

SONORO METALS CORP.

(An Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2018 and 2017
(Expressed in Canadian Dollars)
(Unaudited)

Notice to Reader

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

SONORO METALS CORP.

(An Exploration Stage Company)

Condensed interim consolidated statements of financial position

(Expressed in Canadian Dollars)

(Unaudited)

As at	Note	June 30, 2018	December 31, 2017
Assets			
Current Assets			
Cash and cash equivalents		\$ 1,419,891	\$ 2,211,595
Receivables		80,848	72,369
Loan receivable	4	-	71,016
Prepaid expenses		36,750	50,020
		1,537,489	2,405,000
Non-Current Assets			
Exploration and evaluation assets	5	1,326,724	1,031,308
		\$ 2,864,213	\$ 3,436,308
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	6, 7	\$ 105,877	\$ 142,349
Due to related parties	7	675	3,590
Taxes payable		725,270	725,270
		831,822	871,209
Shareholders' Equity			
Share capital	8	5,347,278	5,330,278
Share-based payment reserve	8	258,342	236,302
Deficit		(3,573,229)	(3,001,481)
		2,032,391	2,565,099
		\$ 2,864,213	\$ 3,436,308

Approved on behalf of the Board:

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

Stephen Kenwood, Director

Ken MacLeod, Director

SONORO METALS CORP.

(An Exploration Stage Company)

Condensed interim consolidated statements of comprehensive loss

(Expressed in Canadian Dollars)

(Unaudited)

		Three months ended June 30,		Six months ended June 30,	
	Note	2018	2017	2018	2017
Expenses					
Consulting fees	7	\$ 84,734	\$ 249,472	\$ 151,908	\$ 307,389
Exploration expenditures	5	83,362	38,000	163,157	42,073
Legal and audit		72,087	15,600	96,412	79,988
Office and administration		22,944	15,493	37,006	26,837
Share-based payments	8	22,040	-	22,040	-
Transfer agent and filing fees		9,762	8,154	11,136	15,488
Travel and promotion		23,948	7,814	60,690	22,040
		(318,877)	(334,533)	(542,349)	(493,815)
Other (expenses) and income					
Interest income		19,781	65	38,210	130
Gain on disposal of mineral property	7	-	2,433,162	-	2,433,162
Foreign exchange gain/(loss)		(111,953)	(12,479)	(67,609)	(6,885)
		(92,172)	2,420,748	(29,399)	2,426,407
(Loss) income and Comprehensive (loss) income for the period		\$ (411,049)	\$ 2,086,215	\$ (571,748)	\$ 1,932,592
Basic and diluted (loss) income per share		\$ (0.01)	\$ 0.09	\$ (0.02)	\$ 0.08
Weighted average number of shares outstanding		24,777,586	24,377,586	24,760,459	24,130,805

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

SONORO METALS CORP.

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Condensed interim consolidated statements of changes in shareholders' equity

(Expressed in Canadian Dollars)

(Unaudited)

	Note	Share Capital		Share-Based Payment Reserve	Deficit	Shareholders' Equity
		Shares	Amount			
Balance, December 31, 2016		24,377,586	\$5,284,028	\$ 118,582	\$ (3,593,158)	\$ 1,809,452
Net loss for the period		-	-	-	1,932,592	1,932,592
Balance, June 30, 2017		24,377,586	5,284,028	118,582	(1,660,566)	3,742,044
Acquisition of mineral properties	5(c)	300,000	46,250	-	-	46,250
Share-based payments	8(b)	-	-	117,720	-	117,720
Net loss for the period		-	-	-	(1,340,915)	(1,340,915)
Balance, December 31, 2017		24,677,586	5,330,278	236,302	(3,001,481)	2,565,099
Acquisition of mineral properties	5(c)	100,000	17,000	-	-	17,000
Share-based payments	8(b)	-	-	22,040	-	22,040
Net loss for the period		-	-	-	(571,748)	(571,748)
Balance, June 30, 2018		24,777,586	\$5,347,278	\$ 258,342	\$ (3,573,229)	\$ 2,032,391

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

For the six months ended June 30

(Expressed in Canadian Dollars)

(Unaudited)

	2018	2017
Operating Activities		
Net (loss) income	\$ (571,748)	\$ 1,932,592
Item not involving cash		
Share-based payments	22,040	-
Gain on disposition of mineral property	-	(2,433,162)
Changes in non-cash working capital		
Receivables	(8,479)	(28,527)
Prepaid expenses	52	192
Accounts payable and accrued liabilities	(36,472)	527,964
Loan payable	71,016	-
Due to related parties	(2,915)	(10,500)
Cash Used in Operating Activities	(526,506)	(11,441)
Investing Activities		
Proceeds from disposition of mineral property	-	3,350,000
Expenditures on exploration and evaluation assets	(265,198)	(32,366)
Cash (Used in)/Provided by Investing Activities	(265,198)	3,317,634
(Outflow) Inflow of Cash and Cash Equivalents	(791,704)	3,306,193
Cash and Cash Equivalents, Beginning of Period	2,211,595	204,394
Cash and Cash Equivalents, End of Period	\$ 1,419,891	\$ 3,510,587
Cash and Cash Equivalents Consists of		
Cash	\$ 1,394,891	\$ 3,485,587
Term deposit	25,000	25,000
	\$ 1,419,891	\$ 3,510,587

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SONORO METALS CORP.

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Notes to the condensed interim consolidated financial statements

For the six months ended June 30, 2018 and 2017

(Expressed in Canadian Dollars)

(Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

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

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

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

These 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. Such adjustments could be material.

The Board of Directors approved these consolidated financial statements for issue on August 28, 2018.

2. BASIS OF PREPARATION AND CONSOLIDATION

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as applicable to interim financial reports including International Accounting Standard 34 - Interim Financial Reporting. Therefore, these condensed interim consolidated financial statements do not include all the information and note disclosures required by IFRS for annual financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2017 (“Annual Financial Statements”), which have been prepared in accordance with IFRS.

The accounting policies applied in preparation of these condensed interim consolidated financial statements are the same as those applied in the most recent annual consolidated financial statements and were consistently applied to all the periods presented with the exception of IFRS 9 discussed below.

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For the six months ended June 30, 2018 and 2017

(Expressed in Canadian Dollars)

(Unaudited)

2. BASIS OF PREPARATION AND CONSOLIDATION (Continued)

These condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All dollar amounts presented are in Canadian dollars, the Company's functional currency, unless otherwise specified.

These consolidated financial statements include the accounts of the Company and its wholly-owned integrated subsidiaries, Cap Capital Corp. ("Cap Capital"), Sonoro Metals USA Inc. ("Sonoro USA"), 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.

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.

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.

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2. BASIS OF PREPARATION AND CONSOLIDATION (Continued)

Adoption of new accounting policies (cont'd...)

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.

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.

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2. BASIS OF PREPARATION AND CONSOLIDATION (Continued)

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.

Critical accounting estimates and judgments

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

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

Critical accounting estimates

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

Share-based payments

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

Recovery of deferred tax assets

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

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2. BASIS OF PREPARATION AND CONSOLIDATION (Continued)

Critical accounting estimates and judgments (Continued)

Critical accounting judgment

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

Exploration and evaluation assets

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

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

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

Assets held for sale

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

Functional currency

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

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2. BASIS OF PREPARATION AND CONSOLIDATION (Continued)

Critical accounting estimates and judgments (Continued)

Gain on disposal of mineral properties

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

Going concern

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

3. 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 three months ended March 31, 2018.

4. LOAN RECEIVABLE

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

During the six months ended June 30, 2018, the principle and all outstanding accrued interest was repaid to the Company. Included in the statement of loss and comprehensive loss is interest income relating to the loan receivable of \$1,528 and \$3,267 (2017 - \$nil and \$nil) for the three and six months ended June 30, 2018, respectively.

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Notes to the condensed interim consolidated financial statements

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(Expressed in Canadian Dollars)

(Unaudited)

5. EXPLORATION AND EVALUATION ASSETS

	San Marcial	La Calera	Cerro Caliche	Rosario	Tres Amigos	Hilltop	Total
Balance, December 31, 2016	\$ 269,717	\$ -	\$ -	\$ -	\$ -	\$ 536,833	\$ 806,550
Acquisition costs	83,932	51,739	-	-	-	89,087	224,758
Balance, December 31, 2017	353,649	51,739	-	-	-	625,920	1,031,308
Acquisition costs	-	-	185,097	74,858	18,461	17,000	295,416
Balance, June 30, 2018	\$ 353,649	\$ 51,739	\$ 185,097	\$ 74,858	\$ 18,461	\$ 642,920	\$ 1,326,724

During the six months ended June 30, 2018, the Company incurred the following exploration expenditures:

	San Marcial	La Calera	Cerro Caliche	Hilltop	Total
Geological fees	\$ 4,553	\$ 10,776	\$ 58,257	\$ -	\$ 73,586
Taxes	7,708	12,956	17,728	-	38,392
Assays	3,698	14,050	33,431	-	51,179
June 30, 2018	\$ 15,959	\$ 37,782	\$ 109,416	\$ -	\$ 163,157

During the six months ended June 30, 2017, the Company incurred the following exploration expenditures:

	San Marcial	Other	Total
Geological fees	\$ -	\$ 38,000	\$ 38,000
Taxes	4,073	-	4,073
June 30, 2017	\$ 4,073	\$ 38,000	\$ 42,073

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Notes to the condensed interim consolidated financial statements

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(Expressed in Canadian Dollars)

(Unaudited)

5. EXPLORATION AND EVALUATION ASSETS (Continued)

(a) Chipriona, Santa Clara, Los Pinos

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

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

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

(b) San Marcial

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

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

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

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5. EXPLORATION AND EVALUATION ASSETS (Continued)

(b) San Marcial (continued)

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

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

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

Cash		
Payable September 2012	US \$ 10,000	(paid by Breco - \$9,837)
Payable on execution of Final Agreement	10,000	(paid in October 2014)
Payable 6 months following Final Agreement	20,000	(paid in April 2015)
Payable 12 months following Final Agreement	20,000	(paid in November 2015)
Payable 18 months following Final Agreement	30,000	(paid in August 2016)
Payable 24 months following Final Agreement	30,000	(paid in December 2016)
Payable 30 months following Final Agreement	30,000	(paid in May 2017)
Payable 36 months following Final Agreement	30,000	(paid in September 2017)
Total	US \$180,000	

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

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

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5. EXPLORATION AND EVALUATION ASSETS (Continued)

(c) Hilltop Property

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

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

* As at June 30, 2018, the Company has incurred \$375,920 in qualifying exploration expenditures. On January 31, 2018, the Company issued an additional 100,000 common shares (\$17,000) of the Company to extend the time to complete the exploration expenditures due on or before December 31, 2017 to December 31, 2018.

During the year ended December 31, 2017 the Company capitalized \$50,337 for claim maintenance fees. Included in accounts payable at June 30, 2018 is \$nil (December 31, 2017 - \$50,337) payable to Northern Empire for 2017 claim maintenance fees.

(d) 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 instalments as follows:

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

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5. EXPLORATION AND EVALUATION ASSETS (Continued)

(d) Calera Property (Continued)

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

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.

(e) Cerro Caliche Property

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 as follows:

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

* Included in prepaid expenses at December 31, 2017.

** Plus reimbursement of property taxes of US\$17,487 (paid).

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.

(f) Rosario Property

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.

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5. EXPLORATION AND EVALUATION ASSETS (Continued)

(f) Rosario Property (Continued)

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 as follows:

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

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.

(g) Tres Amigos Property

On May 29, 2018, the Company entered into an option agreement to acquire a 100% interest in the Tres Amigos concession in Sonoro, Mexico. The 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, as follows:

On signing	US\$14,444 (paid)
November 2, 2018	US\$14,444
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

(h) 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.

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5. EXPLORATION AND EVALUATION ASSETS (Continued)

(i) 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.

(j) 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.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	June 30, 2018	December 31, 2017
Trade payables	\$ 89,877	\$ 115,349
Accrued liabilities	16,000	27,000
Total	\$ 105,877	\$ 142,349

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

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7. RELATED PARTY TRANSACTIONS

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

At June 30, 2018, \$675 (December 31, 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 three months ended June 30		For the six months ended June 30	
	2018	2017	2018	2017
Short-term employment benefits	\$ 52,500	\$ 118,500	\$ 105,000	\$ 150,000
Total	\$ 52,500	\$ 118,500	\$ 105,000	\$ 150,000

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

8. SHARE CAPITAL AND RESERVES

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued

- (i) On January 29, 2018, the Company issued 100,000 common shares of the Company with a fair value of \$17,000 relating to an amendment to the Hilltop property option agreement (note 5c).
- (ii) On December 22, 2017, the Company issued 250,000 common shares of the Company with a fair value of \$38,750 pursuant to the Hilltop property option agreement.
- (iii) On September 29, 2017, the Company issued 50,000 common shares of the Company with a fair value of \$7,500 pursuant to the San Marcial property option agreement. These common shares were fair valued at \$0.15 per common share based on the market price on the date of issue.

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8. SHARE CAPITAL AND RESERVES (Continued)

(b) Stock options

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

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

	June 30, 2018		December 31, 2017	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of year	2,267,500	\$ 0.12	1,067,500	\$ 0.12
Granted	200,000	0.15	1,200,000	0.12
Balance, end of period	2,467,500	\$ 0.12	2,267,500	\$ 0.12

On May 31, 2018, the Company granted incentive stock options to consultants of the Company entitling them to purchase 200,000 common shares at a price of \$0.15 per share for a period of 5 years vesting 100% on the date of grant and expiring May 31, 2023. The fair value of \$22,040 is included in the statements of comprehensive loss as at June 30, 2018.

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

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

	June 30, 2018		December 31, 2017	
	Options	Warrants	Options	Warrants
Risk-free interest rate	2.10%	n/a	1.50%	n/a
Expected dividend yield	0.00	n/a	0.00	n/a
Expected stock price volatility	110.40%	n/a	117.31%	n/a
Expected life in years	5	n/a	5	n/a
Weighted average fair value	\$0.11	n/a	\$0.10	n/a

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8. SHARE CAPITAL AND RESERVES (Continued)

(b) Stock options (Continued)

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

Expiry Date	Exercise Price	June 30, 2018	December 31, 2017
April 7, 2019	\$ 0.20	225,000	225,000
December 17, 2019	\$ 0.10	842,500	842,500
July 29, 2022	\$ 0.12	1,200,000	1,200,000
May 31, 2023	\$ 0.15	200,000	-
		2,467,500	2,267,500

The weighted average remaining contractual life for the outstanding options at June 30, 2018 is 2.95 (December 31, 2017 – 3.28) years.

(c) Warrants

As at June 30, 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, June 30, 2018
\$0.12/\$0.15/\$0.15	June 29, 2018	1,450,000	-	1,450,000	-
		1,450,000	-	-	-

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

Exercise Price	Expiry Date	Outstanding, December 31, 2016	Issued	Expired	Outstanding, December 31, 2017
\$0.15/\$0.20/\$0.25	November 20, 2017	1,666,667	-	(1,666,667)	-
\$0.15/\$0.20/\$0.25	November 27, 2017	7,000,000	-	(7,000,000)	-
\$0.15/\$0.20/\$0.25	December 3, 2017	2,865,000	-	(2,865,000)	-
\$0.12/\$0.15/\$0.15	June 29, 2018	1,450,000	-	-	1,450,000
		12,981,667	-	(11,531,667)	1,450,000

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9. 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, 2018

	Exploration and Evaluation Assets
United States	\$ 642,920
Mexico	683,804
Total	\$ 1,326,724

As at December 31, 2017

	Exploration and Evaluation Assets
United States	\$ 625,920
Mexico	\$ 405,388
Total	\$ 1,031,308

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Level 1 - inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

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

Level 3 - inputs are unobservable inputs for the asset or liability.

The carrying values, fair market values, and fair value hierarchical classification of the Company's financial instruments are as follows:

Cash and cash equivalents are measured at their market value in accordance with Level 1 of the fair value hierarchy. The fair value of all other financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

During the three months ended June 30, 2018 there were no transfers between level 1, level 2 and level 3 classified assets and liabilities.

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11. 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:

	June 30, 2018	December 31, 2017
Cash and cash equivalents held at major Canadian financial institutions	\$ 30,252	\$ 370,355
Cash held at major Mexican financial institutions	1,389,639	1,841,240
Total cash and cash equivalents	\$ 1,419,891	\$ 2,211,595

As at June 30, 2018, the Company held a cashable guaranteed investment certificate of \$25,000 (December 31, 2017 - \$25,000) earning interest at prime less 0.50% (December 31, 2017 - prime less 1.95%), maturing May 12, 2019.

As at June 30, 2018, the Company held a cashable guaranteed investment certificate of \$937,000 (December 31, 2017 - \$105,535) earning interest at 6.75% (December 31, 2017 - 6.45%) maturing July 12, 2018.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company has working capital at June 30, 2018 in the amount of \$705,667 (December 31, 2017 - \$1,533,791).

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11. FINANCIAL INSTRUMENTS (continued)

Market risk

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

(a) Interest rate risk

The Company's cash and cash equivalents consist of cash held in bank accounts. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of June 30, 2018 and December 31, 2017.

(b) Foreign currency risk

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

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

As at June 30, 2018 and December 31, 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:

	June 30, 2018	
	MXN	USD
Cash	20,984,082	1,025
Accounts receivable	953,692	-
Accounts payable and accrued liabilities	(804,417)	-
Total	21,133,357	1,025
Canadian dollar equivalent	\$ 1,409,595	\$ 1,350

	December 31, 2017	
	MXN	USD
Cash	27,494,093	3,246
Accounts receivable	1,816,610	-
Accounts payable and accrued liabilities	(444,643)	-
Total	28,866,060	3,246
Canadian dollar equivalent	\$ 1,841,652	\$ 4,358

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11. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

(b) Foreign currency risk (continued)

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 three months ended June 30, 2018 by \$104,000 (2017 - \$11,500).

(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.