

# SONORO METALS CORP.

(An Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2015 and 2014  
(Expressed in Canadian Dollars)  
(Unaudited)

## **UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited condensed interim consolidated financial statements for the three and six month periods ended June 30, 2015 and 2014

**SONORO METALS CORP.**  
**(An Exploration Stage Company)**  
**Condensed interim consolidated statements of financial position**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

As at	Note	June 30, 2015	December 31, 2014
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$	404,645	\$ 1,266,413
Receivables		14,185	18,538
Prepaid expenses		30,098	106,632
		448,928	1,391,583
<b>Non-Current Assets</b>			
Exploration and evaluation assets	6	2,078,965	1,685,803
		\$ 2,527,893	\$ 3,077,386
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	7	\$ 26,772	\$ 180,947
Due to related parties	8	-	3,570
		26,772	184,517
<b>Shareholders' Equity</b>			
Share capital	9	5,206,278	5,029,778
Share-based payment reserve	9	416,701	370,920
Subscription receivable	9	(15,000)	370,920
Deficit		(3,106,858)	(2,507,829)
		2,501,121	3,263,789
		\$ 2,527,893	\$ 3,077,386

Approved on behalf of the Board:

*"Stephen Kenwood" (signed)*

*"Gary Freeman" (signed)*

Stephen Kenwood, Director

Gary Freeman, Director

**SONORO METALS CORP.**

(An Exploration Stage Company)

Condensed interim consolidated statements of comprehensive loss

(Expressed in Canadian Dollars)

(Unaudited)

		Three months ended June		Six months ended June 30,	
	Note	2015	2014	2015	2014
<b>Expenses</b>					
Consulting fees	8	\$ 97,120	\$ 35,070	\$ 192,958	\$ 50,897
Legal and audit		22,788	45,972	29,902	51,926
Office and administration		17,496	7,517	28,376	14,076
Insurance		2,095	2,198	4,551	4,595
Mineral properties	6	70,425	4,168	240,895	4,168
Share-based compensation		21,253	15,315	45,781	15,315
Transfer agent fees		3,421	8,814	11,616	18,940
Travel and promotion		5,998	1,457	47,836	2,367
		(240,596)	(120,511)	(601,915)	(162,284)
<b>Other Income (Expenses)</b>					
Interest income		1,528	1,545	2,925	1,964
Foreign exchange (loss) gain		600	9,943	(39)	(792)
		\$ 2,128	\$ 11,488	\$ 2,886	\$ 1,172
<b>Loss and Comprehensive Loss for the Period</b>		(238,468)	(109,023)	(599,029)	(161,112)
<b>Basic and diluted loss per share</b>		\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.02)
<b>Weighted average number of shares outstanding</b>		22,245,521	10,670,911	22,232,420	10,670,911

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

**SONORO METALS CORP.**  
**(An Exploration Stage Company)**  
**Condensed interim consolidated statements of changes in equity**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

	Note	Share Capital		Share-Based Payment Reserve	Subscription Receivable	Deficit	Shareholders' Equity
		Shares	Amount				
Balance, December 31, 2013		10,620,919	\$ 3,836,530	\$ 360,000	\$ -	\$ (1,941,778)	\$ 2,254,752
Share-based payment	9(c)	-	-	15,315	-	-	15,315
Expired options	9(c)	-	-	(54,000)	-	54,000	-
Net loss for the period		-	-	-	-	(161,112)	(161,112)
Balance, June 30, 2014		10,620,919	3,836,530	321,315	-	(2,048,890)	2,108,955
Private placement – flow-through	9(b)(vi)	1,666,667	200,000	-	-	-	200,000
Private placement, net of issuance costs	9(b)(v)	7,000,000	685,423	-	-	-	685,423
Private placement, net of issuance costs	9(b)(iv)	2,865,000	291,825	-	-	-	291,825
Acquisition of mineral property	9(b)(viii)	50,000	16,000	-	-	-	16,000
Share-based payment	9(c)	-	-	49,605	-	-	49,605
Net loss for the period		-	-	-	-	(458,939)	(458,939)
Balance, December 31, 2014		22,202,586	5,029,778	370,920	-	(2,507,829)	2,892,869
Private placement, net of issuance costs	9(b)(i)	1,450,000	145,000	-	(15,000)	-	130,000
Acquisition of mineral properties	9(b)(iii & iii)	300,000	31,500	-	-	-	31,500
Share-based payment	9(c)	-	-	45,781	-	-	45,781
Net loss for the period		-	-	-	-	(599,029)	(599,029)
Balance, June 30, 2015		23,952,586	\$ 5,206,278	\$ 416,701	\$ (15,000)	\$ (3,106,858)	\$ 2,501,121

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

**SONORO METALS CORP.**  
**(An Exploration Stage Company)**  
**Condensed interim consolidated statements of cash flows**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

For the six months ended June 30,	2015	2014
<b>Operating Activities</b>		
Net loss	\$ (599,029)	\$ (161,112)
Item not involving cash		
Share-based payment	45,781	15,315
Changes in non-cash working capital		
Receivables	4,353	(2,595)
Prepaid expenses	76,534	(12,904)
Accounts payable and accrued liabilities	(154,175)	(17,320)
Due to related parties	(3,570)	15,750
<b>Cash Used in Operating Activities</b>	<b>(630,106)</b>	<b>(162,866)</b>
<b>Investing Activities</b>		
Expenditures on exploration and evaluation assets	(361,662)	-
<b>Cash Used in Investing Activities</b>	<b>(361,662)</b>	<b>-</b>
<b>Financing Activities</b>		
Common shares issued for cash, net of shares issuance costs	145,000	-
Subscription receivable	(15,000)	-
<b>Cash Used in Financing Activities</b>	<b>130,000</b>	<b>-</b>
<b>Outflow of Cash and Cash Equivalents</b>	<b>(861,768)</b>	<b>(162,866)</b>
<b>Cash and Cash Equivalents, Beginning of Period</b>	<b>1,266,413</b>	<b>780,232</b>
<b>Cash and Cash Equivalents, End of Period</b>	<b>\$ 404,645</b>	<b>\$ 617,366</b>
<b>Cash and Cash Equivalents Consists of</b>		
Cash	\$ 187,145	\$ 29,366
Term deposit	217,500	588,000
	<b>\$ 404,645</b>	<b>\$ 617,366</b>
<b>Supplemental Disclosure with Respect to Cash Flows</b>		
Interest received	\$ 2,876	\$ -

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

## **SONORO METALS CORP.**

(An Exploration Stage Company)

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2015

(Expressed in Canadian Dollars)

(Unaudited)

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### **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 800 – 789 West Pender Street, Vancouver, British Columbia, Canada, V6C 1H2.

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes the Company will realize its assets and discharge its liabilities in the normal course of business.

The Company reported a net loss of \$238,468 (2014 - \$109,023) and \$599,029 (2014 - \$161,112) for the three and six months ended June 30, 2015, respectively, and has an accumulated deficit of \$3,106,858 (December 31, 2014 - \$2,507,829) as at June 30, 2015. As at June 30, 2015, the Company had working capital of \$422,156 (December 31, 2014 - \$1,207,066) available to meet its liabilities as they become due and to continue its exploration of current properties and the evaluation of potential resource property acquisitions in the next year.

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

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

The Board of Directors approved these condensed interim consolidated financial statements for issue on August 24, 2015.

### **2. BASIS OF PREPARATION**

## **SONORO METALS CORP.**

(An Exploration Stage Company)

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2015

(Expressed in Canadian Dollars)

(Unaudited)

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### **Statement of Compliance**

These condensed interim consolidated financial statements have been prepared by management in accordance with IAS 34 'Interim Financial Reporting' ("IAS 34") using accounting principles consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board.

The significant accounting policies applied in preparing these condensed interim consolidated financial statements are consistent with the accounting policies as disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2014.

These condensed interim consolidated financial statements do not include all of the required disclosures for annual consolidated financial statements. Accordingly, they should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2014 and the notes thereto.

### **Basis of Measurement**

These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for cash and cash equivalents and other financial instruments classified as fair value through profit or loss or available-for-sale that have been measured at fair value, and are presented in Canadian dollars.

### **Basis of consolidation**

These condensed interim 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.

### **Critical accounting estimates and judgments**

The preparation of these condensed interim 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 condensed interim consolidated financial statements and the reported expenses during the period. Actual results could differ from these estimates.

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

## **2. BASIS OF PREPARATION (Continued)**

*Critical accounting estimates*



## **SONORO METALS CORP.**

(An Exploration Stage Company)

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2015

(Expressed in Canadian Dollars)

(Unaudited)

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

### Share-based payments

The fair value of share-based payments is subject to the 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.

### 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 condensed interim 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.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

### **Changes in accounting standards not yet adopted**

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

## SONORO METALS CORP.

(An Exploration Stage Company)

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2015

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Changes in accounting standards not yet adopted (continued)

##### **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:

- 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.

## SONORO METALS CORP.

(An Exploration Stage Company)

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2015

(Expressed in Canadian Dollars)

(Unaudited)

### 4. 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:

	June 30, 2015	December 31, 2014
Cash and cash equivalents held at major Canadian financial institutions	\$ 402,828	\$ 1,258,360
Cash held at major Mexican financial institutions	1,817	8,053
Total cash and cash equivalents	\$ 404,645	\$ 1,266,413

As at June 30, 2015, the Company held one cashable guaranteed investment certificates of \$217,500 (December 31, 2014 - \$280,000) earning interest at prime less 1.95% (December 31, 2014 - prime less 1.95%), maturing January 22, 2016.

#### 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 June 30, 2015 in the amount of \$422,156 (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.

### 4. FINANCIAL INSTRUMENTS (Continued)

## SONORO METALS CORP.

(An Exploration Stage Company)

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2015

(Expressed in Canadian Dollars)

(Unaudited)

### (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 June 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 June 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:

	June 30, 2015	
	MXN	USD
Cash	-	9,982
Accounts payable and accrued liabilities	(123,550)	-
	(123,550)	9,982
Canadian dollar equivalent	\$ (10,335)	\$ 12,468

  

	December 31, 2014	
	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 months ended June 30, 2015 and for the year ended December 31, 2014.

### (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.

## SONORO METALS CORP.

(An Exploration Stage Company)

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2015

(Expressed in Canadian Dollars)

(Unaudited)

### 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 six months ended June 30, 2015.

### 6. EXPLORATION AND EVALUATION ASSETS

	Chipriona	Santa Clara	Los Pinos	San Marcial	Hilltop	Monroe	Total
Balance, December 31, 2013	\$ 927,147	\$ 320,131	\$ 319,560	\$ -	\$ -	\$ -	\$1,566,838
Acquisition costs	-	-	-	68,965	-	50,000	118,965
Balance, December 31, 2014	927,147	320,131	319,560	68,965	-	50,000	1,685,803
Acquisition costs	-	-	-	59,540	333,622	-	393,162
Balance, June 30, 2015	\$ 927,147	\$ 320,131	\$ 319,560	\$ 128,505	\$ 333,622	\$ 50,000	\$2,078,965

During the six months ended June 30, 2015, the Company incurred the following exploration expenditures:

	Chipriona	San Marcial	Monroe	Total
Geological fees	\$ 2,739	\$ 108,975	\$ 12,550	\$ 124,264
Drilling	-	-	106,854	106,854
Assays	-	2,955	-	2,955
Concessions taxes	-	6,822	-	6,822
Balance, June 30, 2015	\$ 2,739	\$ 118,752	\$ 119,404	\$ 240,895

There were no exploration expenditures for the six months ended June 30, 2014.

## SONORO METALS CORP.

(An Exploration Stage Company)

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2015

(Expressed in Canadian Dollars)

(Unaudited)

### 6. EXPLORATION AND EVALUATION ASSETS (Continued)

#### (a) Chipriona

The Chipriona property is subject to a 2% royalty on net operating profits and the Los Pinos property is subject to a 2% net smelter return royalty.

#### (b) Santa Clara

On January 10, 2011, the Company entered into an option agreement whereby the Company can acquire a 100% interest in the Santa Clara concession, which is contiguous to the Company's current mineral concessions, for total cash payments of US \$240,000 over a three-year period and the issuance of 60,000 common shares due as follows:

Cash		
Payable by January 2011	US \$40,000	(paid - \$39,096)
Payable by February 2011	US \$20,000	(paid - \$19,153)
Payable by July 2011	US \$60,000	(paid - \$56,411)
Payable by January 2012	US \$60,000	(paid - \$60,000)
Payable by July 2013	US \$60,000	(paid - \$59,526)
	US \$240,000	
Shares		
Issuable by July 2013	60,000 common shares*	

In June 2013, the Company completed the acquisition of a 100% interest in the Santa Clara concession by paying US\$80,400 (\$82,314) cash in lieu of issuing common shares.

The Santa Clara property is subject to a 2.5% royalty on net operating profits.

#### (c) San Marcial

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

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

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

## SONORO METALS CORP.

(An Exploration Stage Company)

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2015

(Expressed in Canadian Dollars)

(Unaudited)

### 6. EXPLORATION AND EVALUATION ASSETS (Continued)

#### (c) San Marcial (Continued)

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

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

\* 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.

During the year ended December 31, 2014, as a result of the acquisition of Breco described above, the Company assumed the option to acquire a 100% interest in the San Marcial concession per the consideration noted above.

#### (d) Monroe Property

On November 6, 2014, the Company entered into an option agreement whereby the Company can earn a 50% interest in the Monroe Property 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 the first anniversary	50,000	
On or before the second anniversary	100,000	
On or before the third anniversary	200,000	
Total	\$ 400,000	

  

Exploration and development expenditures:		
A cumulative total of not less than \$250,000 by November 6, 2015 (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		

## SONORO METALS CORP.

(An Exploration Stage Company)

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2015

(Expressed in Canadian Dollars)

(Unaudited)

### 6. 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:

	Cash	Shares
Within 5 days of signing	\$ 250,000 (Paid)	250,000 (issued)
On or before December 31, 2017	500,000	250,000
On or before December 31, 2018	750,000	250,000
On or before December 31, 2019	1,500,000	250,000
	<b>\$3,000,000</b>	<b>1,000,000</b>

#### (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.

#### (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.



## SONORO METALS CORP.

(An Exploration Stage Company)

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2015

(Expressed in Canadian Dollars)

(Unaudited)

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### 6. EXPLORATION AND EVALUATION ASSETS (Continued)

#### (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.

### 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Trade payables	\$ 14,742	\$ 152,640
Accrued liabilities	12,030	28,307
Total	\$ 26,772	\$ 180,947

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

## SONORO METALS CORP.

(An Exploration Stage Company)

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2015

(Expressed in Canadian Dollars)

(Unaudited)

### 8. RELATED PARTY TRANSACTIONS

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 - \$10,650) was paid to a company with directors in common and is included in office and administration.

At June 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 for the three and six months ended June 30, 2015 and 2014 is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Short-term employee benefits	\$ 71,500	\$ 32,500	\$ 120,500	\$ 47,500
Share-based payments	21,253	15,315	45,781	15,315
	\$ 92,753	\$ 47,815	\$ 165,781	\$ 62,815

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

### 9. SHARE CAPITAL AND RESERVES

- (a) Authorized

Unlimited number of common shares without par value.

- (b) Issued

- (i) On June 29, 2015, the Company completed a private placement of 1,450,000 units at a price of \$0.10 per unit for gross proceeds of \$300,825. Each unit consisted of one share and one share purchase warrant exercisable for a term of three years. Each warrant entitles the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.12 during the first year, escalating to \$0.15 in the second year and third years, subject to the right of the Company to accelerate the expiry of the warrants, if at any time after four months and one day from the issue date of the warrants, the common shares of the Company close at a price at or above \$0.25 per share for more than 20 consecutive trading days.

## **SONORO METALS CORP.**

(An Exploration Stage Company)

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2015

(Expressed in Canadian Dollars)

(Unaudited)

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### **9. SHARE CAPITAL AND RESERVES (Continued)**

#### (b) Issued (continued)

- (ii) On June 26, 2015, the Company issued 50,000 common shares of the Company with a fair value of \$5,250 pursuant to the San Marcial property option agreement. These common shares were fair valued at \$0.10 per common share based on the share price on the date of issue.
- (iii) On June 15, 2015, the Company issued 250,000 common shares of the Company with a fair value of \$26,250 pursuant to the Hilltop property option agreement. These common shares were fair valued at \$0.105 per common share based on the share price on the date of issue.
- (iv) On December 3, 2014, the Company completed a private placement of 2,865,000 units at a price of \$0.105 per unit for gross proceeds of \$300,825. Each unit consisted of one share and one share purchase warrant exercisable for a term of three years. Each warrant entitles the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.15 during the first year, escalating to \$0.20 in the second year and \$0.25 in the third year, subject to the right of the Company to accelerate the expiry of the warrants, if at any time after four months and one day from the issue date of the warrants, the common shares of the Company close at a price at or above \$0.40 per share for more than 20 consecutive trading days. The Company incurred share issuance costs of \$9,000 relating to the completion of the private placement.
- (v) On November 27, 2014, the Company completed a private placement of 7,000,000 units at a price of \$0.10 per unit for gross proceeds of \$700,000. Each unit is comprised of one common share and one share purchase warrant exercisable for a term of three years. Each warrant entitles the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.15 during the first year, escalating to \$0.20 in the second year and \$0.25 in the third year, subject to the right of the Company to accelerate the expiry of the warrants, if at any time after four months and one day from the issue date of the warrants, the common shares of the Company close at a price at or above \$0.40 per share for more than 20 consecutive trading days. The Company incurred share issuance costs of \$14,577 relating to the completion of the private placement.
- (vi) On November 20, 2014, the Company completed a private placement of 1,666,667 flow-through units (the "Flow-Through Units") at a price of \$0.12 per Flow-Through Unit for gross proceeds of \$200,000. Each Flow-through Unit is comprised of one flow-through share and one common share purchase warrant exercisable for a term of three years. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.15 during the first year, escalating to \$0.20 per share in the second year and \$0.25 in the third year, subject to the right of the Company to accelerate the expiry of the Flow-Through Unit, if at any time after four months and one day from the closing, during the term of the Flow-Through Unit, the common shares of the Company close at a price at or above \$0.40 per share for more than 20 consecutive trading days. The flow-through premium received on the shares issued was determined to be \$Nil.

## SONORO METALS CORP.

(An Exploration Stage Company)

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2015

(Expressed in Canadian Dollars)

(Unaudited)

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### 9. SHARE CAPITAL AND RESERVES (Continued)

#### (b) Issued (continued)

- (vii) On July 14, 2014, the Company completed the consolidation of all of its issued and outstanding common shares on the basis of one new common share for two previously issued and outstanding common shares.
- (viii) On July 8, 2014, the Company issued 50,000 common shares of the Company with a fair value of \$16,000 pursuant to the San Marcial property option agreement. These common shares were fair valued at \$0.32 per common share based on the share price on the date of issue.

#### (c) Stock options

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

A summary of the Company's outstanding and exercisable stock options and changes during the six months ended June 30, 2015 and for the year ended December 31, 2014 is as follows:

	Outstanding	Exercisable		Weighted Average Exercise Price
Balance, December 31, 2013	900,000	900,000	\$	0.57
Issued	1,442,500	515,000	\$	0.12
Expired	(125,000)	(125,000)	\$	0.40
Cancelled	(137,500)	(137,500)	\$	0.56
Balance, December 31, 2014 and June 30, 2015	2,080,000	1,415,000	\$	0.27

## SONORO METALS CORP.

(An Exploration Stage Company)

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2015

(Expressed in Canadian Dollars)

(Unaudited)

### 9. SHARE CAPITAL AND RESERVES (Continued)

#### (c) Stock options (continued)

On April 7, 2014, the Company issued 225,000 stock options entitling the holder to acquire 225,000 common shares of the Company for \$0.20 per share until April 7, 2019. These options vest 25% at the date of grant and 25% every six months thereafter. The options were fair valued at \$0.17 per option using the Black-Scholes option pricing model. Share-based compensation of \$3,357 (2014 - \$Nil) relating to the issuance of these options has been included in the statement of loss for the six months ended June 30, 2015. Share-based compensation of \$32,024 relating to the issuance of these options has been included in the statement of loss for the year ended December 31, 2014.

On December 17, 2014, the Company issued 1,217,500 stock options entitling the holder to acquire 1,217,500 common shares of the Company for \$0.10 per share until December 31, 2019. These options vest 25% at the date of grant and 25% every six months thereafter. The options were fair valued at \$0.09 per option using the Black-Scholes option pricing model. Share-based compensation of \$21,171 (2014 - \$nil) relating to the issuance of these options has been included in the statement of loss for the six months ended June 30, 2015. Share-based compensation of \$32,896 relating to the issuance of these options has been included in the statements of loss for the year ended December 31, 2014.

No options were granted during the six months ended June 30, 2015.

The following summarizes information on the number of stock options outstanding June 30:

Expiry Date	Exercise Price	June 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

The weighted average remaining contractual life for the outstanding options at June 30, 2015 is 3.48 (December 31, 2014 – 3.96) years.

**SONORO METALS CORP.**

(An Exploration Stage Company)

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2015

(Expressed in Canadian Dollars)

(Unaudited)

**9. SHARE CAPITAL AND RESERVES (Continued)**

## (d) Warrants

As at June 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, June 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	-	1,450,000
		11,531,667	1,450,000	-	12,981,667

As at December 31, 2014, the Company had share purchase warrants outstanding entitling the holders to acquire common shares as follows:

Exercise Price	Expiry Date	Outstanding, December 31, 2013	Issued	Expired	Outstanding, December 31, 2014
\$ 0.40	December 20, 2014	2,137,500	-	(2,137,500)	-
\$ 0.60	December 20, 2014	112,500	-	(112,500)	-
\$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
		2,250,000	11,531,667	(2,250,000)	11,531,667

**10. SEGMENTED INFORMATION**

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

As at June 30, 2015

	Exploration and Evaluation Assets
Canada	\$ 50,000
United States	\$ 333,622
Mexico	\$ 1,695,343

As at December 31, 2015

	Exploration and Evaluation Assets
Canada	\$ 50,000
Mexico	\$ 1,635,803