SONORO METALS CORP.

(Formerly Becker Gold Mines Ltd.)
(An Exploration Stage Company)
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2011 and 2010
(Expressed in Canadian Dollars)

SmytheRatcliffe
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF SONORO METALS CORP.
(formerly Becker Gold Mines Ltd.)

We have audited the accompanying consolidated financial statements of Sonoro Metals Corp. (formerly Becker Gold Mines Ltd.), which comprise the consolidated statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sonoro Metals Corp. (formerly Becker Gold Mines Ltd.) as at December 31, 2011, December 31, 2010 and January 1, 2010, and the results of its operations and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $910,065 during the year ended December 31, 2011. This condition, along with other matters set forth in note 1, indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Smythe Ratcliffe LLP

Chartered Accountants

Vancouver, British Columbia
April 25, 2012

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SONORO METALS CORP.
(Formerly Becker Gold Mines Ltd.)
Consolidated statements of financial position
(Expressed in Canadian Dollars)
As at

	December 31, 2011	December 31, 2010 (note 18)	January 1, 2010 (note 18)
Assets			
Current assets			
Cash and cash equivalents	$ 1,294,952	$ 480,070	$ 1,971
Receivables	37,426	20,924	461
Prepaid expenses	12,996	1,496	2,000
	1,345,374	502,490	4,432
Non-current assets			
Loans receivable (note 8)	-	-	162,905
Capital assets (note 9)	9,806	-	-
Exploration and evaluation assets (note 10)	1,315,211	1,196,920	-
	$ 2,670,391	$ 1,699,410	$ 167,337
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities (note 11)	$ 74,932	$ 296,643	$ 9,981
Due to related parties (note 12)	52,893	7,500	-
	127,825	304,143	9,981
Non-current liabilities			
Deferred income tax liability (note 15)	17,769	-	-
	145,594	304,143	9,981
Shareholders' Equity			
Share capital (note 13)	3,508,714	2,057,915	200,001
Reserves (note 13)	218,796	-	-
Share subscriptions receivable	-	(370,000)	(32,000)
Deficit	(1,202,713)	(292,648)	(10,645)
	2,524,797	1,395,267	157,356
	$ 2,670,391	$ 1,699,410	$ 167,337

Approved on behalf of the Board on April 25, 2012:

"Stephen Kenwood" *"Gary Freeman"*

Stephen Kenwood, Director Gary Freeman, Director

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

SONORO METALS CORP.
(Formerly Becker Gold Mines Ltd.)
Consolidated statements of comprehensive loss
(Expressed in Canadian Dollars)
For the years ended December 31

	2011	2010
		(note 18)
Expenses		
Consulting fees (note 12(a))	$ 22,390	$ 257,950
Depreciation	684	-
Legal and audit	86,073	20,907
Office and administration (note 12(b))	15,201	1,194
Share-based compensation	183,945	-
Transfer agent fees	11,078	-
Travel and promotion	5,216	3,502
	324,587	283,553
Other Items		
Interest income	(6,480)	-
Listing expense (note 2)	565,825	-
Foreign exchange loss (gain)	8,364	(1,550)
Loss before taxes	892,296	282,003
Deferred income tax (note 15)	17,769	-
Loss and Comprehensive Loss for the Year	$ 910,065	$ 282,003
Loss Per Common Share, basic and diluted	$ 0.25	$ 0.11
Weighted Average Number of Common Shares Outstanding	3,637,514	2,665,294

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

SONORO METALS CORP.

(Formerly Becker Gold Mines Ltd.)
Consolidated statements of changes in equity
(Expressed in Canadian Dollars)
For the years ended December 31

	Share Capital						
	Shares	Amount	Warrant Reserve	Share-Based Payment Reserve	Share Subscriptions Receivable	Deficit	Shareholders' Equity
Balance, January 1, 2010	2,000,001	$ 200,001	$ -	$ -	$ (32,000)	$ (10,645)	$ 157,356
Share subscriptions receivable collected	-	-	-	-	32,000	-	32,000
Acquisition of loans receivable (note 13(b)(i))	3,980,852	597,128	-	-	-	-	597,128
Private placements, net of issue costs (note 13(b)(ii))	5,382,500	1,076,500	-	-	(370,000)	-	706,508
For exploration and evaluation assets (note 13(b)(iii))	921,429	184,286	-	-	-	-	184,286
Net loss for the year	-	-	-	-	-	(282,003)	(282,003)
Balance, December 31, 2010	12,284,782	2,057,915	-	-	(370,000)	(292,648)	1,395,267
Share subscriptions receivable collected (note 13(b)(ii))	-	-	-	-	370,000	-	370,000
Acquisition of Cap Capital Corp. (note 2)	3,131,671	626,334	-	-	-	-	626,334
Cancel shares of Cap Capital Corp. on reverse acquisition	(12,284,782)	-	-	-	-	-	-
Shares issued on reverse acquisition	12,284,782	-	-	-	-	-	-
Private placements, net of issuance costs (note 13(b)(iv))	4,500,000	824,465	34,851	-	-	-	859,316
Share-based compensation	-	-	-	183,945	-	-	183,945
Net loss for the year	-	-	-	-	-	(910,065)	(910,065)
Balance, December 31, 2011	19,916,453	$ 3,508,714	$ 34,851	$ 183,945	$ -	$(1,202,713)	$ 2,524,797

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

SONORO METALS CORP.
(Formerly Becker Gold Mines Ltd.)
Consolidated statements of cash flows
(Expressed in Canadian Dollars)
For the years ended December 31

	2011	2010
Operating Activities		
Net loss	$ (910,065)	$ (282,003)
Items not involving cash		
Depreciation	684	-
Deferred income tax	17,769	-
Listing fee	565,825	-
Share-based payments	183,945	-
Unrealized foreign exchanges	755	1,580
Changes in non-cash working capital		
Receivables	(7,341)	(1,072)
Prepaid expenses	(10,100)	504
Accounts payable and accrued liabilities	(452,763)	272,093
Due to related parties	45,393	7,500
Cash Used in Operating Activities	(565,898)	(1,398)
Investing Activities		
Loans receivable	-	(305,791)
Cash acquired on reverse acquisition	270,510	48,368
Expenditures on exploration and evaluation assets	(118,291)	-
Cash Provided from (Used in) Investing Activities	152,219	(257,423)
Financing Activities		
Common shares issued for cash	1,270,000	738,500
Share issuance costs	(40,684)	-
Cash Provided from Financing Activities	1,229,316	738,500
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(755)	(1,580)
Inflow of Cash and Cash Equivalents	814,882	478,099
Cash and Cash Equivalents, Beginning of Year	480,070	1,971
Cash and Cash Equivalents, End of Year	$ 1,294,952	$ 480,070
Cash and Cash Equivalents Consists of		
Cash	$ 1,294,952	$ 330,070
Funds held in trust	-	150,000
	$ 1,294,952	$ 480,070

Supplemental disclosure with respect to cash flows (note 14)

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

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. On December 20, 2011, the Company changed its name from Becker Gold Mines Ltd. to Sonoro Metals Corp, which took effect on January 6, 2012. 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". Refer to note 2.

The head office, registered address and records office of the Company are located at suite 680 – 789 West Pender Street, Vancouver, British Columbia, Canada, V6C 1H2.

These consolidated financial statements have been prepared on a going concern basis, which assumes the Company will realize its assets and discharge its liabilities in the normal course of business. These consolidated financial statements do not include any adjustments related to the recoverability of assets and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company reported a net loss of $910,065 (2010 - $282,003) for the year ended December 31, 2011 and has an accumulated deficit of $1,202,713 (December 31, 2010 - $292,648; January 1, 2010 - $10,645) as at December 31, 2011. As at December 31, 2011, the Company had working capital of $1,217,549 (December 31, 2010 - $198,347; January 1, 2010 - working capital deficiency of $5,549) available to meet its liabilities as they become due and to continue its exploration of current properties and the evaluation of potential resource property acquisitions in the next year.

The Company has no source of revenue, and has significant cash requirements to meet its administrative overhead and to finance mineral property acquisitions and future exploration. The Company does not generate cash flow from operations to adequately fund its activities and has therefore relied principally upon the issuance of securities for financing. The Company 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 (refer to note 6). 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.

2. REVERSE ACQUISITION

On October 20, 2011, pursuant to an agreement dated August 25, 2011, the Company issued 12,284,782 common shares of the Company to the shareholders of Cap Capital Corp. ("Cap Capital"), a private company, in exchange for all of the issued and outstanding shares of Cap Capital (the "Transaction").

Upon completion of the Transaction, the shareholders of Cap Capital owned 79.69% of the common shares of the Company. The Transaction resulted in the former shareholders of Cap Capital acquiring control of the Company and has been accounted for as a reverse acquisition by Cap Capital, with the legal subsidiary being treated as the accounting parent and Sonoro, the legal parent, being treated as the accounting subsidiary. A reverse acquisition transaction involving a non-public operating entity and a non-operating public company is in substance a capital transaction, rather than a business combination and is considered a recapitalization of the public company.

(Expressed in Canadian Dollars)

2. REVERSE ACQUISITION (Continued)

The consolidated financial statements have been prepared as a continuation of Cap Capital and have been issued in the name of the Company, being the legal parent. The Transaction has been measured based on the fair value of the shares that have been issued to Sonoro's shareholders.

Accordingly, the Transaction has been accounted for as follows:

a) the historic equity of the Company has been eliminated and the excess of the fair value of the common shares issued over the fair value of net assets acquired has been recorded as a listing expense;

b) the deficit and other equity balances are those of Cap Capital immediately prior to the Transaction;

c) the equity structure presented in these consolidated financial statements (the number and type of equity instruments issued) reflects the equity structure of the Company, including the equity instruments issued by the Company to effect the Transaction;

d) the assets and liabilities of Cap Capital are recognized and measured at their pre-Transaction carrying amounts and the net assets of the Company on the Transaction date have been measured at their fair value of $60,509.

e) comparative information presented in these consolidated financial statements are for Cap Capital. Certain comparative figures have been reclassified in order to conform to the current year’s presentation.

The fair value of Sonoro’s net assets acquired and liabilities assumed are as follows:

Cash	$ 270,510
Receivables	9,161
Prepaid expenses	1,400
Equipment	10,490
Accounts payable and accrued liabilities	(231,052)
Fair value of net assets acquired	60,509
Fair value of 3,131,671 common shares issued	(626,334)
Listing expense	$ (565,825)

The consolidated statement of financial position as of December 31, 2010 and the consolidated statements of comprehensive loss and cash flows for the year ended December 31, 2010 are those of Cap Capital. The consolidated statements of comprehensive loss and cash flows include Cap Capital’s results of operations and cash flows for the year ended December 31, 2011 and the Company’s results of operations from October 20, 2011 (the date of the reverse acquisition) to December 31, 2011.

3. BASIS OF PREPARATION

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Board of Directors approved these consolidated financial statements for issue on April 25, 2012. The disclosures concerning the transition from Canadian generally accepted accounting principles ("GAAP") to IFRS are included in note 18.

Subject to certain transition elections disclosed in note 18, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned integrated Mexican subsidiaries, Cap Capital and Minera Mar Plata S.A. de C.V ("MMP"). All significant intercompany transactions and balances have been eliminated.

Critical accounting estimates

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 year. 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:

a) The carrying value and the recoverability of exploration and evaluation assets, and equipment.

b) The inputs used in the option pricing models used to calculate the fair value for share-based payments expense and finder's warrants.

c) The inputs used in calculating the fair value of warrants included in units issued in private placements.

d) The valuation of shares issued in non-cash transactions.

e) The recognition of deferred tax assets.

4. SIGNIFICANT ACCOUNTING POLICIES

Foreign exchange

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency for all entities within the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors indentified in International Accounting Standard ("IAS") 21 *The Effects of Changes in Foreign Exchange Rates*.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign exchange (continued)

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the consolidated statements of comprehensive loss.

Cash equivalents

The Company considers cash equivalents to be deposits with banks or highly liquid short-term interest-bearing investments cashable at any time and having maturities of three months or less from the date acquired. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax is recorded using the asset and liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against current liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

Loss per common share

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the year. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the assets were acquired:

Fair value through profit and loss – This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in net income (loss).

Loans and receivables – These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are originally recognized at fair value and carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments – These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in net income (loss).

Available-for-sale – Non-derivative financial assets not included in the above categories are classified as available-for- sale. They are carried at fair value with changes in fair value recognized as other comprehensive income and classified as a component of equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in net income (loss).

All financial assets, except for those at fair value through profit or loss, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories. The Company's accounting policy for each category is as follows:

Fair value through profit or loss – This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in net income (loss).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other financial liabilities – Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss over the period to maturity using the effective interest method. Other financial liabilities are classified as current or non-current based on their maturity date. This category includes promissory notes, amounts due to related parties, and accounts payables and accrued liabilities, all of which are recognized at amortized cost.

Unit offerings

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares at the time the units are priced and any excess is allocated to warrants.

Exploration and evaluation expenditures

Pre-exploration costs

Pre-exploration costs are expensed in the period in which they are incurred.

Exploration and evaluation assets

The Company capitalizes the acquisition costs of exploration and evaluation assets.

Exploration and evaluation expenditures are expensed as incurred. These direct expenditures include such costs as materials used, geological and geophysical evaluation, surveying costs, drilling costs, payments made to contractors, and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

When a project is deemed to no longer have commercially viable prospects for the Company, exploration and evaluation assets in respect of that project are deemed to be impaired. As a result, those exploration and evaluation assets, in excess of estimated recoveries, are written off to the statement of comprehensive loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction". Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Exploration and evaluation expenditures (continued)

From time to time the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As such options are exercisable entirely at the discretion of the optionee the amounts payable or receivable are not recorded at the time of the agreement. Option payments are recorded as property costs or recoveries when the payments are made or received.

Capitalized costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the applicable mineral rights are allowed to lapse.

Share-based payments

The Company has a stock option plan that is described in note 13(c). Share-based payments to employees are measured at the fair value of the equity instruments issued and are amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or at the fair value of the equity instruments issued (if it is determined the fair value of the goods or services cannot be reliably measured), and are recorded at the date the goods or services are received. The offset to the recorded cost is to share-based payment reserve. If and when the stock options are ultimately exercised, the applicable amounts of fair value are transferred from the share-based payment reserve to share capital.

Capital assets

Capital assets are recorded at cost and amortized using the following annual rate and method:

Leaseholds	20% straight-line

New standards not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as of December 31, 2011 and have not been applied in preparing these consolidated financial statements:

Financial instruments disclosure

In October 2010, the IASB issued amendments to IFRS 7 *Financial Instruments: Disclosures* that improve the disclosure requirements in relation to transferred financial assets. The amendments are effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

Income taxes

In December 2010, the IASB issued an amendment to IAS 12 *Income Taxes* that provides a practical solution to determining the recovery of investment properties as it relates to the accounting for deferred income taxes. This amendment is effective for annual periods beginning on or after January 1, 2012, with earlier adoption permitted. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

New standards not yet adopted (continued)

Financial instruments

The IASB intends to replace IAS 39 *Financial Instruments: Recognition and Measurement* in its entirety with IFRS 9 *Financial Instruments* in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39, and is effective for annual periods beginning on or after January 1, 2015, with earlier adoption permitted. In November 2009 and October 2010, phase 1 of IFRS 9 was issued and amended, respectively, which addressed the classification and measurement of financial assets and financial liabilities. IFRS 9 requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost, except for financial liabilities classified as at fair value through profit or loss, financial guarantees and certain other exceptions. The IASB has issued exposure drafts addressing impairment of financial instruments, hedge accounting and the offsetting of financial assets and liabilities, with comments due in March and April 2011. The complete IFRS 9 is anticipated to be issued during the second half of 2011. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

Disclosure of interests in other entities

IFRS 12, establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

Fair value measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Consolidated financial statements

In May 2011, the IASB issued a new standard IFRS 10 *Consolidated Financial Statements*. IFRS 10 is effective for annual periods beginning on or after January 1, 2013. Early application is permitted. IFRS 10 defines a single concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of a parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

New standards not yet adopted (continued)

Joint arrangements

IFRS 11 establishes principles for the financial reporting by parties to a joint arrangement. IFRS 11 supersedes current IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*, and is effective for annual periods beginning on or after January 1, 2013. Earlier adoption is permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

Presentation of financial statements

Amendments to IAS 1 *Presentation of Financial Statements* effective for the Company's annual reporting period beginning January 1, 2012. The revised standard requires an entity to group items presented in the statement of comprehensive income or loss on the basis of whether they may be reclassified to profit or loss subsequent to initial recognition. For those items presented before taxes, the amendments in the standard also require that the taxes related to the separate groups be presented separately. The Company does not anticipate the application of the revised standard to have a material impact on its consolidated financial statements.

Amendments to other standards

In addition, there have been amendments to existing standards, including IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10, 11, 12 and 13.

5. FINANCIAL INSTRUMENTS

The Company has classified its cash and cash equivalents as fair value through profit and loss; receivables, 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 accounts payable and accrued liabilities and due to related parties approximate their fair values due to the short-term nature of these financial instruments.

Credit risk

The Company is exposed to credit risk with respect to its cash. Cash has been placed on deposit with major Canadian and Mexican financial institutions. The risk arises from the non-performance of counterparties of contracted financial obligations. The Company is not exposed to significant credit risk on receivables as these amounts are due from government agencies.

5. FINANCIAL INSTRUMENTS (Continued)

Credit risk (continued)

Concentration of credit risk exists with respect to the Company's cash as the majority of the amount is held with only a few Canadian and Mexican financial institutions. The Company's concentration of credit risk and maximum exposure thereto is as follows:

	2011	2010
Cash held at major Canadian financial institutions	$ 1,265,231	$ 281,702
Cash held in Canada in trust	-	150,000
Cash held at major Mexican financial institutions	29,721	48,368
Total cash	$ 1,294,952	$ 480,070

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, 2011 in the amount of $1,217,549 (December 31, 2010 - $198,347; January 1, 2010 working capital deficiency - $5,549).

Market risk

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

(i) 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, 2011.

(ii) 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, receivables, due to related parties, 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.

(Expressed in Canadian Dollars)

5. FINANCIAL INSTRUMENTS (Continued)

Market risk (continued)

(ii) Foreign currency risk (continued)

As at December 31, 2011 and 2010, the Company's significant exposure to foreign currency risk, based on consolidated statement of financial position carrying values, were to the Mexican peso and the US dollar, as follows:

	December 31, 2011	
	MXP	USD
Cash	407,805	18,866
Receivables	408,803	-
Accounts payable and accrued liabilities	(145,694)	-
	670,914	18,866
Canadian dollar equivalent	$ 48,896	$ 19,187

	December 31, 2010	
	MXP	USD
Cash	55,285	44,196
Receivables	240,641	-
Accounts payable and accrued liabilities	(130,797)	-
	165,129	44,196
Canadian dollar equivalent	$ 13,306	$ 43,957

The sensitivity analysis of the Company's exposure to foreign currency risk at the reporting date has been determined based upon hypothetical changes taking place at December 31, 2011 and 2010, which includes a hypothetical change in the foreign exchange rate between the Canadian dollar and Mexican peso and the Canadian dollar and US dollar and the effect on loss and comprehensive loss.

	Reasonably Possible Changes	
	2011	**2010**
CDN $: MXN peso exchange rate variance	+/- 5%	+/-5%
Impact on loss and comprehensive loss	$ 2,445	$ 665

5. FINANCIAL INSTRUMENTS (Continued)

Market risk (continued)

	Reasonably Possible Changes	
	2011	**2010**
CDN $: US dollar exchange rate variance	+/- 5%	+/- 5%
Impact on loss and comprehensive loss	$ 959	$ 2,198

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of 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.

6. CAPITAL MANAGEMENT

The Company's primary objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to be able to identify and continue with the exploration activities on its exploration and evaluation assets. The Company defines capital that it manages as shareholders' equity.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue shares from treasury, which is the Company's primary source of funds. The Company does not use other sources of financing that require fixed payments of interest and principal due to lack of cash flow from current operations and is not subject to any externally imposed capital requirements.

There have been no changes to the Company's approach to capital management during the year.

(Expressed in Canadian Dollars)

7. ACQUISITION OF MINERA MAR DE PLATA S.A. DE C.V.

On December 31, 2010, Cap Capital acquired 99.9% of the issued and outstanding shares of MMP, a private Mexican company, which owns or has rights to acquire various mining concessions in Mexico. MMP was in the business of acquiring mineral property interests, all of which were completed during 2010.

In consideration of the acquisition of 99.9% of the common shares of MMP, the Company entered into the following transactions:

a) On December 31, 2010, the Company entered into a debt settlement agreement with MMP, whereby the Company exchanged $520,000 loan agreement for common shares in MMP.

b) On December 31, 2010, the Company entered into a debt settlement agreement whereby the Company exchanged $597,128 in debt owing to the Company by MMP into common shares in the capital of MMP (note 13(b)(i)).

c) On December 31, 2010, the Company entered into a purchase and sale agreement to acquire all but one of the remaining issued and outstanding common shares in the capital of MMP for $4,029.

   The one common share not owned by the Company is held by a Mexican national, which is required under the laws of Mexico.

The acquisition has been accounted for using the asset acquisition method and the values of the assets acquired and the liabilities assumed have been adjusted to reflect their fair values at the acquisition date. The purchase price has been allocated as follows:

Cash	$ 48,368
Receivables	19,391
Loans receivable	51,304
Exploration and evaluation assets	1,012,634
Accounts payable	(10,540)
Total consideration paid for common shares in MMP	$ 1,121,157

8. LOANS RECEIVABLE

As of January 1, 2010, the Company had loans receivable from MMP (note 7) for a total of $162,905. The loan was without interest or stated terms of repayment.

(Expressed in Canadian Dollars)

9. CAPITAL ASSETS

Leasehold improvements		
Cost		
Balance, January 1, 2010 and December 31, 2010	$	-
Additions		10,490
Balance, December 31, 2011	$	10,490
Accumulated depreciation		
Balance, January 1, 2010 and December 31, 2010	$	-
Depreciation for the year		684
Balance, December 31, 2011	$	684
Carrying amounts		
As at January 1, 2010 and December 31, 2010	$	-
As at December 31, 2011	$	9,806

10. EXPLORATION AND EVALUATION ASSETS

	Chipriona	Santa Clara	Los Pinos	Total
Balance, January 1, 2010	$ -	$ -	$ -	$ -
Acquisition costs	927,147	-	269,773	1,196,920
Balance, December 31, 2010	927,147	-	269,773	1,196,920
Acquisition costs	-	118,291	-	118,291
Total	$ 927,147	$ 118,291	$ 269,773	$ 1,315,211

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

Santa Clara

On January 10, 2011, the Company entered into an option agreement whereby the Company can acquire a 100% interest in the Santa Clara concession, which is contiguous to the Company's current mineral concessions, for total cash payments of US $240,000 over a three-year period and the issuance of 120,000 common shares due as follows:

Cash		
Payable by January 2011	US $40,000	(paid - $39,096)
Payable by February 2011	US $20,000	(paid - $19,153)
Payable by July 2011	US $60,000	(paid - $56,411)
Payable by January 2012	US $60,000	(paid on February 22, 2012 - $60,000)
Payable by July 2013	US $60,000	
	US $240,000	
Shares		
Issuable by July 2013		

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

10. EXPLORATION AND EVALUATION ASSETS (Continued)

a) 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.

b) 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.

c) 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.

(Expressed in Canadian Dollars)

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	December 31, 2011	December 31, 2010	January 1, 2010
Trade payables	$ 37,932	$ 276,643	$ 9,981
Accrued liabilities	37,000	20,000	-
Total	$ 74,932	$ 296,643	$ 9,981

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

12. RELATED PARTY TRANSACTIONS

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

The Company entered into the following transactions with related parties during the year:

a) Consulting fees of $12,858 (2010 - $7,500) were charged by companies controlled by directors/officers of the Company;

b) Rent of $3,500 (2010 - $nil) was paid to a company with directors in common and is included in office and administration.

At December 31, 2011, $52,893 (December 31, 2010 - $7,500; January 1, 2010 - $nil) is owing to related parties without interest or stated terms of repayment.

Compensation of key management

Key management comprises directors and executive officers. Compensation awarded to key management for the years ended December 31, 2011 and 2010 is as follows:

	Year ended December 31, 2011	Year ended December 31, 2010
Short-term employee benefits	$ 12,858	$ 7,500
Share-based payments	198,000	-
	$ 210,858	$ 7,500

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

13. SHARE CAPITAL AND RESERVES

a) Authorized

Unlimited number of common shares without par value.

b) Issued

(i) In October 2010, the Company entered into debt purchase and sale agreements (the “Debt Purchase Agreements”) with certain creditors (the “Creditors”) of MMP pursuant to which the Company purchased outstanding debt owing by MMP in the amount of $597,128 in exchange for the issuance of 3,980,852 common shares in the capital of the Company at $0.15 per common share.

(ii) On December 31, 2010, the Company completed a private placement and issued 5,382,500 common shares at a price of $0.20 per common share for gross proceeds of $1,076,500. No finder’s fees were paid in connection with the private placement. As at December 31, 2010, $370,000 was receivable for this issuance, which was received during the year ended December 31, 2011.

(iii) On December 31, 2010, the Company issued 921,429 common shares for the acquisition of the Chipriona mineral concessions. The fair value of these common shares was $0.20 for a total value of $184,286.

(iv) On December 20, 2011, the Company completed a private placement and issued 4,500,000 units at a price of $0.20 per unit for gross proceeds of $900,000. Each unit is comprised of one common share and one share purchase warrant entitling the holder to purchase one additional common share of the Company for two years at an exercise price of $0.30. In connection with the private placement, finder’s fees totaled $24,500 in cash, other expenses of $16,184 and 122,500 finder’s warrants with a fair value of $34,851. Finder’s warrants entitle the holder to purchase 122,500 units, with the same terms of the private placement, for a period of two years at an exercise price of $0.30 per unit.

c) Stock options

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

(Expressed in Canadian Dollars)

13. SHARE CAPITAL AND RESERVES (Continued)

c) Stock options (continued)

A summary of the Company's outstanding and exercisable stock options and changes during the periods then ended is as follows:

	Outstanding	Exercisable	Weighted Average Exercise Price
Balance, January 1, 2010 and December 31, 2010	300,000	300,000	$ 0.20
Granted	1,500,000	750,000	$ 0.30
Balance, December 31, 2011	1,800,000	1,050,000	$ 0.28

The following summarizes information on the number of stock options outstanding at December 31:

Expiry Date	Exercise Price	**2011**	**2010**
May 20, 2014	$ 0.20	300,000	300,000
December 23, 2016	$ 0.30	1,500,000	-
		1,800,000	300,000

The weighted average remaining contractual life for the outstanding options at December 31, 2011 is 4.48 (December 31, 2010 – 3.34 and January 1, 2010 – nil) years.

On December 23, 2011, the Company granted 1,500,000 options to directors, consultants and employees. These options vest 50% on the grant date and 50% on December 23, 2012. The fair value of these options was calculated at $360,000, of which $183,945 (2010 - $nil) was recognized for the year ended December 31, 2011.

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

	2011	**2010**
Share price on grant date	$0.30	N/A
Risk-free interest rate	1.31%	N/A
Expected dividend yield	0.00%	N/A
Expected stock price volatility	112.37%	N/A
Expected life in years	5.00	N/A
Expected forfeiture rate	0.00%	N/A
Fair value at grant date	$0.24	N/A

(Expressed in Canadian Dollars)

13. SHARE CAPITAL AND RESERVES (Continued)

c) Stock options (continued)

Volatility is determined based on the historical share price of peer group companies over the estimated lives of the options.

d) Warrants

As at December 31, 2011, the Company had share purchase warrants outstanding entitling the holders to acquire common shares as follows:

Exercise Price	Expiry Date	Outstanding, January 1, and December 31, 2010	Issued	Exercised	Expired	Outstanding, December 31, 2011
$ 0.30	December 20, 2013	-	4,500,000	-	-	4,500,000

As at December 31, 2011, the Company had finder's warrants outstanding as follows:

Exercise Price	Expiry Date	Outstanding, January 1, and December 31, 2010	Issued	Exercised	Expired	Outstanding, December 31, 2011
$ 0.20	December 20, 2013	-	122,500	-	-	122,500

Finder's warrants entitle the holders to acquire one unit whereby each unit is comprised of one common share and one share purchase warrant, and one share purchase warrant entitles the holder to purchase one common share of the Company for an exercise price of $0.30 exercisable until December 20, 2013.

The fair value of the finder's warrants was calculated at $0.28 per unit.

The fair value of finder's warrants is estimated using the option pricing models with the following weighted average assumptions:

	2011	**2010**
Share price on grant date	$0.30	N/A
Risk-free interest rate	0.95%	N/A
Expected dividend yield	0.00%	N/A
Expected stock price volatility	88.19%	N/A
Expected life in years	2.00	N/A
Expected forfeiture rate	-	N/A
Fair value at grant date	$0.28	N/A

Volatility was determined based on the historical share price of Sonoro over the estimated lives of the finder's warrants.

(Expressed in Canadian Dollars)

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2011	2010
Non-cash transactions for the years ended December 31		
Share exchange for $597,128 in debt owed to certain creditors by MMP	$ -	$ 597,128
Common shares issued for exploration and evaluation assets	$ -	$ 184,286
Accounts payable related to acquisition of MMP	$ -	$ 4,029

15. INCOME TAXES

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

	2011	2010
Loss before income taxes	$ (892,296)	$ (282,003)
Canadian statutory tax rate	26.5%	28.5%
Income tax benefit computed at statutory rates	(236,459)	(80,371)
Non-deductible items	48,745	45
Temporary differences	142,621	(442)
Foreign tax rates different from statutory	(826)	-
Effects of foreign exchange on tax assets	36,622	-
Rate difference between current and deferred taxes	2,338	10,025
Unused tax losses and tax offsets not recognized	24,728	70,743
	$ 17,769	$ -

Effective January 1, 2011, the Canadian federal corporate tax rate decreased from 18.0% to 16.5% and the British Columbia provincial tax decreased from 10.5% to 10.0%. The overall reduction in tax rates has resulted in a decrease in the Company's statutory tax rate from 28.5% to 26.5%.

In 2009, the Mexican government approved tax reform that includes a 2% increase in the income tax rate in Mexico from 28% to 30% for a three-year period starting in 2010.

(Expressed in Canadian Dollars)

15. INCOME TAXES (Continued)

b) The tax effected items that give rise to significant portions of the deferred income tax assets and deferred income liabilities at December 31, 2011 and 2010 are presented below:

	2011	2010
Deferred income tax assets		
Tax loss carry-forward	$ 17,072	$ -
Deferred income tax liability		
Exploration and evaluation assets	(34,841)	-
Deferred tax liability	$ (17,769)	$ -

c) The Company recognizes tax benefits on losses or other deductible amounts generated in countries where the probable criteria for the recognition of deferred tax assets has been met. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	2011	2010
Non-capital losses	$ 1,541,000	$ 338,000
Capital losses	4,000	-
Share issue costs	33,000	-
Tax value over book value of exploration and evaluation assets	134,000	-
Tax value over book value of equipment	1,000	-
Unrecognized deferred tax	$ 1,713,000	$ 338,000

As at December 31, 2011, the Company has operating losses carried forward approximately $1,541,000 that may be applied against future income for income tax purposes in Canada. The operating losses expire between 2014 and 2031.

16. SEGMENTED INFORMATION

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

As at December 31, 2011	Capital assets	Exploration and evaluation assets	Total non-current assets
Canada	$ 9,806	$ -	$ 9,806
Mexico	-	1,315,211	1,315,211
Total	$ 9,806	$ 1,315,211	$ 1,325,017

(Expressed in Canadian Dollars)

16. SEGMENTED INFORMATION (Continued)

As at December 31, 2010	Capital assets	Exploration and evaluation assets	Total non-current assets
Canada	$ -	$ -	$ -
Mexico	-	1,196,920	1,196,920
Total	$ -	$ 1,196,920	$ 1,196,920

17. EVENTS AFTER THE REPORTING PERIOD

The Company completed a private placement and issued 1,325,000 units at a price of $0.25 per unit for gross proceeds of $331,250. Each unit is comprised of one common share and one common share purchase warrant entitling the holder to purchase one common share of the Company at an exercise price of $0.30 until January 27, 2013. The Company incurred expenses of $3,433 in connection with the private placement. There was no finder's fee paid in connection with this private placement.

18. FIRST TIME ADOPTION OF IFRS

As stated in note 3, these are the Company's first annual consolidated financial statements prepared in accordance with IFRS. The accounting policies in note 4 have been applied in preparing the consolidated financial statements as at December 31, 2011 and December 31, 2010 and for the years then ended; and the opening IFRS consolidated statement of financial position as at January 1, 2010, the "Transition Date".

In preparing the transitional IFRS consolidated statement of financial position as at January 1, 2010 and the consolidated financial statements as at and for the year ended December 31, 2010, the Company has adjusted amounts reported previously in financial statements that were prepared in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out below. The guidance for the first time adoption of IFRS is set out in IFRS 1 *First-time Adoption of International Financial Reporting Standards*. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first-time adopters of IFRS, the exemptions applied by the Company are described below:

Optional Exemptions

Share-based payment transactions

The Company elected to apply the requirements of IFRS 2 *Share-based Payment* only to equity instruments not vested as of the Transition Date.

Business combination

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 *Business Combinations* retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has taken advantage of this election and will apply IFRS 3 to business combinations that occur on or after January 1, 2010.

(Expressed in Canadian Dollars)

18. FIRST TIME ADOPTION OF IFRS (Continued)

Mandatory Exceptions

The estimates previously made by the Company under pre-changeover Canadian GAAP were not revised for the application of IFRS, except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result the Company has not used hindsight to revise estimates.

Accounting Policy Change

Share-based payments

On transition to IFRS, the Company elected to change its accounting policy for the treatment of share-based payments, whereby amounts recorded for expired and unexercised stock options are transferred from share-based payment reserve to deficit. Previously, the Company's Canadian GAAP policy was to leave such amounts in the share-based payment reserve. The change in accounting policy had no impact on the share-based payment reserve and deficit balance as at January 1, 2010 and December 31, 2010.

Exploration and evaluation assets

On transition to IFRS, the Company changed its accounting policy for the treatment of exploration expenditures, whereby all exploration expenditures are recognized in profit and loss. Previously, the Company's Canadian GAAP policy was to capitalize such amounts. The change in accounting policy had no impact on the consolidated statement of financial position as at December 31, 2010 and January 1, 2010 and the consolidated statement comprehensive loss for the year ended December 31, 2010.

In preparing these consolidated financial statements, the Company reflected the result of transition in the tables below:

Reconciliation of Shareholders' Equity

	December 31, 2010	**January 1, 2010**
Total Shareholders' Equity per Canadian GAAP	$ 1,395,267	$ 157,356
Adjustment on adoption of IFRS	-	-
Total Shareholders' Equity per IFRS	**$ 1,395,267**	**$ 157,356**

18. FIRST TIME ADOPTION OF IFRS (Continued)

Reconciliation of Comprehensive Loss

The table below provides a summary of the adjustment to comprehensive loss for the year ended December 31, 2010:

	Year ended December 31, 2010
Comprehensive Loss per Canadian GAAP	$ 282,003
Adjustment on adoption of IFRS	-
Comprehensive Loss per IFRS	**$ 282,003**

Reconciliation of Cash Flows

There were no material adjustments or impact on the consolidated statement of cash flows for the year ended December 31, 2010.