SONORO METALS CORP.

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 and 2018

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

Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF SONORO METALS CORP.

Opinion

We have audited the consolidated financial statements of Sonoro Metals Corp. (the "Company"), which comprise:

- the consolidated statements of financial position as at December 31, 2019 and 2018;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $1,756,410 during the year ended December 31, 2019 as of that date, the Company had an accumulated deficit of $7,184,438. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises of the information included in the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, and remain alert for indications that the other information appears to be materially misstated.

We obtained the Management's Discussion & Analysis prior to the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditors' report. We have nothing to report in this regard.

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Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Kevin Yokichi Nishi.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 29, 2020

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SONORO METALS CORP.

(An Exploration Stage Company)
Consolidated statements of financial position
(Expressed in Canadian Dollars)

As at	Note		December 31, 2019		December 31, 2018
Assets					
Current assets					
Cash and cash equivalents		$	1,074,652	$	732,636
Prepaid expenses			14,185		86,097
			1,088,837		818,733
Non-current assets					
VAT receivables			241,297		228,236
Exploration and evaluation assets	6		1,432,095		872,022
		$	2,762,229	$	1,918,991
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	7	$	1,369,664	$	308,338
Due to related parties	8		22,743		-
Loans payable to related parties	9		273,862		-
Taxes payable	12		-		725,270
			1,666,269		1,033,608
Shareholders' equity					
Share capital	10		8,139,909		6,112,299
Share-based payment reserve	10		140,489		214,112
Subscription receivable	10		-		(13,000)
Deficit			(7,184,438)		(5,428,028)
			1,095,960		885,383
		$	2,762,229	$	1,918,991

Approved on behalf of the Board:

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

Stephen Kenwood, Director — Ken MacLeod, Director

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

SONORO METALS CORP.
(An Exploration Stage Company)
Consolidated statements of loss and comprehensive loss
(Expressed in Canadian Dollars)

For the years ended December 31	Note		2019		2018
Operating expenses					
Consulting fees	8	$	593,210	$	429,572
Exploration expenditures	6		1,890,101		915,238
Legal and audit			122,865		158,626
Office and administration			128,449		52,161
Share-based payments	8,10		87,500		127,288
Transfer agent and filing fees			60,770		21,452
Travel and promotion			453,864		127,199
			(3,336,759)		(1,831,536)
Other income (expenses)					
Interest income			847		78,934
Interest expense	9		(3,911)		-
Sale of royalty	13		875,000		-
Write-down of mineral properties	6		-		(694,659)
Foreign exchange loss			(16,857)		(32,243)
			855,079		(647,969)
Loss before taxes			(2,481,680)		(2,479,504)
Income tax recovery	12		725,270		-
Loss and comprehensive loss for the year		$	(1,756,410)	$	(2,479,504)
Basic and diluted loss per share		$	(0.05)	$	(0.10)
Weighted average number of shares outstanding			36,273,802		25,781,093

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

SONORO METALS CORP.
(An Exploration Stage Company)
Consolidated statements of changes in shareholders' equity
(Expressed in Canadian Dollars)

	Note	Share Capital		Share-Based Payment Reserve	Subscription Receivable	Deficit	Shareholders' Equity
		Shares	Amount				
Balance, December 31, 2017		24,677,586	$ 5,330,278	$ 236,302	$ -	$ (3,001,481)	$ 2,565,099
Private placement	10	5,000,000	500,000	-	-	-	500,000
Acquisition of mineral properties	10	350,000	62,000	-		-	62,000
Exercised options	10	1,102,500	123,500	-	(13,000)	-	110,500
Reallocation of reserve on exercise of options	10	-	96,521	(96,521)	-	-	-
Reallocation of reserve on expiry of options	10	-	-	(52,957)	-	52,957	-
Share-based payments	8, 10	-	-	127,288	-	-	127,288
Net loss for the period		-	-	-	-	(2,479,504)	(2,479,504)
Balance, December 31, 2018		31,130,086	6,112,299	214,112	(13,000)	(5,428,028)	885,383
Private placement, net of issuance costs	10	7,964,231	1,357,987	19,000	-	-	1,376,987
Exercised options	10	1,875,000	264,500	-	-	-	264,500
Receipt of subscription receivable	10	-	-	-	13,000	-	13,000
Reallocation of reserve on exercise of options	10	-	180,123	(180,123)	-	-	-
Exercised warrants	10	1,500,000	225,000	-	-	-	225,000
Share-based payments	8, 10	-	-	87,500	-	-	87,500
Net loss for the period		-	-	-	-	(1,756,410)	(1,756,410)
Balance, December 31, 2019		42,469,317	$ 8,139,909	$ 140,489	$ -	$ (7,184,438)	$ 1,095,960

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

SONORO METALS CORP.
(An Exploration Stage Company)
Consolidated statements of cash flows
(Expressed in Canadian Dollars)

For the years ended December 31		2019		2018
Operating Activities				
Net loss	$	(1,756,410)		(2,479,504)
Items not involving cash				
Share-based payments		87,500		127,288
Income tax recovery		(725,270)		-
Write-down of mineral property		-		694,659
Changes in non-cash working capital				
VAT receivables		(13,061)		(155,867)
Prepaid expenses		71,912		(36,077)
Accounts payable and accrued liabilities		1,061,326		165,989
Due to related parties		22,743		(3,590)
Cash Used in Operating Activities		(1,251,260)		(1,687,102)
Investing Activities				
Loan receivable		-		71,016
Expenditures on exploration and evaluation assets		(560,073)		(473,373)
Cash Used in Investing Activities		(560,073)		(402,357)
Financing Activities				
Common shares issued for cash, net of share issuance costs		1,376,987		500,000
Proceeds received from exercise of stock options		264,500		110,500
Proceeds received from exercise of warrants		225,000		-
Proceeds received from subscriptions receivable		13,000		-
Loans payable – related parties		273,862		-
Cash Provided by Financing Activities		2,153,349		610,500
Inflow (Outflow) of Cash and Cash Equivalents		342,016		(1,478,959)
Cash and Cash Equivalents, Beginning of Year		732,636		2,211,595
Cash and Cash Equivalents, End of Year	$	1,074,652		732,636
Cash and Cash Equivalents Consists of				
Cash	$	1,049,126	$	707,221
Term deposit		25,526		25,415
	$	1,074,652	$	732,636
Supplemental Disclosure with Respect to Cash Flows				
Interest received	$	847	$	78,934
Interest paid	$	3,911	$	-
Shares issued for exploration and evaluation assets	$	-	$	62,000

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. The Company's principal business activity is the acquisition, exploration and development of exploration and evaluation assets. The Company is a publicly-traded company listed on the TSX Venture Exchange ("TSX-V") under the symbol "SMO".

The head office, registered address and records office of the Company are located at suite 1112 – 409 Granville Street, Vancouver, British Columbia, Canada, V6C 1T2.

The Company has no source of revenue, and has significant cash requirements to meet its administrative overhead and to finance mineral property acquisitions and future exploration. The Company does not generate cash flow from operations to adequately fund its activities and has therefore relied principally upon the issuance of securities for financing. The Company will be required to and intends to continue relying upon the issuance of securities to finance its future activities, but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company. The Company incurred a net loss of $1,756,410 during the year ended December 31, 2019 (2018 - $2,479,504). Further, as at December 31, 2019, the Company has a working capital deficiency of $577,432 (2018 - $214,875) and an accumulated deficit of $7,184,438 (2018 - $5,428,028) as at December 31, 2019. These matters indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. Although these consolidated financial statements do not include any adjustments that may result from the inability to secure future financing, or to the recoverability of assets and classification of assets and liabilities, such a situation could have a material adverse effect on the Company's business, results of operations and financial condition. Such adjustments could be material.

The Board of Directors approved these consolidated financial statements for issue on April 29, 2020.

2. BASIS OF PREPARATION

These consolidated financial statements, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments measured at fair value. These consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned integrated subsidiaries, Cap Capital Corp. ("Cap Capital"), Minera Mar de Plata S.A. de C.V ("MMP") and Minera Breco, S.A. de C.V. ("Breco"). A subsidiary is an entity in which the Company has control, where control requires exposure or rights to variable returns and the ability to affect those returns through power over the investee. All significant intercompany transactions and balances have been eliminated.

2. BASIS OF PREPARATION (Continued)

Critical accounting estimates and judgments

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

Critical accounting estimates

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

<u>Share-based payments</u>

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

<u>Recovery of deferred tax assets</u>

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

<u>Taxes Payable</u>

In 2017, the Company estimated taxes payable on the sale of Chipriona property to Agnico Eagle to be $725,270. Subsequent to December 31, 2019, the Company completed filing of its Mexican tax returns for the years 2017 to 2019. Based on the filings of the completed tax returns, management has assessed the Company's subsidiary does not have a tax liability on the sale of the Chipriona property. Accordingly, the previously estimated taxes payable of $725,270 has been revised to $nil, resulting in a corresponding tax recovery for 2019. The Company is waiting for a notice of assessment from the Mexican tax authorities. When the notice of assessment is issued, it may have a material impact on the financial statements.

Critical accounting judgment

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

<u>Exploration and evaluation assets</u>

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

2. BASIS OF PREPARATION (Continued)

Critical accounting estimates and judgments (Continued)

Exploration and evaluation assets (Continued)

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

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

Functional currency

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

Going concern

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

3. SIGNIFICANT ACCOUNTING POLICIES

Non-monetary consideration

Shares issued for non-monetary consideration to non-employees are recorded at the fair value of the goods or services received. When such fair value cannot be estimated reliably, fair value is measured based on the quoted market value of the Company's shares on the date of share issuance. Shares to be issued, which are contingent upon future events or actions, are recorded by the Company when it is reasonably determinable that the shares will be issued.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 group of companies. The functional currency for all entities within the group of companies is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21 *The Effects of Changes in Foreign Exchange Rates.*

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 consolidated statement of financial position date. Exchange gains and losses arising on translation are included in net income (loss).

Cash equivalents

The Company considers cash equivalents to be 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.

As at December 31, 2019, the Company has restricted cash of $25,526, held in a one-year cashable GIC with an annual interest rate of 0.5%. This investment is held as collateral for the Company's visa and matures on May 12, 2020.

Taxes receivable

The Company has recasted the Value Added Tax ("VAT") receivables in the amount of $241,297 (2018-$228,736) as non-current. The VAT receivables are generated on the purchase of supplies and services and are receivable from the Mexican government. The Company classifies VAT receivables as non-current as it does not expect collection of amounts to occur within the next year. The recovery of VAT involves a complex application process and the timing of collection of VAT receivables is uncertain. The Company has not recognized a loss allowance for expected credit losses as VAT receivables are not contract assets and therefore outside the scope of IFRS 9.

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 year-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax is recorded using the asset and liability method, in respect of 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 amounts of assets and liabilities, using tax rates enacted or substantively enacted at the consolidated statement of financial position date.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 tax 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.

Income (loss) per common share

Basic income (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted income per share is computed similar to basic income (loss) per share, except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. However, diluted loss per share does not include the increase to weighted average shares, as the effect of including additional shares would be anti-dilutive.

Financial instruments

Financial assets

Recognition and measurement of financial assets

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument.

Classification of financial assets

The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income or measured at fair value through profit or loss.

Amortized cost - A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost.

- The Company's business model for such financial assets is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets measured at fair value through profit or loss ("FVTPL")

A financial asset measured at fair value through profit or loss is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

Financial assets measured at fair value through other comprehensive income ("FVTOCI")

A financial asset measured at fair value through other comprehensive income is recognized initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included as "financial asset at fair value through other comprehensive income" in other comprehensive income.

Derecognition of financial assets

The Company derecognizes a financial asset if the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or retained by the Company are recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in the consolidated statement of comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial liabilities

Recognition and measurement of financial liabilities

The Company recognizes financial liabilities when it becomes a party to the contractual provisions of the instruments.

Classification of financial liabilities

The Company classifies financial liabilities at initial recognition as financial liabilities: measured at amortized cost or measured at fair value through profit or loss.

Financial liabilities measured at amortized cost

A financial liability at amortized cost is initially measured at fair value plus transaction cost directly attributable to the issuance of the financial liability. Subsequently, the financial liability is measured at amortized cost based on the effective interest rate method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities measured at fair value through profit or loss

A financial liability measured at fair value through profit or loss is initially measured at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial liability is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

Derecognition of financial liabilities

The Company derecognizes a financial liability when the financial liability is discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of loss and comprehensive loss.

Exploration and evaluation expenditures

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.

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 net income (loss).

The Company assesses exploration and evaluation assets for indicators of impairment at each reporting date.

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 costs.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments

The Company has a stock option plan that is described in note 10(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. If options and warrants expire unexercised, the applicable amounts of fair value are transferred from share-based payments reserve to deficit.

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 value of the common shares at the time the units are priced, and any excess is allocated to warrants.

Adoption of new accounting standard

The following accounting standard has been adopted as at January 1, 2019 in accordance with the transitional provisions outlined in the standard.

IFRS 16 *Leases*

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

The Company has adopted IFRS 16 on January 1, 2019. There was no impact on the consolidated financial statements due to the short-term nature of the office lease. The term of the lease ends on June 30, 2020.

New accounting standards issued but not yet effective

The Company has not yet adopted certain standards, interpretations to existing standards and amendments that have been issued but have an effective date of later than January 1, 2020. All of these updates are not relevant to the Company and are therefore not discussed herein.

(Expressed in Canadian Dollars)

4. FINANCIAL INSTRUMENTS

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

Fair value

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

Credit risk

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

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

	December 31, 2019	December 31, 2018
Cash and cash equivalents held at major Canadian financial institutions	$ 194,602	$ 474,671
Cash held at major Mexican financial institutions	880,050	257,965
Total cash and cash equivalents	$ 1,074,652	$ 732,636

As at December 31, 2019, the Company held a cashable guaranteed investment certificate of $25,526 (2018 - $25,414) earning interest at 0.5% (2018 - 0.05%), maturing May 12, 2020.

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 deficiency at December 31, 2019 in the amount of $577,432 (working capital on December 31, 2018 – $13,361) and will require additional sources of capital in order to extinguish liabilities as they become due.

4. FINANCIAL INSTRUMENTS (Continued)

Market risk

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

(a) Interest rate risk

The Company's cash and cash equivalents consist of cash held in bank accounts. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of December 31, 2019 and 2018.

(b) Foreign currency risk

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

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

As at December 31, 2019 and 2018, the Company's significant exposure to foreign currency risk, based on the consolidated statement of financial position carrying values, were to the Mexican peso and the US dollar, as follows:

	December 31, 2019	
	MXN	USD
Cash	$ 153,297	$ 770,012
Accounts receivable	3,340,603	-
Prepaid expenses	17,660	-
Accounts payable and accrued liabilities	(14,343,056)	(15,945)
Total	(10,831,496)	754,067
Canadian dollar equivalent	$ (746,531)	$ 979,383

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

The sensitivity analysis of the Company's exposure to foreign currency risk suggests that a 10% change in foreign exchange rates between the Mexican peso, US dollar and Canadian dollar would impact net income (loss) for the year ended December 31, 2019 by about $145,000 (2018 - $12,000).

4. FINANCIAL INSTRUMENTS (Continued)

Market risk (Continued)

(c) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to significant other price risk.

5. CAPITAL MANAGEMENT

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

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

There have been no changes to the Company's approach to capital management during the year ended December 31, 2019.

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS

	Cerro Caliche	San Marcial	Calera	Hilltop	Total
December 31, 2017	$ -	$ 353,649	$ 51,739	$ 625,920	$ 1,031,308
Acquisition costs	518,373	-	-	17,000	535,373
Impairment of mineral properties	-	-	(51,739)	(642,920)	(694,659)
Monday, December 31, 2018	518,373	353,649	-	-	872,022
Acquisition costs	560,073	-	-	-	560,073
December 31, 2019	$ 1,078,446	$ 353,649	$ -	$ -	$ 1,432,095

During the year ended December 31, 2019, the Company incurred the following exploration Expenditures:

	Cerro Caliche	San Marcial	Total
Geological fees	$ 832,658	$ -	$ 832,658
Drilling	356,368	-	356,368
Assays	211,907	-	211,907
Field expenses	434,791	-	434,791
Travel and administration	18,256	-	18,256
Concession taxes	27,452	8,669	36,121
	$ 1,881,432	$ 8,669	$ 1,890,101

During the year ended December 31, 2018, the Company incurred the following exploration expenditures:

	Cerro Caliche	San Marcial	Total
Geological fees	$ 300,994	$ -	$ 300,994
Drilling	242,678	-	242,678
Assays	127,358	-	127,358
Field expenses	153,800	-	153,800
Travel expenses	26,279	-	26,279
Concession taxes	62,838	1,291	64,129
Monday, December 31, 2018	$ 913,947	$ 1,291	$ 915,238

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (Continued)

(a) Cerro Caliche Property

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

To exercise the Company must make payments of US$2,982,000 payable in instalments as follows:

December 19, 2017 deposit	US$10,000 (paid)
On signing	US$117,000* (paid)
January 23, 2019	US$200,000 (paid)
December 13, 2019	US$30,000 (paid) (amended as per discussion below)
January 13, 2020	US$135,000 (amended as per discussion below)
April 3, 2020	US$20,000(amended as per discussion below)
April 30, 2020	US$120,000 (amended as per discussion below)
July 23, 2020	US$200,000
January 23, 2021	US$200,000
July 23, 2021	US$250,000
January 23, 2022	US$250,000
July 23, 2022	US$300,000
January 23, 2023	US$300,000
July 23, 2023	US$400,000
January 23, 2024	US$450,000

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

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

On December 10, 2019, MMP entered into an amendment agreement with the Cerro Caliche Vendor to pay the US$300,000 amount due on January 23, 2020 to be split such that MMP will pay US$30,000 by December 13, 2019 (paid) and US$270,000 by January 23, 2020.

On January 13, 2020, MMP entered into a second amendment agreement to split the balance of the January 23, 2020 payment such that MMP would pay US$135,000 by January 13, 2020 (paid) and an additional US$140,000 by March 31, 2020, of which US$20,000 was paid and the balance of US$120,000 deferred to April 30, 2020.

On April 3, 2020, MMP entered into a third amendment agreement with Cerro Caliche vendor to split the March 31, 2020 payment such that MMP would pay US$20,000 by April 3, 2020 and US$120,000 by April 30, 2020.

On February 14, 2018, the Company through its wholly owned Mexican subsidiary, MMP, entered into a purchase agreement with a resident of Sonora, Mexico to acquire a 100% interest in the Abel concession adjacent to the eastern portion of Cerro Caliche in northern Sonora state, Mexico for a onetime payment of 300,000 pesos (paid - $21,215).

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (Continued)

(a) Cerro Caliche Property (continued)

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

To exercise the option the Company must make payments totaling US$1,600,000 payable in instalments as follows:

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

Following exercise of the option, the Rosario Vendor will be entitled to a 2% NSR ("Rosario NSR") from the proceeds of the sale of minerals from the Rosario project. The Company may purchase the Rosario NSR at any time for US$1,000,000 for each one percent.

On May 29, 2018, the Company entered into an option agreement to acquire a 100% interest in the Tres Amigos concession in Sonoro, Mexico. The Tres Amigos concessions are contiguous to the Company's Cerro Caliche concessions. To exercise the option the Company must make payments totallingUS$130,000, which is payable in nine equal instalments over 48 months from the date of signing, as follows:

On signing	US$14,444 (paid)
November 2, 2018	US$14,444 (paid)
May 2, 2019	US$14,444 (paid)
November 2, 2019	US$14,444 (paid)
May 2, 2020	US$14,444
November 2, 2020	US$14,444
May 2, 2021	US$14,444
November 2, 2021	US$14,444
May 2, 2022	US$14,444

On August 10, 2018, the Company entered into an option agreement to acquire a 100% interest in the El Colorado concessions, which are located within the perimeter of the Cerro Caliche concessions. To exercise the option the Company must make payments totaling US$100,000, of which US$50,000 ($63,810) has been paid and the balance was due six months from the signing of the agreement.

During the year ended December 31, 2019 the Company paid the remaining balance of US$50,000 ($66,094) and completed the acquisition of the El Colorado concessions.

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (Continued)

(a) Cerro Caliche Property (continued)

On October 5, 2018, the Company entered into an option agreement to acquire a 100% interest in the Cabeza Blanca concession, located within the perimeter of the Cerro Caliche concessions. To exercise the option the Company must make payments totaling US$175,000 in staged payments over five years from the date of signing and by issuing 250,000 common shares (issued - $45,000). The staged payments are due as follows:

On signing	US$5,000 (paid)
November 5, 2018	US$20,000 (paid)
January 5, 2019	US$10,000 (paid)
October 5, 2019	US$70,000 (paid)
October 5, 2020	US$70,000

(b) San Marcial Property

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

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

	Cash	Shares
First anniversary date	$30,000	50,000
Second anniversary date	$30,000	50,000
Third anniversary date	nil	50,000
	$60,000	150,000

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (Continued)

(b) San Marcial (continued)

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

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

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

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

The Company, as a result of the acquisition of Breco and through the subsequent payment of all periodic cash payments due to the Vendors, as noted above, the Company owns a 100% interest in the San Marcial project.

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (Continued)

(c) Calera Property

On November 1, 2017, the Company through its wholly owned Mexican subsidiary, MMP, entered into an option agreement with a resident of Magdalena de Kino, Sonora, Mexico (the "Calera Vendor"), to acquire a 100% interest in the Calera Group of Concessions ("Calera") located in the municipality of Cucurpe, in northern Sonora state, Mexico.

To exercise the option the Company must make payments totalling US$1,000,000 payable in instalments as follows:

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

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

Following exercise of the option, the Calera Vendor would have been entitled to a 2% NSR ("Calera NSR") from the proceeds of the sale of minerals from the Calera project. The Company could purchase the Calera NSR for US$650,000 at any time.

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

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (Continued)

(d) Hilltop Property

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

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

* On January 31, 2018, the Company issued an additional 100,000 common shares ($17,000) of the Company to extend the time to complete the exploration expenditures due on or before December 31, 2017 to December 31, 2018.

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

(e) 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.

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (Continued)

(f) 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.

(g) Environmental matters

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its exploration and evaluation assets. The Company conducts its exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current assets that may result in a material liability to the Company.

Environmental legislation is becoming increasingly stringent and the costs of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the exploration and evaluation assets, the potential for production on these assets may be diminished or negated.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	December 31, 2019	December 31, 2018
Trade payables	$ 1,197,917	$ 276,338
Accrued liabilities	171,747	32,000
Total	$ 1,369,664	$ 308,338

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

(Expressed in Canadian Dollars)

8. RELATED PARTY TRANSACTIONS

At December 31, 2019, $22,743 (2018 - $nil) is owing to related parties without interest and is payable on demand.

Compensation of key management

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

	For the year ended December 31, 2019	2018
Consulting fees	$ 446,210	$ 235,000
Share-based payments	70,700	88,742
	$ 516,910	$ 323,742

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

9. LOANS - RELATED PARTIES

During the year ended December 31, 2019, the Company issued promissory notes to related parties in the amount of $273,862 (2018 - $nil) with annual interest rates ranging from 8% to 10%. The promissory notes are due on demand and have no fixed terms.

10. SHARE CAPITAL AND RESERVES

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued

(i) On December 27, 2019, 100,000 options with an exercise price of $0.18 were exercised for gross proceeds of $18,000. Upon exercise, $11,700 was allocated to share capital from share-based payment reserve.

(ii) On December 27, 2019, 350,000 options with an exercise price of $0.17 were exercised for gross proceeds of $59,500. Upon exercise, $39,200 was allocated to share capital from share-based payment reserve.

(iii) On December 27, 2019, 150,000 options with an exercise price of $0.16 were exercised for gross proceeds of $24,000. Upon exercise, $11,790 was allocated to share capital from share-based payment reserve.

(iv) On December 6, 2019, 350,000 options with an exercise price of $0.16 were exercised for gross proceeds of $24,000. Upon exercise, $27,510 was allocated to share capital from share-based payment reserve.

10. SHARE CAPITAL AND RESERVES (Continued)

(b) Issued (continued)

(v) On December 6, 2019, 625,000 options with an exercise price of $0.12 were exercised for gross proceeds of $75,000. Upon exercise, $61,313 was allocated to share capital from share-based payment reserve.

(vi) On October 31, 2019, 600,000 warrants with an exercise price of $0.15 were exercised for gross proceeds of $90,000.

(vii) On October 23, 2019, 200,000 stock options with an exercise price of $0.10 were exercised for gross proceeds of $20,000. Upon exercise, $18,800 was allocated to share capital from share-based payment reserve

(viii) On October 10, 2019, 300,000 warrants with an exercise price of $0.15 were exercised for gross proceeds of $45,000.

(ix) On August 9, 2019, 600,000 warrants with an exercise price of $0.15 were exercised for gross proceeds of $90,000.

(x) On August 2, 2019, the Company completed a non-brokered private placement of 4,167,000 units (the "Units") at a price of $0.18 per Unit, for gross proceeds of up to $750,060. Each Unit consists of one common share and one-half of a common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder to purchase one additional common share of the Company at an exercise price of $0.27 for a period of one year. Finder's fee of 114,437 Units and 114,437 non-transferable finder's warrants ("Finder's Warrants") were issued to three arm's length finders equaling 7% of the total unit subscriptions introduced by each respective finder ("Finder's Warrants"). Each Finder's Warrant entitles the finder to purchase one common share of the Company at a price of $0.27 and expires in one year.

(xi) On July 31, 2019, 100,000 stock options with an exercise price of $0.12 per share were exercised for gross proceeds of $12,000. Upon exercise, $9,810 was allocated to share capital from share-based payment reserve.

(xii) On April 2, 2019, the Company completed a non-brokered private placement of 3,615,104 units (the "Units") at a price of $0.18 per Unit, for gross proceeds of $650,718. Each Unit consists of one share and one-half of a common share purchase warrant (each warrant, a "Warrant"). Each Warrant entitles the holder to purchase one additional common share of the Company at an exercise price of $0.27 for a period of one year. In connection with the private placement, the Company paid finder's fees by way of issuing 67,690 Units and 67,690 non-transferrable finder's warrants ("Finder's Warrants"). Each Finder's Warrant entitles the holder to purchase one common share of the Company at a price of $0.27 for a period of one year.

(xiii) On December 11, 2018, 100,000 stock options with an exercise price of $0.12 per share were exercised for gross proceeds of $12,000. Upon exercise, $9,810 was allocated to share capital from share-based payment reserve.

(xiv) On December 11, 2018, 562,500 stock options with an exercise price of $0.10 per share were exercised for gross proceeds of $56,250. Upon exercise, $52,828 was allocated to share capital from share-based payment reserve.

10. SHARE CAPITAL AND RESERVES (Continued)

(b) Issued (continued)

(xv) On November 13, 2018, 100,000 stock options with an exercise price of $0.13 per share were exercised for gross proceeds of $13,000. Upon exercise, $6,990 was allocated to share capital from share-based payment reserve. Proceeds were received subsequent to year end and have been recorded as "Subscriptions receivable" in equity.

(xvi) On November 9, 2018, 225,000 stock options with an exercise price of $0.13 per share were exercised for gross proceeds of $29,250. Upon exercise, $15,728 was allocated to share capital from share-based payment reserve.

(xvii) On October 30, 2018, 75,000 stock options with an exercise price of $0.12 per share were exercised for gross proceeds of $9,000. Upon exercise, $7,358 was allocated to share capital from share-based payment reserve.

(xviii) On October 30, 2018, 40,000 stock options with an exercise price of $0.10 per share were exercised for gross proceeds of $4,000. Upon exercise, $3,760 was allocated to share capital from share-based payment reserve.

(xix) On October 29, 2018, The Company completed a non-brokered private placement of 5,000,000 units (the "Units") at a price of $0.10 per Unit, for gross proceeds of $500,000. Each Unit consists of once share and one non-transferable share purchase warrants. Each warrant entitles the holder to purchase one additional common share of the Company at an exercise price of $0.15 per warrant for a period of two years, subject to the right of the Company to accelerate the expiry of the warrants, if at any time after April 30, 2019, its common shares close at a price at or above $0.30 per share for more than 20 consecutive trading days.

(xx) On October 22, 2018, the Company issued 250,000 common shares of the Company with a fair value of $45,000 relating to the acquisition of the Cabeza Blanca concession (note 6).

(xxi) On January 29, 2018, the Company issued 100,000 common shares of the Company with a fair value of $17,000 relating to an amendment to the Hilltop property option agreement (note 6).

(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)

10. SHARE CAPITAL AND RESERVES (Continued)

(c) Stock options (Continued)

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

	December 31, 2019		December 31, 2018	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of year	2,375,000	$ 0.12	2,267,500	$ 0.12
Granted	800,000	0.17	1,575,000	0.15
Expired	-	-	(140,000)	0.11
Exercised*	(1,875,000)	0.14	(1,102,500)	0.11
Cancelled	(115,000)	0.16	(225,000)	0.20
Balance, end of period	1,185,000	$ 0.15	2,375,000	$ 0.12

*The weighted average market price on the dates the shares were exercised was $0.18 per share.

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

	December 31, 2019		December 31, 2018	
	Options	Warrants	Options	Warrants
Risk-free interest rate	1.74%	n/a	2.28%	n/a
Expected dividend yield	0.00	n/a	0.00	n/a
Expected stock price volatility	129.83%	n/a	84.77%	n/a
Expected life in years	2.00	n/a	2.38	n/a
Weighted average fair value	$0.17	n/a	$0.08	n/a

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

Expiry Date	Exercise Price	December 31, 2019	December 31, 2018
December 17, 2019	$ 0.10	-	200,000
July 28, 2022	$ 0.12	200,000	925,000
May 31, 2023	$ 0.15	200,000	200,000
November 13, 2020	$ 0.16	435,000	1,050,000
February 11, 2021	$ 0.17	150,000	-
December 9, 2021	$ 0.16	200,000	-
		1,185,000	2,375,000

The weighted average remaining contractual life for the outstanding options at December 31, 2019 is 1.80 (2018 – 2.67) years.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES (Continued)

(d) Warrants

The Company's warrant activity for the year ended December 31, 2019 is as follows:

	Number of Financing Warrants	Number of Broker Warrants	Weighted Average Exercise Price $
December 31, 2017	1,450,000	-	0.14
Issued	5,000,000	-	0.15
Expired	(1,450,000)	-	0.14
December 31, 2018	5,000,000	-	0.15
Issued	3,891,054	273,191	0.27
Exercised	(1,500,000)	-	0.15
December 31, 2019	7,391,054	273,191	0.22

11. 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, 2019

	Exploration and Evaluation Assets
Mexico	$ 1,432,095
Total	$ 1,432,095

As at December 31, 2018

	Exploration and Evaluation Assets
Mexico	$ 872,022
Total	$ 872,022

(Expressed in Canadian Dollars)

12. INCOME TAXES

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

	2019	**2018**
Income (loss) before taxes	$ (2,481,680)	$ (2,479,504)
Canadian statutory tax rate	27%	27%
Income tax recovery computed at statutory rates	(670,054)	(669,466)
Non-deductible items	(410)	-
Temporary differences	43,474	210,397
Effect of change in tax rates	-	(31,939)
Foreign tax rates different from statutory	143,324	54,717
Effects of foreign exchange on tax assets	(34,915)	(11,680)
Unused tax losses and tax offsets not recognized	(219,135)	869,079
Under(over) provided in prior years	12,446	(314)
Income tax expense (recovery)	$(725,270)	$ -
Represented by:		
Current income tax	$ (725,270)	$ -
Future income tax	$ -	$ -

The Mexican income tax rate remained constant at 30%.

b. The Company recognizes tax benefits on losses or other deductible amounts generated in countries where it is probable deferred tax assets will be realized. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	2019	2018
Non-capital losses	$ 5,375,000	$ 3,130,500
Share issue costs	20,500	20,400
Tax value over book value of equipment	63,500	10,000
Unrecognized deferred tax	$ 5,459,000	$ 3,160,900

As at December 31, 2019, the Company has non-capital losses carried forward of approximately $5,459,000 (2018 - $2,457,734) and $nil (2018 - $672,766) that may be applied against future income for income tax purposes in Canada and Mexico, respectively. The operating losses expire between 2020 and 2039.

13. SALE OF ROYALTY

In December 2016, the Company sold the Chipriona property to Agnico Sonoro S.A. de C.V., a subsidiary of Agnico Eagle Mines Limited ("Agnico"). Concurrent with the sale, Agnico was granted an option to purchase 1% net smelter returns royalty (the "Royalty") on the Chipriona property located in the Mulatos Mining District in Sonora, Mexico, at any time for $1.5 million. In December 2019, the Company and Agnico renegotiated the option to purchase the Royalty for proceeds of $875,000.

14. EVENTS AFTER THE REPORTING PERIOD

a. On January 13, 2020, MMP entered into a second amendment agreement with the Cerro Caliche vendor to split the balance of the January 23, 2020 payment such that MMP would pay US$135,000 by January 13, 2020 (paid) and an additional US$140,000 by March 31, 2020. Additionally, on April 3, 2020, MMP entered into a third amendment agreement with Cerro Caliche vendor to split the March 31, 2020 payment such that MMP would pay US$20,000 by April 3, 2020 and US$120,000 by April 30, 2020.

b. In January 2020, the Company granted stock options to officers, directors and consultants to purchase up to 3,040,000 common shares at an exercise price of $0.15 until January 10, 2023. The options are fully vested as of the grant date.

c. Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.