

# **SONORO METALS CORP.**

(An Exploration Stage Company)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015

Suite 800 – 789 West Pender St Vancouver, BC, V6C 1H2

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**MANAGEMENT DISCUSSION & ANALYSIS**  
For the three and nine months ended September 30, 2015

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**1.0 INTRODUCTION**

This Management's Discussion and Analysis ("MD&A") includes financial information from, and should be read in conjunction with, Sonoro Metals Corp ("the Company" or "Sonoro") unaudited condensed interim consolidated financial statements and notes thereto for the three and nine months ended September 30, 2015 and the audited consolidated financial statements and notes thereto for the year ended December 31, 2014. This MD&A was prepared with information available to November 26, 2015. Additional information and disclosure relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

**2.0 FORWARD LOOKING STATEMENTS**

This MD&A contains "forward-looking statements" within the meaning of applicable Canadian securities legislation, which include all statements other than statements of historical fact that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future. These include, without limitation:

- the Company's anticipated results and developments in the Company's operations in future periods
- planned exploration and development of its mineral properties
- planned expenditures and budgets
- evaluation of the potential impact of future accounting changes
- estimates concerning share-based compensation and carrying value of properties
- other matters that may occur in the future.

These statements relate to analyses and other information that are based on expectations of future performance and planned work programs.

Statements concerning mineral resource estimates may also be deemed to constitute forward-looking statements to the extent that they involve estimates of the mineralization that will be encountered if the related property is developed.

With respect to forward-looking statements and information contained herein, the Company has made a number of assumptions with respect to, including among other things, the price of gold and other metals, economic and political conditions, and continuity of operations. Although the Company believes that the assumptions made and the expectations represented by such statements or information are reasonable, there can be no assurance that forward-looking statements or information contained or incorporated by reference herein will prove to be accurate.

Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors which could cause actual events or results to differ materially from those expressed or implied by the forward-looking statements, including, without limitation:

- fluctuations in mineral prices;
- the Company's dependence on a limited number of mineral projects;
- the nature of mineral exploration and mining and the uncertain commercial viability of certain mineral deposits;
- the Company's lack of operating revenues;
- the Company's ability to obtain necessary financing to fund the development of its mineral properties or the completion of further exploration programs;
- jurisdiction operating risks which can over time include changes in political, economic, regulatory and taxation regimes;

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- governmental regulations and specifically the ability to obtain necessary licenses and permits;
- risks related to the Company's mineral properties being subject to prior unregistered agreements, transfers, or claims and other defects in title;
- fluctuations in the currency markets;
- changes in environmental laws and regulations which may increase costs of doing business and restrict the Company's operations;
- risks related to the Company's dependence on key personnel; and
- estimates used in the Company's consolidated financial statements proving to be incorrect.

This is not an exhaustive list of the factors that may affect the Company's forward-looking statements. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the forward-looking statements. The Company's forward-looking statements are based on beliefs, expectations and opinions of management on the date the statements are made. For the reasons set forth above, investors should not place undue reliance on forward-looking statements.

### 3.0 DESCRIPTION OF BUSINESS

Sonoro 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 under the symbol "SMO".

The Company has financed its current exploration and development activities principally by the issuance of common shares. The Company 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.

### 4.0 HIGHLIGHTS

- 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. To exercise the option, the Company must expend \$3,000,000 in exploration expenditures and issue 1,000,000 common shares by 2019.
- As at September 30, 2015, the Company had working capital of \$218,932.

### 5.0 PROJECT UPDATES

The Company's wholly-owned subsidiary Minera Mar De Plata, S.A. de C.V. ("MMP") holds a 100% interest in the Chipriona and Los Pinos properties, located in Sonora State, Mexico.

#### Chipriona

Chipriona is comprised of 4 concessions totaling 414 hectares, and adjoins Agnico Eagle's La India and Tarachi deposits. Alamos Gold's Mulatos property is located 15 km to the southeast, and Penole's exploration property to the northwest. Other than very recent surface mapping and sampling performed on the property by MMP, there has been no modern day exploration of this property; the property has never been drilled.

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Two previous mining campaigns mined about 100,000 tons of material from five levels down to a depth of 100 meters below surface. The most recent mining, from 1970-1989, left tailings of about 80,000 tons along with crushing, milling, flotation equipment and infrastructure. This mine development used a flotation mill that was reported to process up to 180 tons per day.

Chipriona is a shallow mesothermal type pyritic polymetallic mineralized zone, displaying epithermal features where the main elements of interest are contained in silver and gold with additional values in lead, copper and zinc. The strong sulfidic replacements are situated within shear zones and in and near porphyritic dikes with broad alteration zones with low grade disseminated halos to the sides of those main zones. Litho-geochemical sampling in 2009 documented the potential of the main Chipriona mineralized shear zone to host significant polymetallic mineralization. A total of 328 rock samples were collected, crossing the main mineralized shear zone on surface and in one underground exposure approximately 80 meters below surface within a significantly altered area measuring approximately 400 meters wide and almost 1,300 meters along strike. Surface sampling in 2009 across the main shear zone yielded results of 189 g/t silver and 0.71 g/t gold over 19.9 meters (including 1.6 meters of 1.61g/t gold and 562 g/t silver) and 100 g/t silver and 0.40 g/t gold over 20 meters. All surface sampling across zones consisted of continuous chip sampling perpendicular to the strike of the shear zone; sample lengths ranged from 0.8 meters to 3.0 meters in length. Sampling at the lowest underground level approximately 80 meters below surface returned values in one crosscut of 460 g/t silver and 0.64 g/t gold over 20 meters from three composite samples taken at the face of the working, oriented perpendicular to strike.

Samples collected from the 2008 work at Pinos and from the 2009 work at Chipriona were placed in 7.5" x 12" cloth or micropore drawstring sample bags and kept in a secure location on field sites, then delivered to preparation facilities in Hermosillo, Mexico. Sample weights varied from 2-3 kilograms. Hand held Garmin GPS instruments were used to obtain and record the UTM coordinate data based on the NAD 27 Mexico map datum. Rock samples were "prepped" by Inspectorate de Mexico, S.A. de C.V. where they were crushed to -10 mesh (2.0 mm), split to obtain a representative sample of about 250 grams, then pulverized to approximately 150 mesh (0.1 mm) in a chrome steel ring mill (Lab code 1-SP-01). Sample pulps were then shipped to Inspectorate Labs in Sparks, Nevada, USA for analysis. The samples were subjected to a gold + 35 element general package in 2009 by Inspectorate and the 2008 samples with the same preparation were submitted for 10 element analyses with ICP, GENX 10 package analysis. Samples were routinely analyzed by ICP-AES using a nitric acid-aqua regia (AR) digestion for the determination of elements, including Au, Ag, As, Zn, Cu and Pb. All other elements were determined by multi-element ICP using a nitric acid-aqua regia (AR) digestion. Gold was determined by gold fire assay FA/AAS, silver determined by fire assay gravimetric FA/GRAV and mercury analyses determined by cold vapour atomic absorption. The sample rejects and pulps were short term stored at the lab facilities in Hermosillo and Sparks.

The next phase of exploration will consist mainly of a 12-15 hole 2,500 meter diamond drilling program designed to test the main mineralized shear zone from near surface down to a vertical depth of about 150 meters below surface. Results will be used to provide data for a preliminary resource calculation. This program will also continue property scale evaluation of targets away from the main zone, including the four known sub-parallel structures to the main shear zone, the recently discovered gold porphyry mineralization located in the northwest corner of the property, and the potential for high sulphidation gold mineralization on the south end of the property, which is in close proximity to Agnico Eagles's La India and Tarachi projects.

### **Los Pinos**

The Los Pinos property is 3 kilometers west of Chipriona, in an area exhibiting similar style geology to the many mineralized vein-style systems in the vicinity. Mineralization at Los Pinos

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consists of volcanic hosted sulfide rich quartz veins that generally trend north-south with moderate to steep westerly dips.

Servicios Industrias Penoles (“Penoles”) developed the property in the early 1980’s, outlining three vein structures hosting silver-lead-zinc mineralization found in 9 drill holes and in extensive underground workings. Widths of the mineralized veins range from 0.3 to 15 meters, with vertical extent ranging from 50 to 100 meters with potential for expansion at depth.

Vancouver based Cream Silver Mines Ltd. mined the property from 1988-1990, mining approximately 45,000 tons of mineralized material that was processed at an onsite 50 ton per day flotation mill/concentrator. Approximately 8,000–10,000 tons of tailings remain on the property.

In 2008 E. Dominguez, a former Penoles geologist who worked on the property in the early 1980’s, was contracted to do work for Minera OPC, an unrelated private Mexican company, whose assets were subsequently acquired by Sonoro in 2011. This work entailed surface work resulting from mapping and associated collection of 110 rock chip samples being submitted, processed, and analyzed by Inspectorate Laboratory for 4 base metal elements with separate gold geochemical analysis. The additional information was incorporated into a non 43-101 compliant technical report that included some of the older Peñoles data.

Dominguez’s report for Minera OPC in 2008 also included an updated historic estimate of 699,999 tonnes has been categorized as follows: 51,604 tonnes Measured with 125 grams Ag, 3.67% Pb, 4.32% Zn; 204,523 tonnes Indicated and 443,872 tonnes Inferred, both with 125 grams Ag, 3.67% Pb, 4.32% Zn. The estimate was based on this data and data from Penoles work in the early 1980’s. The method of calculation for the two veins in the Pinos zone was stated so as to consider an average 1 meter wide vein incorporating a further 1 meter of dilution on both sides of the vein. The third vein at the Tajos zone calculated a 5 meter wide vein zone with an additional 1 meter of dilution on each side of the vein zone. A Qualified Person (within the meaning of NI 43-101) has not done sufficient work to classify these historical estimates as current mineral resources and they should not be relied upon.

### **San Marcial Property**

The Company’s wholly-owned subsidiary Breco holds the San Marcial project, located in Sonora State, Mexico, which consists of three contiguous mineral concessions and option rights to acquire an additional contiguous concession.

The San Marcial concessions are situated at the southern end of the prolific Sonora-Mojave Megashear, a regional scale structural system measuring approximately 50 km in width and 500 km in length. Gold mineralization in the San Marcial concession is hosted in Jurassic sedimentary rocks consisting of quartzite, shale and limestone, in addition to younger porphyritic intrusive

rocks. Previous work on the San Marcial concessions and in the immediate area date back to the late 1980s when Cominco’s Mexican subsidiary performed work that culminated in the drilling of 4 RC holes, results of which are not available. Other small programs were undertaken by Barrick and Campbell Resources, with the latest work done by Queenstake in the mid 1990s. Sonoro plans to perform a comprehensive program on the property beginning with a thorough data compilation followed by a property scale soil geochemical sampling program to aid in delineating anomalous zones in this structurally complex region.

Gold mines in the Megashear have produced over 10 million ounces with about 25 million ounces remaining in resources. Mines in this trend include New Gold’s Mesquite Mine near Yuma, Arizona, in addition to several mines located in the northwest corner of Sonora State, including La

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Herradura (Fresnillo and Newmont); El Chanate (Au Rico Gold); and San Francisco (Timmins Gold).

Subsequent to December 31, 2014 the Company initiated exploration at San Marcial with a Phase 1 exploration program consisting mainly of a wide spaced soil geochemical survey to delineate anomalous zones in this structurally complex region. Soil lines have been established on north-south lines 200 meters apart and samples taken at 50 meter intervals over three lines. Seven specific mineralized structural zones were identified and crossed in the soil sampling, including the old mine prospect areas at San Marcial and Soledad. Underground workings in these two areas have characterization rock chip sample values ranging from .3 to over 4 g/t gold and 7 to over 50 g/t silver; lead values from 700 ppm to over 2 percent; with additional anomalous values of arsenic and mercury. These samples were previously collected by the former owner and analyzed at commercial laboratories, but do not represent a resource.

### **Monroe Property**

On November 6, 2014, the Company entered into an option agreement with Eagle Putt Ventures Inc. ("Eagle Putt") whereby Sonoro can earn a 50% interest in the 1,282 hectare Monroe Property located in the Fort Steele Mining Division in southeastern British Columbia (the "Option"). The Monroe Property is located approximately 20 km south of Cranbrook, British Columbia and 40 km south of the former giant class Sullivan Zinc-Lead-Silver mine.

During the nine months ended September 30, 2015, the drill hole at the Monroe Property was completed. The hole was drilled to a final depth of 1,114 meters passing through both the "Sullivan Time Horizon" and the lower targeted sequence. Although no base metal mineralization was encountered in either horizon, significant geologic data was obtained. No further drilling is planned for the western side of the 1,282 hectare Monroe property.

Subsequent to September 30, 2015, the Company terminated the Option and has no further continuing obligations.

### **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. Northern Empire holds a 100% interest in Hilltop within the broader Richardson Gold District (excluding placer gold). To exercise the option and earn its 60% interest in Hilltop, the Company must incur expenditures of C\$3,000,000 on exploration activities at Hilltop and the issue 1,000,000 Sonoro shares to Northern Empire prior to December 31, 2019. During the term of the option, Northern Empire will be the operator of the project.

Hilltop is an exploration stage gold project located 70 km southeast of Fairbanks, Alaska and 70 km northwest of Delta Junction in east-central interior Alaska. Gold producers in the region are Sumitomo's Pogo mine (4.973 million ounces at 12.5 g/t gold; [http://www.sumitomocorp.co.jp/files/topics/25649\\_ext\\_31\\_en\\_0.pdf](http://www.sumitomocorp.co.jp/files/topics/25649_ext_31_en_0.pdf)) located 75 km to the east and Kinross's Fort Knox mine (3.8 million ounces at 0.45 g/t gold; <http://www.kinross.com/operations/operation-fort-knox-alaska-usa.aspx>) located 135 km to the north.

The 31,720 acre (12,836 hectare) Hilltop property is bordered on the south by the all-weather and paved Richardson Highway. In addition, Hilltop is proximal to high power electrical transmission lines and the Trans-Alaska Pipeline. Access into the interior of the property from the Richardson

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Highway is via a new system of logging roads and trails which makes most points within Hilltop accessible for exploration activities.

Results from the 2015 Phase 1 exploration program at Hilltop have confirmed and expanded the known gold footprint, with channel samples grading up to 19.45 g/t Au and rock grab samples grading as high as 26.55 g/t Au. The program entailed 61 soil samples to verify previous sampling, 336 soil samples to expand the anomalous gold footprint from previous sampling, 228 rock samples, and 213 m of trenching.

Highlights from this work include:

- Due diligence soil sample results confirmed a soil anomaly 400 m by 1,000 m with values above the 85th percentile ranging from 13 to 480 ppb Au.
- More widely spaced soil sampling expanded the zone of previously defined anomalous gold results 400 m further to the west and defined a zone of interest 2.4 km by 2.4 km.
- 1 m channel sampling from five trenches returned 7 m at 1.41 g/t Au in trench 3 and 10 m at 2.29 g/t in trench 5, with the best 1 m sample grading 19.45 g/t Au. Rock grab samples from trench exposed material returned values as high as 26.55 g/t Au.
- Elevated pathfinder element assays from trench samples (including As, Bi, Pb, Sb, Te & W) showed Intrusive Related Gold (IRG) affinity.

The field component of the work program at Hilltop started at the end of April and was completed the first week of June. On July 28, Northern Empire and Sonoro announced plans to return to Hilltop to extend the Phase 1 exploration program.

***Program Summary (Phase 1): Results***

1. **Receipt of DNR Permit #2235** which is a five year Miscellaneous Land Use Permit for Hardrock Exploration and Reclamation and allows for trenching, drilling (including water use permit), road improvement and road construction.
2. **61 due diligence soil samples** were collected to verify sample results from top of bedrock soils collected in 2011 by a previous exploration group. These 61 soil samples represent 10% of the total number of samples collected in 2011, and the new results demonstrate a substantial gold in soil anomaly 400 m wide and over 1 km long in an east-west direction. Of the 61 due diligence samples collected, 27 rank at or above the 85th percentile (grading 13 to 480 ppb Au) and 4 additional samples rank at or above the 95th percentile. At each sample site, two samples were collected; 1 from the top of bedrock position as previously collected and 1 sample from the B-horizon. Results confirmed that the gold in soil values collected in 2011 are valid and that use of B-horizon soils at Hilltop is a useful exploration tool.
3. **336 soil samples were collected** at Hilltop to expand the footprint of known anomalous soils from historic work. Of the 336 samples collected, 51 samples ranked in the 85th percentile or higher and 17 samples ranked in the 95th percentile or higher (27ppb to 480ppb). Analysis of the soils results shows that the anomalous gold footprint has been expanded and has proven the veracity of pathfinder element 'stacking' as a useful technique for prioritizing follow-up work.
4. **A total of 213 meters of trenching and 228 rock samples** were completed at Hilltop and focused on an area with historic high grade (Au) grabs from hand dug pits. 8 trenches were completed and were subsequently mapped and sampled. Analytical results show a potential to develop a high grade trend. The best one meter sample ran 19.45 g/t Au over one meter, with rock grab samples as high as 26.55 g/t Au. Using a 0.1

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g/t Au cut-off, trench HT15-003 returned 7 m at 1.41 g/t Au while trench HT15-005 returned 10 m at 2.29 g/t Au.

5. **Pathfinder elements** associated with gold in the trenches show a strong Intrusive Related Gold (IRG) affinity (including As, Bi, Pb, Sb, Te, W, etc). In addition, correlation coefficients for As, Bi and Te are all above 0.9.
6. **Project infrastructure improvements** were made by upgrading access using a Cat Dozer to improve 10.5 km (6.5 miles) of road on existing trails and trap lines. ATV access from the paved Richardson Highway is now complete and readily accessible. Further work can now be done to allow for 4x4 access to key points within Hilltop in the future.

***Program Summary (Phase 2): Results***

Results from the Phase 2 exploration program at Hilltop conducted in August and September, includes the collection of 355 soil samples, 42 rock samples, and the resampling of a specific section of trench 5 from Phase 1.

The Phase 2 exploration program expanded the known gold footprint at the Hilltop South and Hilltop North areas, highlighted new prospective target areas, demonstrated a clear association between gold values and Intrusive Related Gold pathfinder elements in both rock/trench samples and soils, and returned higher gold values than this spring's trenching program.

Highlights from Phase 2 include:

- During the period between the Phase 1 and Phase 2 exploration programs, erosion at trench 5 exposed a larger portion of an Arsenopyrite-bearing quartz vein sampled in Phase 1. Resampling of trench 5 during Phase 2 returned high grade gold values averaging 9.71 g/t Au over 4 m. Phase 1 results (see news release of August 10, 2015) for this same interval were 2.337 g/t Au. The resampling highlighted gold in rock samples of 11.7 g/t Au from 0-1 m and 26.5 g/t Au from 1.0 to 2.0 m in trench 5;
- Gold values in the Phase 2 soils range from 2.5 to 60 ppb and exhibit a positive correlation with Intrusive Related Gold ("IRG") pathfinder elements, including As, Bi, Sb, Te, W, and Pb;
- Infill soil samples were collected in the area of the due diligence sampling in Phase 1 (Hilltop South). Assay results have expanded and substantiate a strong east to west trending gold in soils anomaly measuring 1.8 km long by 500 m wide;
- Infill soils were collected at Hilltop North in the area of anomalous top of bedrock soils which were collected during the 2011 season by a previous exploration group. Infill lines along previously sampled anomalous soils further confirmed the anomalous nature of the gold in soils values and also better defined the anomalous area to 100 m spaced lines (previously 200 m spaced lines);
- Anomalous reconnaissance soil samples and rock float samples collected in the Mosquito Creek drainage area (6 km SW of Hilltop) highlight this area for potential follow-up work in 2016;



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- Infill soil samples collected between sections of anomalous sample lines (500 m line spacing) collected in Phase 1 at the Birch Hill Conductor (3 km SW of Hilltop) further highlight the anomalous nature of this zone.

To view a map and detailed description of the Hilltop Gold Project, please visit the Sonoro website at: <http://sonorometals.com/projects/usa/hilltop/>

### ***Geologic Description***

The Hilltop Project is located 70 km ESE of Fairbanks Alaska and sits within the boundaries of the Yukon Tanana Terrain (YTT) which extends from West-Central Alaska well into the Yukon. The YTT consists of deformed and variably metamorphosed mid Paleozoic and older sedimentary, volcanic

and plutonic rocks intruded by Mid-Cretaceous and early Tertiary plutonic and minor volcanic rocks. Locally, the Hilltop Project sits within the 40 km long, northwest trending Richardson Gneiss Dome which is cored by a central migmatite, mantled by gneiss and surrounded by lithologically equivalent schist (Noyes et al., 2006).

Bedrock at Hilltop is dominated by a flat lying, broadly folded quartz dominated muscovite-sericite-biotite schist. Within trenches this schist varies from muscovite sericite to quartz-muscovite biotite to quartzite. Metamorphic grade is upper greenschist. Folding here is low amplitude with wavelengths from 0.5 m to 2 m. Quartz veins are common, flat-lying and conformable to the schist foliation ranging in thickness from 2 cm to 0.4 m. Local steeply dipping and cross cutting quartz veins to 1 m in width have been mapped and sampled within trench boundaries.

Within the property boundaries other lithologies found include quartz-feldspar porphyry, massive quartzite, graphite schist and quartz boulders.

### ***Analytical Procedures***

All soil samples were sent to Activation Labs in Ancaster Ontario, an ISO accredited Laboratory. Gold analysis was by FA-AA (Fire Assay – Atomic Absorption), details of the procedure can be found at:

<http://www.actlabs.com/page.aspx?page=473&app=226&cat1=549&tp=12&lk=no&menu=64>

Soil samples were also subjected to Enzyme Leach analysis. Details of the procedure can be found at:

<http://www.actlabs.com/page.aspx?page=746&app=226&cat1=549&tp=12&lk=no&menu=64>

Rock samples from the trenches were assayed using ICP-MS (Inductively Coupled Plasma – Mass Spectrometry) and FA-AA and submitted to ALS Chemex in Fairbanks Alaska.

### ***On-site Quality Assurance/Quality Control (“QA/QC”) Measures***

Soil samples were collected in the field using wet strength Kraft bags. Samples returned to the field office were organized and dried before shipping to make sure that physical and hydromorphic contact between bags did not occur. Once dry, the sample bags were placed into labelled, secure rice sacks for shipment. Northern Empire has implemented a quality-control program to comply with best practices in the sampling and analysis of field collected samples. This program includes inserting field duplicates, standards and blanks, equivalent to 10% of the sample set, into the sample stream.

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**6.0 RESULTS OF OPERATIONS**

**Three months ended September 30, 2015, compared to the three months ended September 30, 2014.**

The Company recorded a net loss and comprehensive loss of \$179,433 (\$0.00 loss per common share) for the three months ended September 30, 2015 (the “current quarter”) compared to a net loss and comprehensive loss of \$74,111 (\$0.01 loss per common share) during the three months ended September 30, 2014 (the “comparative quarter”), an increase of \$105,322, as explained in the following paragraphs.

- Consulting fees were \$38,646 higher in the current quarter (\$66,768) when compared to the comparative quarter (\$28,122). The Company incurred additional consulting fees during the current quarter as a result of an increase in the business activities in Mexico, U.S.A. and Canada.
- Legal and audit fees were \$1,778 lower in the current quarter (\$12,334) when compared to the comparative quarter (\$14,112), which is a result of additional legal fees being incurred in the comparative quarter relating to the acquisition of Breco and the completion of a share consolidation.
- Exploration expenditures were \$28,486 higher in the current quarter (\$33,230) when compared to the comparative quarter (\$4,744). The Company incurred additional exploration expenditures in the current quarter relating to exploration activities on the Company’s San Marcial property.
- Share-based payments, a non-cash expense, were \$3,854 higher in the current quarter (\$11,209) when compared to the comparative quarter (\$7,355). The increase is a result of an increase in the number stock options having vested in the current quarter.
- Foreign exchange loss (gain) was \$46,258 higher in the current quarter (\$46,974) when compared to the comparative quarter (\$716). The Company has operations in Mexico that can result in significant fluctuations in foreign exchange loss (gain) on a quarterly basis due to the change in the exchange rate between the Canadian dollar and Mexican Peso.

**Nine months ended September 30, 2015, compared to the nine months ended September 30, 2014.**

The Company recorded a net loss and comprehensive loss of \$778,462 (\$0.00 loss per common share) for the nine months ended September 30, 2015 (the “current period”) compared to a net loss and comprehensive loss of \$235,223 (\$0.02 loss per common share) during the nine months ended September 30, 2014 (the “comparative period”), an increase of \$543,239 as explained in the following paragraphs.

- Consulting fees were \$218,231 higher in the current period (\$297,250) when compared to the comparative period (\$79,019). The Company incurred additional consulting fees during the current quarter as a result of an increase in the business activities in Mexico, U.S.A. and Canada.

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- Legal and audit fees were \$23,802 lower in the current period (\$42,236) when compared to the comparative period (\$66,038), which is a result of additional legal fees being incurred in the comparative quarter relating to the acquisition of Breco and the completion of a share consolidation.
- Exploration expenditures were \$227,689 higher in the current period (\$236,601) when compared to the comparative period (\$8,912). The Company incurred additional exploration expenditures in the current period relating to exploration activities on the Company's San Marcial property and the drilling activities that took place on the Monroe property.
- Share-based payments, a non-cash expense, was \$34,320 higher in the current period (\$56,990) when compared to the comparative period (\$22,670). The increase is a result of an increase in the number stock options having vested in the current period.
- Travel and promotion was \$41,920 higher in the current period (\$48,662) when compared to the comparative period (\$6,742), which is a result of the Company undertaking additional promotional activities in the current period.

### 7.0 SUMMARY OF QUARTERLY RESULTS (unaudited)

The following table summarizes selected information from the Company's unaudited condensed interim consolidated financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS"), for the last eight quarters.

	Sept 30, 2015	Jun 30, 2015	Mar 31, 2015	Dec 31, 2014
Total revenues (Interest income)	\$495	\$1,528	\$1,397	\$866
Loss for the quarter	(\$179,433)	(\$238,468)	(\$360,561)	(\$384,828)
Loss for the quarter per share	(\$0.00)	(\$0.01)	(\$0.02)	(\$0.03)

	Sept 30, 2014	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013
Total revenues (Interest income)	\$1,493	\$1,545	\$419	\$2,078
Loss for the quarter	(\$74,111)	(\$109,023)	(\$52,089)	(\$119,096)
Loss for the quarter per share	(\$0.01)	(\$0.01)	(\$0.00)	(\$0.02)

The Company only earns interest income from its cash and cash equivalents, which will vary from period to period depending on their relative balances.

### 8.0 LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2015, the Company had working capital of \$218,932 (December 31, 2014 – \$1,207,066).

The Company's cash and cash equivalents are highly liquid and held at a major Canadian financial institution.

The Company currently has no income from operations and relies on financing through the issuance of additional shares of its common stock. Management has been successful in accessing the equity markets in prior years, but there is no assurance that such sources will be available, on acceptable terms, or at all in the future. Factors which could impact management's

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ability to access the equity markets include the state of capital markets, market prices for natural resources and the non-viability of the projects.

**9.0 SHARE CAPITAL AND DISCLOSURE OF OUTSTANDING SHARE DATA**

At September 30, 2015 the authorized share capital was an unlimited number of common shares and there were 23,952,586 common shares issued and outstanding. As at the date of this MD&A the Company had 23,952,586 common shares issued and outstanding.

**Stock Options and Warrants**

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

Expiry Date	Exercise Price	September 30, 2015	December 31, 2014
December 23, 2016	\$ 0.60	637,500	650,000
April 7, 2019	\$ 0.20	225,000	225,000
December 17, 2019	\$ 0.10	1,217,500	1,217,500
		2,080,000	2,080,000

As at September 30, 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, September 30, 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

As at the date of this MD&A, the Company's fully diluted shares outstanding is as follows:

Common shares	23,952,586
Options	2,080,000
Warrants	12,981,667
Fully diluted shares outstanding	39,014,253

**10.0 TRANSACTIONS WITH RELATED PARTIES**

The condensed interim consolidated financial statements include the financial statements of Sonoro and its 100% owned subsidiaries, Cap Capital, MMP and Breco.

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

- Rent of \$1,900 (2014 - \$15,900) was paid to a company with directors in common and is included in office and administration.

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At September 30, 2015, \$nil (December 31, 2014 - \$3,570) 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:

	Three months ended September 30, 2015		Nine months ended September 30, 2014	
Short-term employee benefits	\$ 95,500	\$ 26,250	\$ 167,000	\$ 73,750
Share-based payments	35,737	7,355	56,990	22,670
	\$ 131,237	\$ 33,605	\$ 223,990	\$ 96,420

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

**11.0 OFF-BALANCE SHEET ARRANGEMENTS**

The Company does not have any off-balance sheet arrangements as of the date of this report.

**12.0 PROPOSED TRANSACTIONS**

Other than previously disclosure, the Company has no proposed transactions.

**13.0 CONTRACTUAL OBLIGATIONS**

In order for the Company's option agreements to remain in good standing, the Company has the following commitments:

**Breco Acquisition**

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
July 8, 2015	\$30,000	50,000
July 8, 2016	30,000	50,000
July 8, 2017	nil	50,000
	\$60,000	150,000

During the nine months ended September 30, 2015, the Company made the first anniversary payment of \$30,000 and issued 50,000 shares with a fair value of \$5,250.

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**San Marcial**

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	
Payable 24 months following Final Agreement	30,000	
Payable 30 months following Final Agreement	30,000	
Payable 36 months following Final Agreement	30,000	
<b>Total</b>	<b>US \$180,000</b>	

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

**Monroe**

On November 6, 2014, the Company entered into an option agreement whereby the Company can earn a 50% interest in the Monroe Property located in the Fort Steele Mining Division in southeastern British Columbia (the "Option"). 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 December 6, 2015	50,000	
On or before December 6, 2016	100,000	
On or before December 6, 2017	200,000	
<b>Total</b>	<b>\$ 400,000</b>	

**Exploration and development expenditures:**

A cumulative total of not less than \$250,000 by November 6, 2015 (paid)  
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

Subsequent to September 30, 2015, the Company terminated the Option and has no further continuing obligations.

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**Hilltop**

	Cash	Shares
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
	<b>\$2,750,000</b>	<b>750,000</b>

**14.0 RISKS AND UNCERTAINTIES**

The Company is in the mineral exploration and development business and has not commenced commercial operations and has no assets other than cash and mineral property agreements under option. It has no history of earnings, and it is not expected to generate earnings or pay dividends in the foreseeable future.

**Precious and Base Metal Price Fluctuations**

The profitability of the precious and base metal operations in which the Company has an interest will be significantly affected by changes in the market prices of precious and base metals. Prices for precious and base metals fluctuate on a daily basis, have historically been subject to wide fluctuations and are affected by numerous factors beyond the control of the Company such as the level of interest rates, the rate of inflation, central bank transactions, world supply of the precious and base metals, foreign currency exchange rates, international investments, monetary systems, speculative activities, international economic conditions and political developments. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving adequate returns on invested capital or the investments retaining their respective values. Declining market prices for these metals could materially adversely affect the Company's operations and profitability.

**Fluctuations in the Price of Consumed Commodities**

Prices and availability of commodities consumed or used in connection with exploration, development and mining, such as natural gas, diesel, oil, electricity, cyanide and other reagents fluctuate affecting the costs of exploration in our operational areas. These fluctuations can be unpredictable, can occur over short periods of time and may have a materially adverse impact on our operating costs or the timing and costs of various projects.

**Foreign Exchange Rate Fluctuations**

Operations may be subject to foreign currency exchange fluctuations. The Company to-date has raised its funds through equity issuances which are priced in Canadian dollars. The Company's properties are located in Mexico and as a result exploration expenditures will be denominated in United States dollars and Mexican pesos. The Company may suffer losses due to adverse foreign currency fluctuations.

**Competitive Conditions**

Significant competition exists for natural resource acquisition opportunities. As a result of this competition, some of which is with large, well established mining companies with substantial capabilities and significant financial and technical resources, the Company may be unable to either compete for or acquire rights to exploit additional attractive mining properties on terms it considers acceptable. Accordingly, there can be no assurance that the Company will be able to acquire any interest in additional projects that would yield reserves or results for commercial mining operations.

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### **Operating Hazards and Risks**

Exploration activities may generally involve a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. These risks include, but are not limited to, the following: environmental hazards, industrial accidents, third party accidents, unusual or unexpected geological structures or formations, fires, power outages, labour disruptions, floods, explosions, cave-ins, land-slides, acts of God, periodic interruptions due to inclement or hazardous weather conditions, earthquakes, war, rebellion, revolution, delays in transportation, inaccessibility to property, restrictions of courts and/or government authorities, other restrictive matters beyond the reasonable control of the Company, and the inability to obtain suitable or adequate machinery, equipment or labour and other risks involved in the normal course of exploration activities.

Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of precious and base metals, any of which could result in work stoppages, delayed production and resultant losses, increased production costs, asset write downs, damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damages. The Company may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. Any compensation for such liabilities may have a material, adverse effect on the Company's financial position.

### **Infrastructure**

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. The lack of availability of acceptable terms or the delay in the availability of any one or more of these items could prevent or delay exploitation or development of the Company's projects. If adequate infrastructure is not available in a timely manner, there can be no assurance that the exploitation or development of the Company's projects will be commenced or completed on a timely basis, if at all.

### **Exploration and Development**

There is no assurance given by the Company that its exploration and development programs and properties will result in the discovery, development or production of a commercially viable ore body or yield new reserves to replace or expand current reserves.

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. At this time, none of the Company's properties have any defined ore-bodies with proven reserves.

The economics of developing silver, gold and other mineral properties are affected by many factors including capital and operating costs, variations of the tonnage and grade of ore mined, fluctuating mineral markets, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Depending on the prices of silver, gold or other minerals produced, the Company may determine that it is impractical to commence or continue commercial production. Substantial expenditures are required to discover an ore-body, to establish reserves, to identify the appropriate metallurgical processes to extract metal from ore, and to develop the mining and processing facilities and infrastructure. The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond the Company's control and which cannot be accurately foreseen or predicted, such as market fluctuations, conditions for precious and base metals, the proximity and capacity of milling and smelting facilities, and such other factors



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as government regulations, including regulations relating to royalties, allowable production, importing and exporting minerals and environmental protection. In order to commence

exploitation of certain properties presently held under exploration concessions, it is necessary for the Company to apply for an exploitation concession. There can be no guarantee that such a concession will be granted. Unsuccessful exploration or development programs could have a material adverse impact on the Company's operations and profitability.

### **Business Strategy**

As part of the Company's business strategy, it has sought and will continue to seek new exploration and development opportunities in the mining industry. In pursuit of such opportunities, it may fail to select appropriate acquisition candidates, negotiate appropriate acquisition terms, conduct sufficient due diligence to determine all related liabilities or to negotiate favourable financing terms. The Company may encounter difficulties in transitioning the business, including issues with the integration of the acquired businesses or its personnel into the Company. The Company cannot assure that it can complete any acquisition or business arrangement that it pursues, or is pursuing, on favourable terms, or that any acquisitions or business arrangements completed will ultimately benefit its business.

### **Environmental Factors**

All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that any future changes in environmental regulation, will not adversely affect the Company's operations. The costs of compliance with changes in government regulations have the potential to reduce the profitability of future operations. Environmental hazards that may have been caused by previous or existing owners or operators may exist on the Company's mineral properties, but are unknown to the Company at the present.

### **Title to Assets**

Although the Company has or will receive title opinions for any properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. The Company has not conducted surveys of the claims in which it holds direct or indirect interests and, therefore, the precise area and location of such claims may be in doubt. The Company's claims may be subject to prior unregistered agreements or transfers, or native land claims, and title may be affected by unidentified or unknown defects. The Company has conducted as thorough an investigation as possible on the title of properties that it has acquired or will be acquiring to be certain that there are no other claims or agreements that could affect its title to the concessions or claims. If title to the Company's properties is disputed, it may result in the Company paying substantial costs to settle the dispute or clear title and could result in the loss of the property, which events may affect the economic viability of the Company.

### **Uncertainty of Funding**

The Company has limited financial resources, and the mineral claims in which the Company has an interest or an option to acquire an interest require financial expenditures to be made by the Company. There can be no assurance that adequate funding will be available to the Company so as to exercise its option or to maintain its interests once those options have been exercised. Further exploration work and development of the properties in which the Company has an interest or option to acquire depend upon the Company's ability to obtain financing through joint venturing of projects, debt financing or equity financing or other means. Failure to obtain financing on a timely basis could cause the Company to forfeit all or parts of its interests in mineral properties or reduce or terminate its operations.

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**Agreements with Other Parties**

The Company has entered into agreements with other parties relating to the exploration, development and production of its properties. The Company may in the future, be unable to meet its share of costs incurred under agreements to which it is a party, and the Company may have its interest in the properties subject to such agreements reduced as a result. Furthermore, if other parties to such agreements do not meet their share of such costs, the Company may be unable to finance the costs required to complete recommended programs.

**Potential Conflicts of Interest**

The directors and officers of the Company may serve as directors and/or officers of other public and private companies, and may devote a portion of their time to manage other business interests. This may result in certain conflicts of interest. To the extent that such other companies may participate in ventures in which the Company is also participating, such directors and officers of the Company may have a conflict of interest in negotiating and reaching an agreement with respect to the extent of each company's participation. The laws of British Columbia, Canada, require the directors and officers to act honestly, in good faith, and in the best interests of the Company and its shareholders. However, in conflict of interest situations, directors and officers of the Company may owe the same duty to another company and will need to balance the competing obligations and liabilities of their actions.

There is no assurance that the needs of the Company will receive priority in all cases. From time to time, several companies may participate together in the acquisition, exploration and development of natural resource properties, thereby allowing these companies to: (i) participate in larger properties and programs; (ii) acquire an interest in a greater number of properties and programs; and (iii) reduce their financial exposure to any one property or program. A particular company may assign, at its cost, all or a portion of its interests in a particular program to another affiliated company due to the financial position of the company making the assignment. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, it is expected that the directors and officers of the Company will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

**Third Party Reliance**

The Company's rights to acquire interests in certain mineral properties may have been granted by third parties who themselves may hold only an option to acquire such properties. As a result, the Company may have no direct contractual relationship with the underlying property holder.

**Assurance on the Consolidated Financial Statements**

We prepare our financial reports in accordance with accounting policies and methods prescribed by IFRS. In the preparation of financial reports, management may need to rely upon assumptions, make estimates or use their best judgment in determining the financial condition of the Company. Significant accounting policies and practices are described in more detail in the notes to our consolidated financial statements for the year ended December 31, 2014. In order to have a reasonable level of assurance that financial transactions are properly authorized, assets are safeguarded against unauthorized or improper use and transactions are properly recorded and reported, we have implemented and continue to analyze our internal control systems for financial reporting. Although we believe our financial reporting and financial statements are prepared with reasonable safeguards to ensure reliability, we cannot provide absolute assurance in that regard.

**General Economic Conditions**

The unprecedented events in global financial markets during the last few years have had a profound effect on the global economy. Many industries, including the gold and silver mining industry, are affected by these market conditions. Some of the key effects of the current financial market turmoil include contraction in credit markets resulting in a widening of credit risk,

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devaluations and high volatility in global equity, commodity, foreign exchange and precious metal markets, and a lack of market liquidity. A continued or worsened slowdown in the financial markets or other economic conditions, including but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates, and tax rates may adversely affect the Company's growth and profitability.

**Substantial Volatility of Share Price**

In recent years, the securities markets have experienced a high level of price and volume volatility, and the securities of many mineral exploration companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. The price of the Company's common shares is also likely to be significantly affected by short-term changes in mineral prices or in the Company's financial condition or results of operations as reflected in its yearly financial reports.

**Potential dilution of present and prospective shareholdings**

In order to finance future operations and development efforts, the Company may raise funds through the issue of common shares or the issue of securities convertible into common shares. The Company cannot predict the size of future issues of common shares or the issue of securities convertible into common shares or the effect, if any, that future issues and sales of the Company's common shares will have on the market price of its common shares. Any transaction involving the issue of shares, or securities convertible into shares, could result in dilution, possibly substantial, to present and prospective holders of shares.

**15.0 CRITICAL ACCOUNTING POLICIES AND MANAGEMENT ESTIMATES**

The preparation of the consolidated financial statements requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reported periods.

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

Share-based payments

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

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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.

**16.0 FUTURE ACCOUNTING STANDARDS**

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 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.
- **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 derecognition of financial assets and liabilities are carried forward from IAS 39.

This is applicable to the Company's annual periods beginning January 1, 2018.

***Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)***

Amends IFRS 11 *Joint Arrangements* to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 *Business Combinations*) to:

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- apply all of the business combinations accounting principles in IFRS 3 and other IFRS, except for those principles that conflict with the guidance in IFRS 11
- disclose the information required by IFRS 3 and other IFRS for business combinations.

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).

Note: The amendments apply prospectively to acquisitions of interests in joint operations in which the activities of the joint operations constitute businesses, as defined in IFRS 3, for those acquisitions occurring from the beginning of the first period in which the amendments apply. Amounts recognized for acquisitions of interests in joint operations occurring in prior periods are not adjusted.

This is applicable to the Company's annual periods beginning January 1, 2017.

## 17.0 FINANCIAL INSTRUMENTS

The Company has classified its cash and cash equivalents as fair value through profit and loss; and accounts payable and accrued liabilities and due to related parties, as other financial liabilities.

### Fair value

The carrying values of 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. The risk arises from the non-performance of counterparties of contracted financial obligations. Credit risk is mitigated as cash has 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 as the majority is held with only a few Canadian and Mexican financial institutions. The Company's concentration of credit risk and maximum exposure thereto is as follows:

	September 30, 2015	December 31, 2014
Cash and cash equivalents held at major Canadian financial institutions	\$ 224,707	\$ 1,258,360
Cash held at major Mexican financial institutions	-	8,053
Total cash and cash equivalents	\$ 224,707	\$ 1,266,413

As at September 30, 2015, the Company held one cashable guaranteed investment certificates of \$174,719 (December 31, 2014 - \$280,000) earning interest at prime less 1.95% (December 31, 2014 - prime less 1.95%), maturing January 22, 2016.

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**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 September 30, 2015 in the amount of \$218,932 (December 31, 2014 - \$1,207,066).

**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 September 30, 2015 and December 31, 2014.

(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 September 30, 2015 and December 31, 2014, the Company's significant exposure to foreign currency risk, based on consolidated statement of financial position carrying values, were to the Mexican peso and the US dollar, as follows:

	<b>September 30, 2015</b>	
	MXN	USD
Cash	-	3,985
Accounts payable and accrued liabilities	(186,801)	-
	(186,801)	3,985
Canadian dollar equivalent	\$ (14,804)	\$ 5,338

  

	<b>December 31, 2014</b>	
	MXN	USD
Cash	87,023	3,824
Accounts payable and accrued liabilities	(108,650)	-
	(21,627)	3,824
Canadian dollar equivalent	\$ (1,701)	\$ 4,436

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 not have a material impact on loss and comprehensive loss for three and nine months ended September 30, 2015 and for the year ended December 31, 2014.

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(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.

Additional information related to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com).