SONORO METALS CORP.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2011

Suite 680 – 789 West Pender St, Vancouver, BC, V6C 1H2

SONORO METALS CORP
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MANAGEMENT DISCUSSION & ANALYSIS
For the year ended December 31, 2011

1.0 INTRODUCTION

This Management's Discussion and Analysis ("MD&A") includes financial information from, and should be read in conjunction with, the audited annual consolidated financial statements of Sonoro Metals Corp ("the Company" or "Sonoro") for the years ended December 31, 2011 and 2010. The consolidated financial statements as at and for the years ended December 31, 2011 and December 31, 2010, and as at January 1, 2010 reflects the Company's adoption of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This MD&A was prepared with information available to April 25, 2012. Additional information and disclosure relating to the Company can be found on SEDAR at www.sedar.com.

2.0 FORWARD LOOKING STATEMENTS

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

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

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

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

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

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

- fluctuations in mineral prices;
- the Company's dependence on a limited number of mineral projects;
- the nature of mineral exploration and mining and the uncertain commercial viability of certain mineral deposits;
- the Company's lack of operating revenues;

- the Company's ability to obtain necessary financing to fund the development of its mineral properties or the completion of further exploration programs;
- jurisdiction operating risks which can over time include changes in political, economic, regulatory and taxation regimes;
- governmental regulations and specifically the ability to obtain necessary licenses and permits;
- risks related to the Company's mineral properties being subject to prior unregistered agreements, transfers, or claims and other defects in title;
- fluctuations in the currency markets;
- changes in environmental laws and regulations which may increase costs of doing business and restrict the Company's operations;
- risks related to the Company's dependence on key personnel; and
- estimates used in the Company's financial statements proving to be incorrect.

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

3.0 DESCRIPTION OF BUSINESS

Sonoro 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 under the symbol "SMO".

The Company has financed its current exploration and development activities principally by the issuance of common shares. The Company intends to continue relying upon the issuance of securities to finance its future activities but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company.

4.0 OVERALL PERFORMANCE

During the year ended December 31, 2011 the Company incurred a net loss of $910,065 (2010 – $282,003) and had an accumulated deficit of $1,202,713 as at December 31, 2011 (December 31, 2010 - $292,648).

As at December 31, 2011, the Company had working capital of $1,217,549 (December 31, 2010 – $198,347), which is sufficient working capital to fund its current liabilities and continue operations for the next twelve months.

On October 20, 2011, pursuant to an agreement dated August 25, 2011 (the "Transaction"), 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.

During the year ended December 31, 2011 the Company had no significant activity other than focusing on the completion of the Transaction with Cap Capital.

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, Cap Capital, the legal subsidiary, treated as the accounting parent and Sonoro Metals Corp., the legal parent, is 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. As a result, Cap Capital's results of operations for the year ended December 31, 2011 are now included in the consolidated financial statements as at December 31, 2011.

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 the deficit and other equity balances 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 estimated fair value of $ 60,509.

e) comparative information presented in these consolidated financial statements is that of 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 assumed is 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

5.0 PROJECT UPDATES

The principal asset of Cap Capital is its wholly-owned subsidiary Minera Mar De Plata, S.A. de C.V. ("**MMP**"); MMP in turn holds a 100% interest in the Chipriona and Los Pinos properties, located in Sonora State, Mexico.

Chipriona

Chipriona is comprised of 4 concessions totaling 415 hectares, and adjoins Agnico-Eagle's La India and Tarachi deposits. Alamos Gold's Mulatos property is located to the southeast, and Penole's exploration property to the northwest. Other than very recent surface mapping and sampling performed on the property by MMP, there has been no modern day exploration of this property; the property has never been drilled.

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

Results from underground sampling performed by MMP between 2007 and 2009 at the Santa Clara level, the deepest level mined by past operators, sampled massive sulphide veins with widths ranging from 6.6 – 19.9 meters and returned values averaging 403 g/t silver, 1.26 g/t gold, 1.0 percent lead, and 0.6% copper. Later surface sampling by MMP (51 samples) in 2009, over a width of 20.7 meters, returned 183 g/t silver and 0.7 g/t gold on the north side and a sub-parallel zone discovered in the Santa Clara cross-cut of 7 meters of 208 g/t silver and 0.68 g/t gold.

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

Los Pinos

The Los Pinos property is 3 kilometers west of Chipriona, in an area exhibiting similar style geology to the main deposits in the vicinity. Host rocks are the typical volcanic layered succession of andesitic composition within which much of the Sierra Madre mineralization is found.

Penoles drilled the property around 1980, and used results from the drilling combined with results from extensive underground workings to determine a non 43-101 compliant estimated historical resource of about 750,000 tons averaging 170 grams silver per ton, 0.4 grams per ton gold, 6% zinc, 0.5% lead, and 0.3% copper. Various adits, two declines, and stoped areas exist in the concession, along with a mill with capacity of about 50-100 tons per day. More than six veins are identified from the drilling and underground workings, all of which have the same basic mineralogy.

Mineralization atLos Pinos consists of sulfide rich quartz veins that generally trend north-south with moderate to steep westerly dips. In holes drilled by Penoles, as many as three veins in a set were intersected in angle drilling. Widths of the vein zones are reported from the drilling and underground sampling in those reports to range from 0.3 to 15 meters. Vertical extent may depend on the thickness of the favorable andesitic agglomerate, but many sections show a vertical extent ranging from 50 to 100 meters with good potential for expansion at depth.

6.0 RESULTS OF OPERATIONS

The Company has no earnings and therefore will finance its future acquisition and exploration activities by the issue of common shares or units. Certain of the key risk factors of the Company's operating results are the following: the state of capital markets which affects the ability of the Company to finance its acquisition and exploration activities; and market prices for natural resources as well as the non-viability of the projects.

The Company is not a party to any material legal proceedings and does not have any debt or other contractual obligation other than as disclosed in the consolidated financial statements. No significant revenue generating contracts or cash commitments were entered into or undertaken by the Company during the period other than as set out herein or in the consolidated financial statements of the Company.

Year ended December 31, 2011, compared to the year ended December 31, 2010

The Company recorded a net loss and comprehensive loss of $910,065 for the year ended December 31, 2011 ($0.25 loss per share) compared to a net loss and comprehensive loss of $282,003 ($0.11 loss per share) during the year ended December 31, 2010, an increase in net loss and comprehensive loss of $628,062, as explained in the following paragraphs.

Listing expense relating the acquisition of Cap Capital was $565,825 in the year ended December 31, 2011 compared to $nil in the year ended December 31, 2010.The increase is due to the acquisition of Cap Capital, which occurred during the year ended December 31, 2011.

Stock-based compensation, a non-cash item, was $183,945 in the year ended December 31, 2011 compared to $nil in the year ended December 31, 2010.. The increase is due to options granted and vested in 2011 compared to none in the same period 2010.

Consulting fees were $22,390 in the year ended December 31, 2011 compared to $257,950 in the year ended December 31, 2010. In 2010, the Company incurred additional consulting fees relating to the acquisition of MMP by Cap Capital.

Legal and audit fees was $86,073 in the year ended December 31, 2011 compared to $20,907 in the year ended December 31, 2010. In 2011, the Company incurred additional legal expenses relating to the Transaction with Cap Capital.

Transfer agent fees were $11,078 in the year ended December 31, 2011 compared to $nil in the year ended December 31, 2010. In 2011, the Company incurred additional expenses relating to the Transaction with Cap Capital.

7.0 FOURTH QUARTER 2011

The Company incurred a loss of $897,721 during the fourth quarter ending December 31, 2011. Significant items incurred during the quarter are as follows:

Listing expense relating to the acquisition of Cap Capital was $565,825.

Consulting fees was $22,390 and legal and audit fees were $86,073.

Stock-based compensation, a non-cash item, was $183,945.

Office and administration was $15,201 and transfer agent and filing fees were $11,078.

8.0 SELECTED ANNUAL INFORMATION

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

<u>For the years ended December 31</u>

	2011	**2010**	**2009***
Total revenues (Interest & other income)	-	-	-
Loss for the year	(910,296)	(282,003)	(10,645)
Loss per share, basic and diluted	(0.25)	(0.11)	(0.03)
Total assets	2,670,391	1,699,410	167,337

The nature of the Company's operations has remained unchanged from prior periods. The loss for the year ($910,296) was incurred in the normal course of operations.

* Pre-changeover Canadian generally accepted accounting policies.

9.0 SUMMARY OF QUARTERLY RESULTS (unaudited)

The following table summarizes information regarding the Company's operations on a quarterly basis for the last eight quarters and reflect the impacts of the Company's adoption of IFRS:

For the quarters ended

	Dec 31, 2011	Sept 30, 2011	Jun 30, 2011	Mar 31, 2011
Total revenues (Interest income)	-	-	-	-
Loss for the quarter	(897,721)	(7,310)	(532)	(4,502)
Loss for the quarter per share	(0.25)	(0.00)	(0.00)	(0.00)

For the quarters ended

	Dec 31, 2010	Sept. 30, 2010	Jun. 30, 2010	Mar. 31, 2010
Total revenues (Interest income)	-	-	-	-
Loss for the quarter	(281,505)	(38)	(421)	(39)
Loss for the quarter per share	(0.11)	(0.00)	(0.00)	(0.00)

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

10.0 LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2011, the Company had working capital of $1,217,549 (December 31, 2010 – $198,347), which is sufficient working capital to fund its operations for the next twelve months.

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

The Company currently has no income from operations and relies on financing through the issuance of additional shares of its common stock. Management has been successful in accessing the equity markets in prior years, but there is no assurance that such sources will be available, on acceptable terms, or at all in the future. Factors which could impact management's ability to access the equity markets include the state of capital markets, market prices for natural resources and the non-viability of the projects.

11.0 SHARE CAPITAL AND DISCLOSURE OF OUTSTANDING SHARE DATA

At December 31, 2011 the authorized share capital was an unlimited number of common shares and there were 19,916,453 common shares issued and outstanding. As at the date of this MD&A the Company had 21,241,453 common shares issued and outstanding.

Stock Options and Warrants

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

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

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

Common shares	21,241,453
Options	1,800,000
Warrants	4,500,000
Finder's warrants	122,500
Fully diluted shares outstanding	27,663,953

12.0 TRANSACTIONS WITH RELATED PARTIES

The consolidated financial statements include the financial statements of Sonoro Metals Corp. and its 100% owned subsidiaries Cap Capital Corp. and Minera Mar de Plata S.A. de C.V.

The Company entered into the following transactions with related parties during the year consisting of officers and directors:

(a) Consulting fees of $12,358 (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.

At December 31, 2011, $52,893 (December 31, 2010 - $7,500; January 1, 2010- $nil) is owing to related parties in respect of the above amounts charged, and is included in accounts payable. The amounts due to related parties are 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 year ended December 31, 2011 and December 31, 2010 was a 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.

13.0 OFF-BALANCE SHEET ARRANGEMENTS

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

14.0 PROPOSED TRANSACTIONS

The Company has no proposed transactions.

15.0 CONTRACTUAL OBLIGATIONS

The Company has no commitments, material capital lease agreements and no material long term obligations.

16.0 RISKS AND UNCERTAINTIES

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

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

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

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

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

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

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

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

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

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

The economics of developing silver, gold and other mineral properties are affected by many factors including capital and operating costs, variations of the tonnage and grade of ore mined, fluctuating mineral markets, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Depending on the prices of silver, gold or other minerals produced, the Company may determine that it is impractical to commence or continue commercial production. Substantial expenditures are required to discover an ore-body, to establish reserves, to identify the appropriate metallurgical processes to extract metal from ore, and to develop the mining and processing facilities and infrastructure. The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond the Company's control and which cannot be accurately foreseen or predicted, such as market fluctuations, conditions for precious and base metals, the proximity and capacity of milling and smelting facilities, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting minerals and environmental protection. In order to commence exploitation of certain properties presently held under exploration concessions, it is necessary for the Company to apply for an exploitation concession. There can be no guarantee that such a concession will be granted. Unsuccessful exploration or development programs could have a material adverse impact on the Company's operations and profitability.

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

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

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

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

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

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

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

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

Assurance on Financial Statements

We prepare our financial reports in accordance with accounting policies and methods prescribed by IFRS and previously under Canadian GAAP. In the preparation of financial reports, management may need to rely upon assumptions, make estimates or use their best judgment in determining the financial condition of the Company. Significant accounting policies and practices are described in more detail in the notes to our consolidated financial statements for the year ended December 31, 2011. In order to have a reasonable level of assurance that financial transactions are properly authorized, assets are safeguarded against unauthorized or improper use and transactions are properly recorded and reported, we have implemented and continue to analyze our internal control systems for financial reporting. Although we believe our financial reporting and financial statements are prepared with reasonable safeguards to ensure reliability, we cannot provide absolute assurance in that regard.

General Economic Conditions

The unprecedented events in global financial markets during the last few years have had a profound effect on the global economy. Many industries, including the gold and silver mining industry, are affected by these market conditions. Some of the key effects of the current financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign exchange and precious metal markets, and a lack of market liquidity. A continued or worsened slowdown in the financial markets or other economic conditions, including but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates, and tax rates may adversely affect the Company's growth and profitability.

Substantial Volatility of Share Price

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

Potential dilution of present and prospective shareholdings

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

17.0 CRITICAL ACCOUNTING ESTIMATES

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

Significant estimates and assumptions are used in determining the application of the going concern concept, the balance of accrued liabilities, assumptions used to determine the fair value of share-based payments and the determination of deferred income taxes. The Company evaluates its estimates on an ongoing basis and bases them on various assumptions that are believed to be reasonable under the circumstances. The Company's estimates form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The Company believes the policies for going concern, share-based payments, and deferred income taxes are critical accounting policies which involve significant judgments and estimates used in the preparation of the Company's consolidated financial statements.

Changes in circumstances in the future, many of which are outside of management's control, will impact the Company's estimates of future recoverability of net amounts to be realized from their assets. Such factors include, but are not limited to, the availability of financing, the identification of economically recoverable reserves, co-venturer decisions and developments, market prices of minerals, the Company's plans and intentions with respect to its assets and other industry and competitor developments.

The Company uses the Black-Scholes option pricing method to determine the fair value of share-based payments recognized. Estimates and assumptions are required under the model, including those related to the Company's stock volatility, expected life of options granted, and the risk free interest rate. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options granted/vested.

18.0 CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

These consolidated financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The accounting policies set out in note 4 to the consolidated financial statements have been applied consistently to all years presented. They also have been applied in preparing an opening IFRS balance sheet at January 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1, First Time Adoption of International Financial Reporting Standards ("IFRS 1"). The impact of the transition from GAAP to IFRS is explained in Note 18 in the notes to the consolidated financial statements for the year ended December 31, 2011.

19.0 FINANCIAL INSTRUMENTS

The Company classifies its cash and cash equivalents as held-for-trading; and accounts payable and accrued liabilities as other financial liabilities.

Fair value

The carrying values of cash and cash equivalents and accounts payable and accrued liabilities 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.

Concentration of credit risk exists with respect to the Company's cash as the majority of the amounts 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 deficit - $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, 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.

As at December 31, 2011 and 2010, the Company's significant exposures to foreign currency risk, based on balance sheet carrying values, were to the Mexican Pesos 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	45,196
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 net loss and comprehensive loss.

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

	Reasonably Possible Changes	
	2011	2010
CDN $: US dollar exchange rate variance	+/- 5%	+/- 5%
Net 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.