivalent	$ 263,078	$ 620

	December 31, 2017	
	MXN	USD
Cash	$ 27,494,093	$ 3,246
Accounts receivable	1,816,611	-
Accounts payable and accrued liabilities	(444,643)	-
Total	(28,866,061)	3,246
Canadian dollar equivalent	$ (1,841,652)	$ 4,358

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, 2018 by $12,000 (2017 - $130,553).

4. FINANCIAL INSTRUMENTS (Continued)

Market risk (Continued)

(b) 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, 2018.

6. LOAN RECEIVABLE

On December 4, 2017, the Company entered into a promissory note with another company for the principal amount of $70,495. The note bears interest of 10% per annum and is payable on demand.

During the year ended December 31, 2018, the principal and all outstanding accrued interest was repaid to the Company. Included in the statement of comprehensive loss is interest income relating to the loan receivable of $3,267 (2017 - $521).

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS

	Cerro Caliche	San Marcial	Calera	Hilltop	Total
December 31, 2016	$ -	$ 269,717	$ -	$ 536,833	$ 806,550
Acquisition costs	-	83,932	51,739	89,087	224,758
Sunday, December 31, 2017	-	353,649	51,739	625,920	1,031,308
Acquisition costs	518,373	-	-	17,000	535,373
Write down of mineral properties	-	-	(51,739)	(642,920)	(694,659)
Monday, December 31, 2018	$ 518,373	$ 353,649	$ -	$ -	$ 872,022

During the year ended December 31, 2018, the Company incurred the following exploration expenditures:

	Cerro Caliche	San Marcial	Calera	Total
Geological fees	$ 300,994	$ -	$ -	$ 300,994
Drilling	242,678	-	-	242,678
Assays	127,358	-	-	127,358
Field expenses	153,800	-	-	153,800
Travel expenses	26,279	-	-	26,279
Concession taxes	62,838	1,291	-	64,129
Monday, December 31, 2018	$ 913,947	$ 1,291	$ -	$ 915,238

During the year ended December 31, 2017, the Company incurred the following exploration expenditures:

	San Marcial	Calera	Total
Geological fees	$ 99,432	$ 49,188	$ 148,620
Taxes	9,033	-	9,033
Supplies	1,564	-	1,564
Sunday, December 31, 2017	$ 110,029	$ 49,188	$ 159,217

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS (Continued)

(a) Cerro Caliche Property

On January 23, 2018, the Company through its wholly owned Mexican subsidiary, MMP, entered into an option agreement with a resident of Sonora, Mexico (the "Cerro Caliche Vendor"), to acquire a 100% interest in the Cerro Caliche Group of Concessions ("Cerro Caliche") located in the municipality of Cucurpe, in northern Sonora state, Mexico.

To exercise the the company must make payments of US$2,977,000 payable in instalments as follows:

December 19, 2017 deposit	US$10,000* (paid)
On signing	US$117,000** (paid)
January 23, 2019	US$200,000***
January 23, 2020	US$300,000
July 23, 2020	US$200,000
January 23, 2021	US$200,000
July 23, 2021	US$250,000
January 23, 2022	US$250,000
July 23, 2022	US$300,000
January 23, 2023	US$300,000
July 23, 2023	US$400,000
January 23, 2024	US$450,000

* Included in prepaid expenses at December 31, 2017.
** Plus reimbursement of property taxes of US$17,487 (paid).
*** Paid subsequent to December 31, 2018.

Following exercise of the option, the Cerro Caliche Vendor will be entitled to a 2% net smelter returns royalty ("NSR") ("Cerro Caliche NSR") from the proceeds of the sale of minerals from the Cerro Caliche project. The Company may purchase the Cerro Caliche NSR at any time for US$1,000,000 for each one percent.

On February 14, 2018, the Company through its wholly owned Mexican subsidiary, MMP, entered into a purchase agreement with a resident of Sonora, Mexico to acquire a 100% interest in the Abel concession adjacent to the eastern portion of Cerro Caliche in northern Sonora state, Mexico for a onetime payment of 300,000 pesos (paid -$21,215).

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS (Continued)

(a) Cerro Caliche Property (continued)

On March 14, 2018, the Company through its wholly owned Mexican subsidiary, MMP, entered into an option agreement with a resident of Tucson Arizona (the “Rosario Vendor”), to acquire a 100% interest in the Rosario Group of Concessions (“Rosario”) located in the municipality of Cucurpe, in northern Sonora state, Mexico. The Rosario concessions are contiguous to the Company’s Cerro Caliche concessions.

To exercise the option the Company must make payments totalling US$1,600,000 payable in instalments as follows:

On signing	US$60,000 (paid)
March 14, 2019	US$75,000 *
March 14, 2020	US$90,000
March 14, 2021	US$150,000
March 14, 2022	US$300,000
March 14, 2023	US$375,000
March 14, 2024	US$550,000

* Paid subsequent to December 31, 2018.

Following exercise of the option, the Rosario Vendor will be entitled to a 2% NSR (“Rosario NSR”) from the proceeds of the sale of minerals from the Rosario project. The Company may purchase the Rosario NSR at any time for US$1,000,000 for each one percent.

On May 29, 2018, the Company entered into an option agreement to acquire a 100% interest in the Tres Amigos concession in Sonoro, Mexico. The Tres Amigos concessions are contiguous to the Company’s Cerro Caliche concessions. To exercise the option the Company must make payments totallingUS$130,000, which is payable in nine equal instalments over 48 months from the date of signing, as follows:

On signing	US$14,444 (paid)
November 2, 2018	US$14,444 (paid)
May 2, 2019	US$14,444
November 2, 2019	US$14,444
May 2, 2020	US$14,444
November 2, 2020	US$14,444
May 2, 2021	US$14,444
November 2, 2021	US$14,444
May 2, 2022	US$14,444

On August 10, 2018, the Company entered into an option agreement to acquire a 100% interest in the El Colorado concessions, which are located within the perimeter of the Cerro Caliche concessions. To exercise the option the Company must make payments totalling US$100,000, of which US$50,000 ($63,810) has been paid and the balance is due six months from the signing of the agreement.

Subsequent to December 31, 2018 the Company paid the remaining balance of US$50,000 and completed the acquisition of the El Colorado concessions.

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS (Continued)

(a) Cerro Caliche Property (continued)

On October 5, 2018, the Company entered into an option agreement to acquire a 100% interest in the Cabeza Blanca concession, located within the perimeter of the Cerro Caliche concessions. To exercise the option the Company must make payments totaling US$175,000 in staged payments over five years from the date of signing and by issuing 250,000 common shares (issued - $45,000). The staged payments are due as follows:

On signing	US$5,000 (paid)
November 5, 2018	US$20,000 (paid)
January 5, 2019	US$10,000 *
October 5, 2019	US$70,000
October 5, 2020	US$70,000

* Paid subsequent to December 31, 2018.

(b) San Marcial Property

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
	$60,000	150,000

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS (Continued)

(b) San Marcial (continued)

On September 29, 2017, the Company issued the final 50,000 shares due on the third anniversary with a fair value of $7,500.

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	(paid in May 2017)
Payable 36 months following Final Agreement	30,000	(paid in September 2017)
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 and through the subsequent payment of all periodic cash payments due to the Vendors, as noted above, the Company owns a 100% interest in the San Marcial project.

(c) 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% NSR. The NSR may be purchased by Agnico at any time for $1.5 million.

At December 31, 2016, upon execution of the agreement the Company presented the carrying value of the Properties of $1,566,838 as held for sale and recorded the initial instalment of $650,000 that was received in December 2016 as deferred sale proceeds. This has been subsequently reversed upon recognition of the sale on completion of the transaction and receipt of funds in fiscal 2017.

The transaction closed on June 1, 2017. Upon closing, the Company received the remaining $3,350,000 in cash and recorded a gain on disposition of mineral properties of $2,433,162.

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS (Continued)

(d) Calera Property

On November 1, 2017, the Company through its wholly owned Mexican subsidiary, MMP, entered into an option agreement with a resident of Magdalena de Kino, Sonora, Mexico (the "Calera Vendor"), to acquire a 100% interest in the Calera Group of Concessions ("Calera") located in the municipality of Cucurpe, in northern Sonora state, Mexico.

To exercise the option the Company must make payments totalling US$1,000,000 payable in instalments as follows:

November 1, 2017	US$25,000* (paid)
November 1, 2018	US$50,000
May 1, 2019	US$30,000
November 1, 2019	US$30,000
May 1, 2020	US$50,000
November 1, 2020	US$50,000
May 1, 2021	US$100,000
November 1, 2021	US$100,000
May 1, 2022	US$125,000
November 1, 2022	US$125,000
May 1, 2023	US$150,000
November 1, 2023	US$150,000

* Plus reimbursement of property taxes to a maximum of US$15,000 (paid).

Following exercise of the option, the Calera Vendor will be entitled to a 2% NSR ("Calera NSR") from the proceeds of the sale of minerals from the Calera project. The Company may purchase the Calera NSR for US$650,000 at any time.

During the year ended December 31, 2018 the Company terminated its option to purchase the Calera property and wrote off $51,739 in capitalized acquisition costs.

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS (Continued)

(e) 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	(issued) **
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	

* On January 31, 2018, the Company issued an additional 100,000 common shares ($17,000) of the Company to extend the time to complete the exploration expenditures due on or before December 31, 2017 to December 31, 2018.

On December 27, 2018, the Company terminated the Hilltop option agreement and wrote down $642,920 in capitalized acquisition costs.

During the year ended December 31, 2017 the Company capitalized $50,337 for claim maintenance fees. Included in accounts payable at December 31, 2018 is $nil (December 31, 2017 - $50,337) payable to Northern Empire for 2017 claim maintenance fees.

(f) 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.

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS (Continued)

(g) 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.

(h) 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.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	December 31, 2018	December 31, 2017
Trade payables	$ 276,338	$ 115,349
Accrued liabilities	32,000	27,000
Total	$ 308,338	$ 142,349

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

(Expressed in Canadian Dollars)

9. RELATED PARTY TRANSACTIONS

At December 31, 2018, $nil (2017 - $3,590) is owing to related parties without interest and is payable on demand.

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, 2018	2017
Consulting fees	$ 235,000	$ 285,000
Share-based payments	88,742	85,838
	$ 323,742	$ 370,838

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

10. SHARE CAPITAL AND RESERVES

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued

(i) On December 11, 2018, 100,000 stock options with an exercise price of $0.12 per share were exercised for gross proceeds of $12,000. Upon exercise, $9,810 was allocated to share capital from share-based payment reserve.

(ii) On December 11, 2018, 562,500 stock options with an exercise price of $0.10 per share were exercised for gross proceeds of $56,250. Upon exercise, $52,828 was allocated to share capital from share-based payment reserve.

(iii) On November 13, 2018, 100,000 stock options with an exercise price of $0.13 per share were exercised for gross proceeds of $13,000. Upon exercise, $6,990 was allocated to share capital from share-based payment reserve. Proceeds were received subsequent to year end and have been recorded as "Subscriptions receivable" in equity.

(iv) On November 9, 2018, 225,000 stock options with an exercise price of $0.13 per share were exercised for gross proceeds of $29,250. Upon exercise, $15,728 was allocated to share capital from share-based payment reserve.

(v) On October 30, 2018, 75,000 stock options with an exercise price of $0.12 per share were exercised for gross proceeds of $9,000. Upon exercise, $7,358 was allocated to share capital from share-based payment reserve.

(vi) On October 30, 2018, 40,000 stock options with an exercise price of $0.10 per share were exercised for gross proceeds of $4,000. Upon exercise, $3,760 was allocated to share capital from share-based payment reserve.

10. SHARE CAPITAL AND RESERVES (Continued)

(b) Issued (continued)

(vii) On October 29, 2018, The Company completed a non-brokered private placement of 5,000,000 units (the "Units") at a price of $0.10 per Unit, for gross proceeds of $500,000. Each Unit consists of once share and one non-transferable share purchase warrants. Each warrant entitles the holder to purchase one additional common share of the Company at an exercise price of $0.15 per warrant for a period of two years, subject to the right of the Company to accelerate the expiry of the warrants, if at any time after April 30, 2019, its common shares close at a price at or above $0.30 per share for more than 20 consecutive trading days.

(viii) On October 22, 2018, the Company issued 250,000 common shares of the Company with a fair value of $45,000 relating to the acquisition of the Cabeza Blanca concession (note 7).

(ix) On January 29, 2018, the Company issued 100,000 common shares of the Company with a fair value of $17,000 relating to an amendment to the Hilltop property option agreement (note 7).

(x) On December 22, 2017, the Company issued 250,000 common shares of the Company with a fair value of $38,750 pursuant to the Hilltop property option agreement.

(xi) On September 29, 2017, the Company issued 50,000 common shares of the Company with a fair value of $7,500 pursuant to the San Marcial property option agreement. These common shares were fair valued at $0.15 per common share based on the market 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.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES (Continued)

(c) Stock options (Continued)

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

	December 31, 2018		December 31, 2017	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of year	2,267,500	$ 0.12	1,067,500	$ 0.12
Granted	1,575,000	0.15	1,200,000	0.12
Expired	(140,000)	0.11	-	-
Exercised*	(1,102,500)	0.11	-	-
Cancelled	(225,000)	0.20	-	-
Balance, end of year	2,375,000	$ 0.12	2,267,500	$ 0.12

*The weighted average market price on the date the shares were exercised is $0.14 per share.

On November 13, 2018, the Company granted incentive stock options to consultants of the Company entitling them to purchase 1,050,000 common shares at a price of $0.16 per share for a period of two years vesting 100% on the date of grant and expiring November 13, 2020. The fair value of $82,530 is included in net loss for the year ended December 31, 2018.

On October 16, 2018, the Company granted incentive stock options to a director of the Company entitling them to purchase 325,000 common shares at a price of $0.13 per share for a period of two years vesting 100% on the date of grant and expiring October 15, 2020. The fair value of $22,718 is included in net loss for the year ended December 31, 2018.

On May 31, 2018, the Company granted incentive stock options to consultants of the Company entitling them to purchase 200,000 common shares at a price of $0.15 per share for a period of five years vesting 100% on the date of grant and expiring May 31, 2023. The fair value of $22,040 is included in net loss for the year ended December 31, 2018.

During the year ended December 31, 2018, 100,000 stock options with an exercise price of $0.12 per share expired unexercised with the relating fair value of $9,810 being allocated from share-based payment reserve to deficit.

During the year ended December 31, 2018, 40,000 stock options with an exercise price of $0.10 expired unexercised with the relating fair value of $3,760 being allocated from share-based payment reserve to deficit.

During the year ended December 31, 2018, 225,000 stock options with an exercise price of $0.20 were cancelled with the related fair value of $39,387 being allocated from share-based payment reserve to deficit.

On July 28, 2017, the Company granted incentive stock options to directors, officers and consultants of the Company entitling them to purchase 1,200,000 common shares at a price of $0.12 per share for a period of 5 years vesting 100% on the date of grant and expiring July 29, 2022. The fair value of $117,720 is included in net loss for the year ended December 31, 2018.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES (Continued)

(c) Stock options (Continued)

The fair value of stock options and warrants are estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	December 31, 2018		December 31, 2017	
	Options	Warrants	Options	Warrants
Risk-free interest rate	2.28%	n/a	1.50%	n/a
Expected dividend yield	0.00	n/a	0.00	n/a
Expected stock price volatility	84.77%	n/a	117.31%	n/a
Expected life in years	2.38	n/a	5	n/a
Weighted average fair value	$0.08	n/a	$0.10	n/a

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

Expiry Date	Exercise Price	December 31, 2018	December 31, 2017
April 7, 2019	$ 0.20	-	225,000
December 17, 2019	$ 0.10	200,000	842,500
July 28, 2022	$ 0.12	925,000	1,200,000
May 31, 2023	$ 0.15	200,000	-
November 13, 2020	$ 0.16	1,050,000	-
		2,375,000	2,267,500

The weighted average remaining contractual life for the outstanding options at December 31, 2018 is 2.67 (2017 – 3.28) years.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES (Continued)

(d) Warrants

As at December 31, 2018, the Company had share purchase warrants outstanding entitling the holders to acquire common shares as follows:

Exercise Price	Expiry Date	Outstanding, December 31, 2017	Issued	Expired	Outstanding, December 31, 2018
$0.12/$0.15/$0.15	June 29, 2018	1,450,000	-	(1,450,000)	-
$0.15	October 29, 2020	-	5,000,000	-	5,000,000
		1,450,000	5,000,000	(1,450,000)	5,000,000

As at December 31, 2017, the Company had share purchase warrants outstanding entitling the holders to acquire common shares as follows:

Exercise Price	Expiry Date	Outstanding, December 31, 2016	Issued	Expired	Outstanding, December 31, 2017
$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	-	(11,531,667)	1,450,000

11. 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, 2018

	Exploration and Evaluation Assets
Mexico	$ 872,022
Total	$ 872,022

As at December 31, 2017

	Exploration and Evaluation Assets
Canada	$ 625,920
Mexico	405,388
Total	$ 1,031,308

(Expressed in Canadian Dollars)

12. INCOME TAXES

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

	2018	**2017**
Income (loss) before taxes	$ (2,479,504)	$ 591,677
Canadian statutory tax rate	27%	26%
Income tax recovery computed at statutory rates	(669,466)	153,836
Non-deductible items	-	249,060
Temporary differences	210,397	(3,679)
Effect of change in tax rates	(31,939)	(34,963)
Foreign tax rates different from statutory	54,717	54,717
Effects of foreign exchange on tax assets	(11,680)	(4,272)
Unused tax losses and tax offsets not recognized	869,079	311,866
Under(over) provided in prior years	(314)	(1,295)
Income tax expense (recovery)	$ -	$ 725,270
Represented by:		
Current income tax	$ -	$ 725,000
Future income tax	$ -	$ -

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:

	2018	2017
Non-capital losses	$ 3,130,500	$ 2,425,000
Share issue costs	20,400	25,000
Tax value over book value of equipment	10,000	10,000
Unrecognized deferred tax	$ 3,160,900	$ 2,460,000

As at December 31, 2018, the Company has non-capital losses carried forward of approximately $2,457,734 (2017 - $2,160,000) and $672,766 (2017 - $300,000) that may be applied against future income for income tax purposes in Canada and Mexico, respectively. The operating losses expire between 2019 and 2038.

13. EVENTS AFTER THE REPORTING PERIOD

(a) On February 11, 2019, the Company granted incentive stock options to consultants of the Company entitling them to purchase 500,000 common shares at a price of $0.17 per share for a period of two years vesting 100% on the date of grant and expiring February 11, 2021.

(b) On April 2, 2019, the Company completed a non-brokered private placement of 3,615,104 units (the “Units”) at a price of $0.18 per Unit, for gross proceeds of $650,718. Each Unit consists of one share and one-half of a common share purchase warrant (each warrant, a “Warrant”). Each Warrant entitles the holder to purchase one additional common share of the Company at an exercise price of $0.27 for a period of one year. In connection with the private placement, the Company paid finder’s fees by way of issuing 67,690 Units and 33,845 non-transferrable finder’s warrants (“Finder’s Warrants”). Each Finder’s Warrant entitles the holder to purchase one common share of the Company at a price of $0.27 for a period of one year.

(c) On April 17, 2019, the Company granted incentive stock options to a director of the Company entitling him to purchase 100,000 common shares at a price of $0.18 per share for a period of two years vesting 100% on the date of grant and expiring April 17, 2021.