



SONORO METALS CORP.

(An Exploration Stage Company)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2018

Suite 1112 – 409 Granville Street, Vancouver, BC V6C-1T2

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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") audited consolidated financial statements and notes thereto for the year ended December 31, 2018. This MD&A was prepared with information available to April 29, 2019. Additional information and disclosure relating to the Company can be found on SEDAR at 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; and
- 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 January 23, 2018 the Company entered into an option agreement to acquire a 100% interest in the Cerro Caliche Group of Concessions located in the municipality of Cucurpe, in northern Sonora state, Mexico for total consideration of US\$2,977,000 payable in instalments. Refer to Project updates for further information.
- On March 14, 2018, the Company entered into an option agreement to acquire a 100% interest in the Rosario Group of Concessions located in the municipality of Cucurpe, in northern Sonora state, Mexico for total consideration of US\$1,600,000 payable in instalments. Refer to Project updates for further information.
- On May 29, 2018, the Company entered into an option agreement to acquire a 100% interest in the Tres Amigos concession in Sonoro, Mexico for total consideration of US\$130,000 payable in instalments. Refer to Project updates for further information.
- On August 10, 2018, the Company entered into an option agreement to acquire a 100% interest in the El Colorado concessions, which are located within the perimeter of the Cerro Caliche concessions currently being explored by the Company.
- On October 5, 2018, the Company entered into an option agreement to acquire a 100% interest in the Cabeza Blanca concession in Sonoro, Mexico for total cash consideration of US\$175,000 payable in instalments and by issuing 250,000 common shares of the Company. Refer to Project updates for further information.

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- On October 10, 2018, Sonoro contracted Layne de Mexico to commence the first 5,000 meter phase of a projected 10,000 meter reverse circulation drilling program at the Cerro Caliche concessions.
- On October 29, 2018, the Company closed a non-brokered private placement for gross proceeds of \$500,000.
- During the fourth quarter 2018, 1,102,500 incentive stock options were exercised for total gross proceeds of \$123,500.
- As at December 31, 2018, the Company had working capital of \$13,361.

Subsequent to December 31, 2018

- On April 2, 2019, the Company closed a non-brokered private placement for gross proceeds of \$650,718.

5.0 PROJECT UPDATES

Cerro Caliche Project

Cerro Caliche Option Agreements

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

The Cerro Caliche Option Agreement provides for the Company to acquire a 100% interest in Cerro Caliche over a 72-month period for total consideration of US\$2,977,000 payable in instalments.

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

On March 14, 2018, the Company through its wholly owned Mexican subsidiary, MMP, entered into an option agreement (the "Rosario Option Agreement") with a resident of Tucson Arizona (the "Rosario Vendor"), to acquire a 100% interest (the "Rosario Option") in the Rosario Group of Concessions ("Rosario") located in the municipality of Cucurpe, in northern Sonora state, Mexico.

The Rosario Option Agreement provides for the Company to acquire a 100% interest in Rosario over a 72-month period for total consideration of US\$1,600,000 payable in instalments.

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

On May 29, 2018, the Company entered into an option agreement to acquire a 100% interest in the Tres Amigos concession in Sonora, Mexico. The Tres Amigos concessions are contiguous to the Company's Cerro Caliche concessions. The Company can acquire the 100% interest for total consideration of US\$130,000, which is payable in nine equal instalments over 48 months from the date of signing.

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On August 10, 2018, the Company entered into an option agreement to acquire a 100% interest in the El Colorado concessions, which are located within the perimeter of the Cerro Caliche concessions. The Company can acquire its 100% interest in the El Colorado concessions by paying US\$100,000, of which US\$50,000 (\$63,810) has been paid and the balance is due six months from the signing of the agreement. Subsequent to December 31, 2018 the Company paid the remaining balance of US\$50,000 and completed the acquisition of the El Colorado concessions.

On October 5, 2018, the Company entered into an option agreement to acquire a 100% interest in the Cabeza Blanca concession, located within the perimeter of the Cerro Caliche concessions. The Company can acquire its 100% interest in the Cabeza Blanca concession by paying US\$175,000 in staged payments over five years from the date of signing and by issuing 250,000 common shares.

RESULTS OF PHASE ONE DRILL PROGRAM AT CERRO CALICHE

In January 2018, Sonoro commenced the acquisition of mineral concessions in the Sonora-Cucurpe Megadistrict of Sonora State, Mexico, that comprise the Cerro Caliche gold exploration project. A total of five agreements to acquire 100% interests in the concessions were signed, resulting in the acquisition of approximately 1,400 hectares containing previously defined mineral targets.

Following the assaying of over 2,000 rock chip samples collected by Sonoro's geological field crews and the analysis of over 4,000 surface samples conducted by prior operators, Sonoro carried out the first phase of a two-phase drilling program for 10,000 meters of reverse-circulation drilling, between late September and December 2018.

A total of 45 reverse circulation holes totaling 4,604 meters were drilled during the program confirming a cluster of eight northwest trending gold-dominant structures surrounded by parallel sheeted veinlets and stockwork veinlets. Highlights from the final 14 holes include 12.2 meters of 11.3 grams per tonne AuEq, 4.6 meters of 4.69 grams per tonne AuEq and 12.2 meters of 0.95 grams per tonne AuEq.

The combined results from the phase one drilling program confirm shallow, low grade, bulk tonnage gold mineralized zones in supergene oxidized sedimentary and igneous rock units. Subject to metallurgical confirmation, the gold mineralized zones appear amenable to heap leach extraction of precious metals with deep oxidation. The average gold grade of intervals reported is observed to be similar to other gold heap leaching mining operations in the region.

Sonoro has also received and analyzed the databases from Corex Gold Corp. and other operators that carried out historical drilling programs at Cerro Caliche since 2007. These operators completed an aggregate of 116 drill holes totaling 12,442 meters of drilling, in addition to over 4,000 surface samples. The combination of historic and current exploration programs totals over 17,000 meters of drilling in 161 drill holes and over 6,000 surface samples.

Sonoro's phase one drill program has successfully corroborated the sampling and drill results generated by the prior operators, thereby considerably enhancing management's confidence in the significant potential of Cerro Caliche. Sonoro will continue to utilize the newly expanded database to increase the zones of gold mineralization within the current target area and to drill additional highly prospective mineralized zones identified through the ongoing exploration program."

The mineralized zones are named after historic mine workings situated within each zone, from east to west, as follows; Las Abejas, Chinos NW, Japoneses, Los Cuervos, El Quince, Cabeza Blanca, Guadalupe, and El Colorado.

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Results from 19 drill holes in the Cabeza Blanca/El Colorado/Guadalupe zones outline a linear central vein structure with sheeted to stockwork associated mineralization. Results also confirm lateral continuity of over 500 meters for both the Cabeza Blanca zone and its parallel companion, the Guadalupe zone. Furthermore, a high-grade interval of 6.09 meters of 21.5 g Au per tonne was cut near an intersection between the Guadalupe and El Colorado zones.

The 19 holes completed in the Japoneses and Cuervos zones indicate one continuous structure extending approximately 1.2 kilometers. A multiple-vein mineralized zone, Japoneses-Cuervos is the largest area of mineralization on the Cerro Caliche property to be investigated to date. Detailed cross sections have been constructed to aid in structural interpretation. Host rocks cut by the gold mineralization include quartzite of Jurassic age and early Tertiary biotite granodiorite porphyry and minor rhyolite.

The Abejas zone is the most northeasterly gold mineralized structure at Cerro Caliche. A total of 5 holes have been drilled at Abejas, confirming host rocks like those identified in the Japoneses-Cuervos zone. Short, air track drill holes are planned for the nearby Chinos NW zone to confirm suspected shallow gold mineralization. Four historic drill holes in the zone's southern extension identified stockwork gold mineralization.

Distances between each mineralized zone range from 120 to 400 meters with widths of each mineralized zone reaching up to 60 meters and lengths of approximately 800 meters.

Geological mapping and sampling are continuing where newly recognized gold bearing targets are being defined. Several additional mineralized structures adjacent to the current exploration zones will be investigated as part of phase two of the drilling program

RESULTS OF PARTIAL PHASE TWO DRILL PROGRAM AT CERRO CALICHE

On April 29, 2019, Sonoro reported that gold mineralization had been encountered in all 60 holes which have been drilled and assayed to date from the reverse circulation program at the 100% owned Cerro Caliche gold project in Sonora, Mexico. Prior results from the 45-hole Phase One program drilling within the Central Zone confirmed a series of northwest trending gold-dominant structures and outlined three shallow, bulk-tonnage, gold mineralized zones with supergene oxidized metasedimentary and igneous rock units, all potentially suitable for heap leaching. New results from the initial 15 Phase Two holes described below, most of which are new area "scout holes", match the characteristics of the Phase One results, thus extending the mineralized zones by over 1.25 kilometers to the northwest of the Central Zone in four new clusters.

Two infill drill holes were also completed at El Colorado in the southwestern part of the Central Zone to determine possible extension of deeper parts of the epithermal vein zones.

Highlights from the initial 15 holes of the Phase Two program reported here include:

Veta de Oro scout drill hole SCR-057 returned 2.728 g/t AuEq over 10.67 m, including 4.35 g/t over 6.1 m

Veta de Oro scout hole SCR-056 returned 5.484 g/t AuEq over 3.05 m

El Rincon scout drill hole SCR-047 returned 0.744 g/t AuEq over 10.67 m

El Colorado infill drill hole SCR-045 returned 0.799 g/t AuEq over 6.1 m and 1.052 AuEq over 15.24 m

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The primary focus of this initial Phase Two round of drilling was to test Cerro Caliche's northwestern anomalous gold zones by "scout drilling" targets which had been previously identified by geochemical and surface mapping but had not yet been drilled by the Company. The successful outcome of scout drilling in the northwestern zones and infill drilling at the El Colorado zone supports the Company's plan to further drill these zones following additional analysis of the data. The balance of the ongoing Phase Two drilling is focused on extending mineralization at the Central Zone cluster of Japoneses-Cuervos-Abejas, prior to preparing a virgin resource estimation.

To view a map of the drill holes in the northwestern zones, please click [here](#) and to view a map of the drill holes in the Central Zones please click [here](#) or visit the Sonoro website at www.sonorometals.com

Assays from the 15 Phase Two drill holes, numbered SCR-045 through SCR-059, demonstrate additional potential for gold mineralization to extend from the previously drilled Central Zone at Japoneses, Abejas, El Colorado and Guadalupe, as disclosed in Sonoro's January 16, 2019 news release. These newly-drilled northwestern mineralized zones are; El Rincon, Gloria, El Boludito, and Veta de Oro, which range up to a distance of 1.25 kilometers from and on strike with the Central Zone. The Chinos NW zone, located between the northwestern and Central Zone, was also drilled for the first time by the Company, thus confirming extension from the Japoneses zone.

Three drill-holes at the Veta de Oro zone, which is on-strike with the Abejas mineralized zone located approximately 200 meters to the southeast, resulted in two higher grade gold and silver intercepts in SCR-056 and 057. Drill hole SCR-054 at the Boludito zone intercepted stockwork-style gold mineralization on strike from the Japoneses zone approximately 200 meters to the southeast, indicating it is a likely an extension of this zone. In addition, drill hole SCR-055 demonstrated a probable 300-meter extension of the Buena Suerte zone which is a developing new zone. El Rincon and Gloria zones drill holes are located about 1.25 kilometers northwest of the Japoneses zone. At the Rincon zone, drill hole SCR-047 cut four intervals of gold mineralization indicating a new cluster of vein and disseminated gold mineralization. Drilling results continue to support the existence of a broadly mineralized low-sulphidation epithermal vein system with continuing potential to develop a large tonnage resource suitable for open pit mining.

A total of 1,763 meters has been drilled and assayed to date in the Phase Two program, bringing the total drilled by Sonoro for the projected 10,000-meter program to 6,367 meters. The combination of historic and current exploration now totals more than 19,000 meters in 176 drill holes in addition to 6,000 surface samples. An additional six holes from the Phase Two program have been sent for assaying, with results anticipated before the end of May.

Sonoro has also received and is processing the digital databases for Paget Southern, a private company that carried out historical drilling programs at Cerro Caliche in 2011. Assay data for a total of 23 core drill holes has been received, in addition to data for a large number of surface samples. These data are from drilling and sampling conducted under NI 43-101 standardized methods and is useful for resolving geology and assessing mineralized zones for future drilling.

Together with the earlier drilling results announced in Sonoro's news releases dated November 9, 2018; December 5, 2018; and January 16, 2019, the combined results from the drilling program confirm shallow, low grade, bulk tonnage, gold mineralized zones in supergene oxidized sedimentary and igneous rock units. Subject to metallurgical confirmation, the gold mineralized zones appear amenable to heap leach extraction of precious metals with deep oxidation. The average gold grade of intervals reported is observed to be similar to other gold heap leaching mining operations in the region. Mineral intercepts presented for the Phase Two drill holes are available for viewing on the Company's website at: www.sonorometals.com

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Drill intercepts of vein zones cross the inclined vein zones at near perpendicular attitudes to the veins with 45-degree angled drill holes. The steeper angle vein true widths will vary to near 80 percent of intersected widths crossing vein zone trends.

Quality Assurance/Quality Control (“QA/QC”) Measures and Analytical Procedures

Drill samples are collected with an airstream cyclone and passed into a splitter that divides each sample into quarters. The quartered samples are then bagged and sealed with identification. The sample group has blanks, standards and duplicates inserted into the sample stream. ALS-Chemex collects the samples and transports them directly to the preparation laboratory in Hermosillo, Sonora.

At the laboratory, part of each sample is reduced through crushing, splitting and pulverization from which 200 grams is sent to the ALS-Chemex assay laboratory in Vancouver. Thirty grams undergoes fire assay for gold with the resulting concentrated button of material produced is dissolved in acids, and the gold is determined by atomic absorption. Another quantity of the sample is dissolved in four acids for an ICP multi-element analysis.

Geologic Description

Cerro Caliche is located 45 kilometers east southeast of Magdalena de Kino in the Cucurpe-Sonora Mega-district of Sonora, Mexico. Multiple historic underground mines were developed in the concession including Cabeza Blanca, Los Cuervos, Japoneses, Las Abejas, Boluditos, El Colorado, Veta de Oro and Espanola. Mineralization types of the Cucurpe-Sonora Mega-district include variants of epithermal low sulfidation veins and related mineralized dikes and associated volcanic domes. Local altered felsic dikes cut the mineralized meta-sedimentary rock units and may be associated with mineralization both in the dikes and meta-sedimentary rocks. The Cucurpe-Sonora Mega-district has historically been regarded as vein dominated, but recently, open pit mining operations have been developed on disseminated and stockwork style gold mineralization.

Host rocks include Jurassic-Cretaceous meta-sedimentary rock units including argillite, shale, quartzite, limestone, quartz pebble conglomerate and andesite. Younger intrusive rock consisting of medium coarse-grained granodiorite-granite is present in the westerly parts of the concessions near the historic Cabeza Blanca mine. It is apparent that veining cuts and pervasively alters the intrusive stock. Rhyolite occurs in irregular bodies distributed in higher elevations in the northerly part of the concession, including the Rincon area, where it occurs as flows, sills, dikes and rhyolite domes. Part of the rhyolite is mineralized and appears to be related to epithermal gold mineralization throughout the property.

San Marcial Property

The Company’s wholly-owned subsidiary Minera Breco, S.A. de C.V. (“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 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 Herradura (Fresnillo and Newmont); El Chanate (Au Rico Gold); and San Francisco (Alio Gold).

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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 initiated 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.

In 2015, the Company initiated exploration at San Marcial with a Phase One 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.

Sonoro proposes to conduct a reverse circulation drill program at San Marcial in due course. The timing for the start of the drill program will be dependent on the availability of Sonoro's technical team which is currently focused on conducting a drilling program at the nearby Cerro Caliche project.

Sale of Chipriona, Santa Clara and Los Pinos

On December 13, 2016, through its wholly owned subsidiary, MMP, the Company entered into an assignment agreement (the "Agreement") with Agnico for the sale of the Company's Chipriona Group of Concessions (the "Properties"), and the obligations of the relating underlying royalties, for \$4 million plus a 1% net smelter return royalty ("NSR"). The NSR may be purchased by Agnico at any time for \$1.5 million.

Per the agreement, the consideration was to be paid by Agnico in four tranches, with an initial instalment of \$650,000 (received December 2016) payable upon execution of the Agreement. Three additional payments of \$650,000 (received), \$800,000 (received) and \$1,900,000 (received), respectively, were due and payable following registration of title at Mexico's Public Registry of Mining, commencing with the registration of title from the original vendors through final registration under Agnico.

On June 1, 2017, the transaction closed and Agnico advanced the remaining balance of \$3,350,000 in cash and a gain from the sale of properties of \$2,433,162 was recognized plus taxes payable of \$725,270.

Calera Property

On November 1, 2017, the Company through its wholly owned Mexican subsidiary, MMP, entered into an option agreement (the "Calera Option Agreement") with a resident of Magdalena de Kino, Sonora, Mexico (the "Calera Vendor"), to acquire a 100% interest (the "Calera Option") in the Calera Group of Concessions ("Calera") located in the municipality of Cucurpe, in northern Sonora state, Mexico. The Calera Option Agreement provides for the Company to acquire a 100% interest in Calera over a 72-month period for total consideration of US\$1,000,000 payable in installments.

Following exercise of the Calera Option, the Calera Vendor will be entitled to a 2% net smelter returns royalty ("Calera NSR") from the proceeds of the sale of minerals from the Calera project. The Company has been granted an option to purchase the Calera NSR for US\$650,000 at any time.

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

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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 issuance of 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.

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

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6.0 RESULTS OF OPERATIONS

Year ended December 31, 2018, compared to the year ended December 31, 2017.

The Company recorded net loss and comprehensive loss of \$2,479,504 (\$0.10 loss per common share) for the year ended December 31, 2018 (the "current year") compared to net income and comprehensive income of \$591,677 (\$0.02 income per common share) during the year ended December 31, 2017 (the "comparative year"), a decrease of \$3,071,181, as explained in the following paragraphs.

- Exploration expenditures were \$756,021 higher in the current year (\$915,238) when compared to the comparative year (\$159,217). The Company incurred additional exploration expenditures in the current year as it undertook an extensive exploration program, that included a phase 1 drill program, at the Company's Cerro Caliche project.
- Interest income was \$76,505 higher in the current year (\$78,934) when compared to the comparative year (\$2,429), which is a result of the Company realizing higher interest rates on its cash balances held in Mexico throughout the year.
- Travel and promotion expenses were \$77,147 higher in the current year (\$127,199) when compared to the comparative year (\$50,052), which is a result of the Company undertaking additional marketing efforts related to its increased activity on its Mexican based assets.
- Share-based payments, a non-cash expense, was \$9,568 higher in the current year (\$127,288) when compared to the comparative year (\$117,720), which is a result of the Company granting 1,575,000 stock options that fully vested during the current year, compared to 1,200,000 in the comparative year.
- Gain on disposition of mineral property was \$2,433,162 lower in the current year (\$nil) when compared to the comparative year (\$2,433,162), which is a result of the Company disposing of the La Chipriona property in the comparative year.
- Write-down of mineral property was \$694,659 higher in the current year (\$694,659) when compared to the comparative year (\$nil), which is the result of the Company terminating two mineral property option agreements during the year and writing off their respective capitalized acquisition costs.
- Income tax expense was \$725,270 lower in the current year (\$nil) when compared to the comparative year (\$725,270). The estimated income taxes payable in the comparative year is due to the Company disposing of the La Chipriona property.

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7.0 FOURTH QUARTER

Three months ended December 31, 2018, compared to the three months ended December 31, 2017.

The Company recorded a net loss and comprehensive loss of \$1,611,107 (\$0.06 loss per common share) for the three months ended December 31, 2018 (the “current quarter”) compared to a net loss and comprehensive loss of \$997,743 (\$0.05 loss per common share) during the three months ended December 31, 2017 (the “comparative quarter”), an increase of \$613,364, as explained in the following paragraphs.

- Exploration expenditures were \$446,580 higher in the current quarter (\$549,745) when compared to the comparative quarter (\$103,165). The Company incurred additional exploration expenditures in the current quarter as it undertook an extensive exploration program, that included a phase 1 drill program, at the Company’s Cerro Caliche project.
- Share-based payments, a non-cash expense, was \$105,248 higher in the current quarter (\$105,248) when compared to the comparative quarter (\$nil), which is a result of the Company granting 1,375,000 stock options that fully vested during the current quarter, compared to 1,200,000 in the comparative quarter.
- Write-down of mineral property was \$694,659 higher in the current quarter (\$694,659) when compared to the comparative quarter (\$nil), which is the result of the Company terminating two mineral property option agreements during the current quarter and writing off their respective capitalized acquisition costs.
- Income tax expense was \$725,270 lower in the current quarter (\$nil) when compared to the comparative quarter (\$725,270). The estimated income taxes payable in the comparative year is due to the Company disposing of the La Chipriona property.

8.0 SELECTED ANNUAL INFORMATION

The following table summarizes information regarding the Company’s operations on a yearly basis for the last three years in accordance with IFRS. The Company’s reporting currency is Canadian dollars

	2018	2017	2016
Total revenues (interest & other income)	\$ 78,934	\$ 2,429	\$ 36
(Loss) income for the year	\$ (2,479,504)	\$ 591,677	\$ (443,385)
(Loss) income per share, basic and diluted	(0.10)	0.02	(0.02)
Total assets	\$ 1,918,991	\$ 3,436,308	\$ 2,643,759

The nature of the Company’s operations has remained unchanged from prior years.

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9.0 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.

	Dec 31, 2018	Sept 30, 2018	Jun 30, 2018	Mar 31, 2018
Total revenues (Interest income)	\$21,381	\$19,343	\$19,781	\$18,429
(Loss) income for the quarter	(\$1,611,107)	(\$296,649)	(\$411,049)	(\$160,699)
(Loss) income for the quarter per share	(\$0.06)	(\$0.01)	(\$0.02)	(\$0.01)

	Dec 31, 2017	Sept 30, 2017	Jun 30, 2017	Mar 31, 2017
Total revenues (Interest income)	\$ 2,198	\$ 65	\$ -	\$ -
(Loss) income for the quarter	(\$997,743)	(343,172)	2,086,215	(\$153,623)
(Loss) income for the quarter per share	(\$0.05)	(\$0.01)	\$0.09	(\$0.01)

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

10.0 LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2018, the Company had working capital of \$13,361 (December 31, 2017 – working capital of \$1,533,791).

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

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11.0 SHARE CAPITAL AND DISCLOSURE OF OUTSTANDING SHARE DATA

At December 31, 2018, the authorized share capital was an unlimited number of common shares and there were 31,130,086 common shares issued and outstanding.

Subsequent to December 31, 2018, the Company issued 3,382,794 common shares of the Company pursuant to a non-brokered private placement.

Stock Options and Warrants

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

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

Subsequent to December 31, 2018, the Company granted 600,000 incentive stock options.

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

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

Subsequent to December 31, 2018, the Company issued 1,841,397 share purchase warrants in connection with the closing of a non-brokered private placement.

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

Common shares	34,848,880
Options	2,975,000
Warrants	6,841,397
Fully diluted shares outstanding	44,665,277

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12.0 TRANSACTIONS WITH RELATED PARTIES

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

Compensation of key management

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

	For the year ended December 31,	
	2018	2017
Consulting fees	\$ 235,000	\$ 285,000
Share-based payments	88,742	85,838
	\$ 323,742	\$ 370,838

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

13.0 OFF-BALANCE SHEET ARRANGEMENTS

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

14.0 PROPOSED TRANSACTIONS

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

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15.0 CONTRACTUAL OBLIGATIONS

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

Cerro Caliche Option Agreements

Cerro Caliche group of concessions:

January 23, 2019	US\$200,000*
January 23, 2020	US\$300,000
July 23, 2020	US\$200,000
January 23, 2021	US\$200,000
July 23, 2021	US\$250,000
January 23, 2022	US\$250,000
July 23, 2022	US\$300,000
January 23, 2023	US\$300,000
July 23, 2023	US\$400,000
January 23, 2024	US\$450,000

* Paid subsequent to December 31, 2018.

Rosario group of concessions:

March 14, 2019	US\$75,000*
March 14, 2020	US\$90,000
March 14, 2021	US\$150,000
March 14, 2022	US\$300,000
March 14, 2023	US\$375,000
March 14, 2024	US\$550,000

* Paid subsequent to December 31, 2018.

Tres Amigos concession:

May 2, 2019	US\$14,444
November 2, 2019	US\$14,444
May 2, 2020	US\$14,444
November 2, 2020	US\$14,444
May 2, 2021	US\$14,444
November 2, 2021	US\$14,444
May 2, 2022	US\$14,444

El Colorado concessions:

February 10, 2019	US\$50,000 *
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* Paid subsequent to December 31, 2018.

Cabeza Blanca concession:

January 5, 2019	US\$10,000 *
October 5, 2019	US\$70,000
October 5, 2020	US\$70,000

* Paid subsequent to December 31, 2018.

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16.0 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.

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.

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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 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.

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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.

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.

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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, 2018. 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,

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.

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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.

17.0 CRITICAL ACCOUNTING POLICIES AND MANAGEMENT ESTIMATES

The preparation of the condensed interim 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.

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:

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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.

Assets held for sale

Judgment is required in determining whether an asset meets the criteria for classification as “assets held for sale” in the consolidated statements of financial position. Criteria considered by management include the existence of and commitment to a plan to dispose of the assets, the

expected selling price of the assets, the expected timeframe of the completion of the anticipated sale and the period of time any amounts have been classified within assets held for sale. The

Company reviews the criteria for assets held for sale each quarter and reclassifies such assets to or from this financial position category as appropriate. In addition, there is a requirement to periodically evaluate and record assets held for sale at the lower of their carrying value and fair value less costs to sell. Management has evaluated the expected fair value less costs to sell and determined that it is higher than the carrying value, based on an offer to purchase the asset.

Functional currency

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

Going concern

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

18.0 CHANGES IN ACCOUNTING POLICIES AND FUTURE ACCOUNTING STANDARDS

Adoption of new accounting policies

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

IFRS 9 - Financial Instruments

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

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

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

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

The following is the new accounting policy for financial instruments under IFRS 9:

Financial instruments

The Company recognizes financial assets and liabilities on the balance sheet when the Company becomes party to the contractual provisions of the instrument.

Cash and cash equivalent

Cash and cash equivalent includes cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalent is classified and measured at amortized cost.

Receivable and accounts payable and accrued liabilities

Receivable and accounts payable and accrued liabilities are non-interest bearing and are initially measured at fair value, subsequently recorded at amortized cost which approximates fair value due to the short term to maturity. Receivable are classified as financial assets measured at amortized cost and accounts payable and accrued liabilities are classified as financial liabilities measured at amortized cost.

Equity investments

Equity investments in entities that are not subsidiaries, joint ventures or investments in associates are designated FVTPL unless they are irrevocably designated, on an individual basis, as FVOCI. These investments are measured at fair value on acquisition and at each reporting date. Any unrealized holding gains, and losses related to long-term investments designated as FVOCI are excluded from the consolidated statement of loss and comprehensive loss and are included in other comprehensive income ("OCI"). Upon disposal, any accumulated gains and losses remain in equity.

Impairment of financial assets

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, management measure the loss allowance for the financial asset at an amount equal to twelve month expected credit losses.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

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Derecognition of financial assets

Financial assets are derecognized when the investments mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized within other non-operating income. Accumulated gains or losses on financial assets classified as FVOCI remain within accumulated other comprehensive income.

New accounting standards issued but not yet effective

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

IFRS 16 Leases

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

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

19.0 FINANCIAL INSTRUMENTS

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

Fair value

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

Credit risk

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

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

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

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

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

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company had working capital at December 31, 2018 in the amount of \$13,361 (2017 -\$1,533,791) and will require additional sources of capital in order to extinguish liabilities as they become due.

Market risk

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

(a) Interest rate risk

The Company's cash and cash equivalents consist of cash held in bank accounts. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of December 31, 2018 and 2017.

(b) Foreign currency risk

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

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

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As at December 31, 2018 and 2017, the Company's significant exposure to foreign currency risk, based on the consolidated statement of financial position carrying values, were to the Mexican peso and the US dollar, as follows:

	December 31, 2018	
	MXN	USD
Cash	3,716,016	455
Accounts receivable	2,900,979	-
Accounts payable and accrued liabilities	(3,108,565)	-
Total	3,508,430	455
Canadian dollar equivalent	\$ 263,078	\$ 620

	December 31, 2017	
	MXN	USD
Cash	27,494,093	3,246
Accounts receivable	1,816,611	-
Accounts payable and accrued liabilities	(444,643)	-
Total	(28,866,060)	3,246
Canadian dollar equivalent	\$ (1,841,652.)	\$ 4,358

The sensitivity analysis of the Company's exposure to foreign currency risk suggests that a 10% change in foreign exchange rates between the Mexican peso, US dollar and Canadian dollar would impact net income (loss) for the year ended December 31, 2018 by \$12,000 (2017 - \$130,553).

(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.