SONORO METALS CORP.

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF SONORO METALS CORP.

We have audited the accompanying consolidated financial statements of Sonoro Metals Corp., which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sonoro Metals Corp. as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 29, 2016

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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, 2015		December 31, 2014
Assets					
Current Assets					
Cash and cash equivalents		$	27,547	$	1,266,413
Receivables			12,315		18,538
Prepaid expenses			16,960		106,632
			56,822		1,391,583
Non-Current Assets					
Exploration and evaluation assets	6		2,217,665		1,685,803
		$	2,274,487	$	3,077,386
Liabilities					
Current Liabilities					
Accounts payable and accrued liabilities	7	$	61,122	$	180,947
Due to related parties	8		11,550		3,570
			72,672		184,517
Shareholders' Equity					
Share capital	9		5,206,278		5,029,778
Share-based payment reserve	9		451,310		370,920
Deficit			(3,455,773)		(2,507,829)
			2,201,815		2,892,869
		$	2,274,487	$	3,077,386

Approved on behalf of the Board:

"Stephen Kenwood" (signed)

Stephen Kenwood, Director

"Gary Freeman" (signed)

Gary Freeman, Director

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

SONORO METALS CORP.
(An Exploration Stage Company)
Consolidated statements of comprehensive loss
For the years ended December 31
(Expressed in Canadian Dollars)

	Note		2015		2014
Expenses					
Consulting fees	8	$	319,101	$	184,379
Exploration expenditures	6		347,937		210,461
Legal and audit			41,143		71,337
Office and administration	8		45,863		32,385
Share-based compensation	8		80,390		64,920
Transfer agent fees			16,958		27,762
Travel and promotion			54,752		8,252
			906,144		599,496
Interest income			(3,420)		(4,323)
Foreign exchange (gain) loss			(7,609)		559
Write-down of receivables			-		24,319
Write-down of mineral properties	6		52,829		-
Loss and Comprehensive Loss for the Period		$	947,944	$	620,051
Basic and diluted loss per share		$	(0.04)	$	(0.05)
Weighted average number of shares outstanding			23,099,572		11,704,709

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

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

	Note	Share Capital		Share-Based Payment Reserve	Deficit	Shareholders' Equity
		Shares	Amount			
Balance, December 31, 2013		10,620,919	$3,836,530	$ 360,000	$(1,941,778)	$ 2,254,752
Private placement – flow-through	9(b)(vi)	1,666,667	200,000	-	-	200,000
Private placement, net of issuance costs	9(b)(v)	7,000,000	685,423	-	-	685,423
Private placement, net of issuance costs	9(b)(iv)	2,865,000	291,825	-	-	291,825
Acquisition of mineral properties	9(b)(viii)	50,000	16,000	-	-	16,000
Expired options	9(c)	-	-	(54,000)	54,000	-
Share-based payment	9(c)	-	-	64,920	-	64,920
Net loss for the period		-	-	-	(620,051)	(620,051)
Balance, December 31, 2014		22,202,586	$5,029,778	$ 370,920	$(2,507,829)	$ 2,892,869
Private placement, net of issuance costs	9(b)(i)	1,450,000	145,000	-	-	145,000
Acquisition of mineral properties	9(b)(ii & iii)	300,000	31,500	-	-	31,500
Share-based payment	9(c)	-	-	80,390	-	80,390
Net loss for the period		-	-	-	(947,944)	(947,944)
Balance, December 31, 2015		23,952,586	$5,206,278	$ 451,310	$(3,455,773)	$ 2,201,815

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

SONORO METALS CORP.
(An Exploration Stage Company)
Consolidated statements of cash flows
For the years ended December 31
(Expressed in Canadian Dollars)

	2015	2014
Operating Activities		
Net loss	$ (947,944)	$ (620,051)
Item not involving cash		
Share-based payment	80,390	64,920
Write-down of mineral properties	52,829	-
Write down of receivables	-	24,319
Changes in non-cash working capital		
Receivables	6,223	7,320
Prepaid expenses	89,672	(96,393)
Accounts payable and accrued liabilities	(119,825)	84,388
Due to related parties	7,980	(52,605)
Cash Used in Operating Activities	(830,675)	(588,102)
Investing Activities		
Expenditures on exploration and evaluation assets	(553,191)	(102,965)
Financing Activities		
Common shares issued for cash, net of share issuance costs	145,000	1,177,248
Outflow of Cash and Cash Equivalents	(1,238,866)	486,181
Cash and Cash Equivalents, Beginning of Period	1,266,413	780,232
Cash and Cash Equivalents, End of Period	$ 27,547	$ 1,266,413
Cash and Cash Equivalents Consists of		
Cash	$ 2,547	$ 986,413
Term deposit	25,000	280,000
	$ 27,547	$ 1,266,413
Supplemental Disclosure with Respect to Cash Flows		
Interest received	$ 3,284	$ 2,068
Common shares issued for exploration and evaluation assets	$ 31,500	$ 16,000

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 800 – 789 West Pender Street, Vancouver, British Columbia, Canada, V6C 1H2.

These consolidated financial statements have been prepared on a going concern basis, which assumes the Company will realize its assets and discharge its liabilities in the normal course of business.

The Company reported a net loss of $947,944 (2014 - $620,051) for the year ended December 31, 2015 and has an accumulated deficit of $3,455,773 (2014 - $2,507,829) as at December 31, 2015. As at December 31, 2015, the Company had a working capital deficit of $15,850 (2014 – working capital of $1,207,066) available to meet its liabilities as they become due and to continue its exploration of current properties and the evaluation of potential resource property acquisitions in the next year.

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

These consolidated financial statements do not include any adjustments related to the recoverability of assets and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

The Board of Directors approved these consolidated financial statements for issue on April 29, 2016.

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 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"), effective July 8, 2014. 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.

Critical accounting estimates and judgments

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

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

Critical accounting estimates

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

<u>Share-based payments</u>

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

<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.

2. BASIS OF PREPARATION (Continued)

Critical accounting judgments

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

Exploration and evaluation assets

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

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.

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).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash equivalents

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

Income taxes

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

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at 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.

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

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

Loss per common share

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

Financial instruments

<u>Financial assets</u>

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)
Financial assets (Continued)

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Fair value hierarchy

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

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 - Inputs for assets or liabilities that are not based on observable market data.

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 impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

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

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized 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 9(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.

Flow-through shares

The Company has financed a portion of its exploration expenditures through the issuance of flow-through shares. Canadian income tax law permits the Company to transfer the tax deductibility of qualifying resource expenditures financed by such shares to the flow-through shareholders.

On issuance, the Company allocates flow-through units proceeds into i) share capital, ii) warrants, and iii) a flow-through share premium, if any, using the residual value method. If investors pay a premium for the flow-through feature, it is recognized as a liability. Upon incurring qualifying expenditures, the Company reduces the liability and recognizes a deferred income tax recovery in income for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision. At the end of a period, the flow-through share premium liability consists of the portion of the premium on flow-through shares that corresponds to the portion of qualifying exploration expenditures that have not yet been incurred.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a prescribed period. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Lookback Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

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.

Changes in accounting standards not yet adopted

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in accounting standards not yet adopted (Continued)

IFRS 9 *Financial Instruments* (2014)

This is a finalized version of IFRS 9, which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement**. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a “fair value through other comprehensive income” category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39; however, there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment**. The 2014 version of IFRS 9 introduces an “expected credit loss” model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- **Hedge accounting**. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **De--recognition**. The requirements for the de-recognition of financial assets and liabilities are carried forward from IAS 39.

This is applicable to the Company’s annual periods beginning January 1, 2018.

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)

Amends IFRS 11 *Joint Arrangements* to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 *Business Combinations*) to:

- apply all of the business combinations accounting principles in IFRS 3 and other IFRS, except for those principles that conflict with the guidance in IFRS 11
- disclose the information required by IFRS 3 and other IFRS for business combinations.

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not re-measured).

Note: The amendments apply prospectively to acquisitions of interests in joint operations in which the activities of the joint operations constitute businesses, as defined in IFRS 3, for those acquisitions occurring from the beginning of the first period in which the amendments apply. Amounts recognized for acquisitions of interests in joint operations occurring in prior periods are not adjusted.

This is applicable to the Company’s annual periods beginning January 1, 2016.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in accounting standards not yet adopted (Continued)

Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)

Amends IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* to:

- clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment.
- introduce a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.
- add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

These amendments are effective for annual periods beginning on January 1, 2016, and are to be applied prospectively.

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*. IFRS 16 is effective for annual periods beginning on January 1, 2019.

4. FINANCIAL INSTRUMENTS

The Company has classified its cash and cash equivalents as fair value through profit and loss; and accounts payable and accrued liabilities and due to related parties, as other financial liabilities.

Fair value

The carrying values of accounts payable and accrued liabilities and due to related parties approximate their fair values due to the short-term nature of these financial instruments. 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. The risk arises from the non-performance of counterparties of contracted financial obligations. Credit risk is mitigated as cash has been placed on deposit with major Canadian and Mexican financial institutions.

4. FINANCIAL INSTRUMENTS (Continued)

Credit risk (Continued)

Concentration of credit risk exists with respect to the Company's cash and cash equivalents as the majority 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:

	2015	2014
Cash and cash equivalents held at major Canadian financial institutions	$ 25,317	$ 1,258,360
Cash held at major Mexican financial institutions	2,230	8,053
Total cash and cash equivalents	$ 27,547	$ 1,266,413

As at December 31, 2015, the Company held one cashable guaranteed investment certificates of $25,000 (2014 - $280,000) earning interest at prime less 1.95% (2014 - prime less 1.95%), maturing May 1, 2016.

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 a working capital deficit at December 31, 2015 in the amount of $15,850 (2014 – working capital - $1,207,066).

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, 2015 and 2014. Foreign currency risk

(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.

(Expressed in Canadian Dollars)

4. FINANCIAL INSTRUMENTS (Continued)

Market risk (Continued)

(b) Foreign currency risk (Continued)

As at December 31, 2015 and 2014, the Company's significant exposure to foreign currency risk, based on consolidated statement of financial position carrying values, were to the Mexican peso and the US dollar, as follows:

	December 31, 2015	
	MXN	USD
Cash	-	-
Accounts payable and accrued liabilities	(94,904)	-
	(94,904)	-
Canadian dollar equivalent	$ (7,132)	$ -

	December 31, 2014	
	MXN	USD
Cash	87,023	3,824
Accounts payable and accrued liabilities	(108,650)	-
	(21,627)	3,824
Canadian dollar equivalent	$ (1,701)	$ 4,436

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 not have a material impact on loss and comprehensive loss for years ended December 31, 2015 and 2014.

(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.

(Expressed in Canadian Dollars)

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, 2015.

6. EXPLORATION AND EVALUATION ASSETS

	Chipriona	Santa Clara	Los Pinos	San Marcial	Hilltop	Monroe	Total
Balance, December 31, 2013	$ 927,147	$ 320,131	$ 319,560	$ -	$ -	$ -	$1,566,838
Acquisition costs	-	-	-	68,965	-	50,000	118,965
Balance, December 31, 2014	927,147	320,131	319,560	68,965	-	50,000	1,685,803
Acquisition costs	-	-	-	86,240	495,622	2,829	584,691
Write-down of mineral properites	-	-	-	-	-	(52,829)	(52,829)
Balance, December 31, 2015	$ 927,147	$ 320,131	$ 319,560	$ 155,205	$ 495,622	$ -	$2,217,665

During the year ended December 31, 2015, the Company incurred the following exploration expenditures:

	Chipriona	Santa Clara	Los Pinos	San Marcial	Monroe	Total
Geological fees	$ -	$ -	$ -	$158,451	$ 12,550	$171,001
Drilling	-	-	-	-	102,614	102,614
Assays	-	-	-	18,187	-	18,187
Concession taxes	20,836	-	-	13,614	-	34,450
Supplies	-	-	-	17,313	-	17,313
Travel	-	-	-	4,372	-	4,372
Balance, December 31, 2015	$ 20,836	$ -	$ -	$211,937	$115,164	$347,937

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (Continued)

During the year ended December 31, 2014, the Company incurred the following exploration expenditures:

	Chipriona	Santa Clara	Los Pinos	San Marcial	Monroe	Total
Drilling	$ -	$ -	$ -	$ -	$ 171,772	$ 171,772
Geological fees	8,872	-	-	29,817	-	38,689
Balance, end of year	$ 8,872	$ -	$ -	$ 29,817	$ 171,772	$ 210,461

(a) Chipriona

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

(b) Santa Clara

The Company owns a 100% interest in the Santa Clara property. The Santa Clara property is subject to a 2.5% royalty on net operating profits.

(c) Los Pinos

The Company owns a 100% interest in the Los Pinos property. The Los Pinos property is subject to a 1.5% net smelter royalty.

(d) San Marcial

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

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

	Cash	Shares
first anniversary date	$30,000	50,000
second anniversary date	30,000	50,000
third anniversary date	nil	50,000
	$60,000	150,000

During the year ended December 31, 2015, the Company made the first anniversary payment of $30,000 and issued 50,000 shares with a fair value of $5,250.

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (Continued)

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	
Payable 24 months following Final Agreement	30,000	
Payable 30 months following Final Agreement	30,000	
Payable 36 months following Final Agreement	30,000	
Total	US $180,000	

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

During the year ended December 31, 2014, as a result of the acquisition of Breco described above, the Company assumed the option to acquire a 100% interest in the San Marcial concession per the consideration noted above.

(e) Monroe Property

On November 6, 2014, the Company entered into an option agreement whereby the Company can earn a 50% interest in the Monroe Property located in the Fort Steele Mining Division in southeastern British Columbia (the "Option"). To exercise the Option, Sonoro must expend $2,500,000 on exploration and development of the property and make certain staged option payments of $400,000 over four years as follows:

Cash payments:		
Payable upon signing	$ 50,000	(paid in 2014)
On or before the first anniversary	50,000	
On or before the second anniversary	100,000	
On or before the third anniversary	200,000	
Total	$ 400,000	

Exploration and development expenditures:
A cumulative total of not less than $250,000 by November 6, 2015 (incurred)
A cumulative total of not less than $750,000 by November 6, 2016
A cumulative total of not less than $1,250,000 by November 6, 2017
A cumulative total of not less than $2,500,000 by November 6, 2018

During the year ended December 31, 2015, the Company terminated the Option and wrote down the value of the Monroe property to $nil. As a result, $52,829 is included in operations as a write-down of mineral properties. The Company has no further continuing obligations.

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (Continued)

(f) 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	
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	

(g) 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.

(h) 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.

(i) 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.

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (Continued)

(i) Environmental matters (Continued)

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:

		2015		2014
Trade payables	$	40,622	$	152,640
Accrued liabilities		20,500		28,307
Total	$	61,122	$	180,947

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

8. RELATED PARTY TRANSACTIONS

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

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

- Rent of $1,900 (2014 - $21,000) was paid to a company with directors in common and is included in office and administration.
- Accounts payable of $15,750 (2014 - $nil) was owned to a company controlled by a director.

At December 31, 2015, $11,550 (2014 - $3,570) is owing to related parties without interest and is payable on demand.

(Expressed in Canadian Dollars)

8. RELATED PARTY TRANSACTIONS (Continued)

Compensation of key management

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

	2015	2014
Short-term employee benefits	$ 213,500	$ 151,000
Share-based payments	80,390	64,920
	$ 293,890	$ 215,920

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

9. SHARE CAPITAL AND RESERVES

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued

(i) On June 29, 2015, the Company completed a private placement of 1,450,000 units at a price of $0.10 per unit for gross proceeds of $145,000. Each unit consisted of one share and one share purchase warrant exercisable for a term of three years. Each warrant entitles the holder thereof to purchase one additional common share of the Company at an exercise price of $0.12 during the first year, escalating to $0.15 in the second year and third years, subject to the right of the Company to accelerate the expiry of the warrants, if at any time after four months and one day from the issue date of the warrants, the common shares of the Company close at a price at or above $0.25 per share for more than 20 consecutive trading days.

(ii) On June 26, 2015, the Company issued 50,000 common shares of the Company with a fair value of $5,250 pursuant to the San Marcial property option agreement. These common shares were fair valued at $0.105 per common share based on the share price on the date of issue.

(iii) On June 15, 2015, the Company issued 250,000 common shares of the Company with a fair value of $26,250 pursuant to the Hilltop property option agreement. These common shares were fair valued at $0.105 per common share based on the share price on the date of issue.

9. SHARE CAPITAL AND RESERVES (Continued)

(b) Issued (Continued)

(iv) On December 3, 2014, the Company completed a private placement of 2,865,000 units at a price of $0.105 per unit for gross proceeds of $300,825. Each unit consisted of one share and one share purchase warrant exercisable for a term of three years. Each warrant entitles the holder thereof to purchase one additional common share of the Company at an exercise price of $0.15 during the first year, escalating to $0.20 in the second year and $0.25 in the third year, subject to the right of the Company to accelerate the expiry of the warrants, if at any time after four months and one day from the issue date of the warrants, the common shares of the Company close at a price at or above $0.40 per share for more than 20 consecutive trading days. The Company incurred share issuance costs of $9,000 relating to the completion of the private placement.

(v) On November 27, 2014, the Company completed a private placement of 7,000,000 units at a price of $0.10 per unit for gross proceeds of $700,000. Each unit is comprised of one common share and one share purchase warrant exercisable for a term of three years. Each warrant entitles the holder thereof to purchase one additional common share of the Company at an exercise price of $0.15 during the first year, escalating to $0.20 in the second year and $0.25 in the third year, subject to the right of the Company to accelerate the expiry of the warrants, if at any time after four months and one day from the issue date of the warrants, the common shares of the Company close at a price at or above $0.40 per share for more than 20 consecutive trading days. The Company incurred share issuance costs of $14,577 relating to the completion of the private placement.

(vi) On November 20, 2014, the Company completed a private placement of 1,666,667 flow-through units (the “Flow-Through Units”) at a price of $0.12 per Flow-Through Unit for gross proceeds of $200,000. Each Flow-through Unit is comprised of one flow-through share and one common share purchase warrant exercisable for a term of three years. Each warrant entitles the holder to purchase one additional common share of the Company at a price of $0.15 during the first year, escalating to $0.20 per share in the second year and $0.25 in the third year, subject to the right of the Company to accelerate the expiry of the Flow-Through Unit, if at any time after four months and one day from the closing, during the term of the Flow-Through Unit, the common shares of the Company close at a price at or above $0.40 per share for more than 20 consecutive trading days. The flow-through premium received on the shares issued was determined to be $Nil.

(vii) On July 14, 2014, the Company completed the consolidation of all of its issued and outstanding common shares on the basis of one new common share for two previously issued and outstanding common shares.

(viii) On July 8, 2014, the Company issued 50,000 common shares of the Company with a fair value of $16,000 pursuant to the San Marcial property option agreement. These common shares were fair valued at $0.32 per common share based on the share price on the date of issue.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES (Continued)

(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.

A summary of the Company's outstanding and exercisable stock options and changes during the years ended December 31, 2015 and 2014 is as follows:

	Outstanding	Exercisable	Weighted Average Exercise Price
Balance, December 31, 2013	900,000	900,000	$ 0.57
Granted	1,442,500	515,000	$ 0.12
Expired	(125,000)	(125,000)	$ 0.40
Cancelled	(137,500)	(137,500)	$ 0.56
Balance, December 31, 2014	2,080,000	1,152,500	$ 0.27
Granted	-	-	$ -
Expired	-	-	$ -
Balance, December 31, 2015	2,080,000	1,152,500	$ 0.27

On April 7, 2014, the Company granted 225,000 stock options entitling the holder to acquire 225,000 common shares of the Company for $0.20 per share until April 7, 2019. These options vest 25% at the date of grant and 25% every six months thereafter. The options were fair valued at $0.17 per option using the Black-Scholes option pricing model. Share-based compensation of $6,243 (2014 - $32,024) relating to the issuance of these options has been included in the statement of loss for the year ended December 31, 2015.

On December 17, 2014, the Company granted 1,217,500 stock options entitling the holder to acquire 1,217,500 common shares of the Company for $0.10 per share until December 31, 2019. These options vest 25% at the date of grant and 25% every six months thereafter. The options were fair valued at $0.09 per option using the Black-Scholes option pricing model. Share-based compensation of $59,790 (2014 - $32,896) relating to the issuance of these options has been included in the statement of loss for the year ended December 31, 2015.

No options were granted during the year ended December 31, 2015.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES (Continued)

(c) Stock options (Continued)

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

Expiry Date	Exercise Price	**December 31, 2015**	**December 31, 2014**
December 23, 2016	$ 0.60	637,500	637,500
April 7, 2019	$ 0.20	225,000	225,000
December 17, 2019	$ 0.10	1,217,500	1,217,500
		2,080,000	2,080,000

The weighted average remaining contractual life for the outstanding options at December 31, 2015 is 2.97 (2014 – 3.96) years.

(d) Warrants

As at December 31, 2015, the Company had share purchase warrants outstanding entitling the holders to acquire common shares as follows:

Exercise Price	Expiry Date	Outstanding, December 31, 2014	Issued	Expired	Outstanding, December 31, 2015
$0.15/$0.20/$0.25	November 20, 2017	1,666,667	-	-	1,666,667
$0.15/$0.20/$0.25	November 27, 2017	7,000,000	-	-	7,000,000
$0.15/$0.20/$0.25	December 3, 2017	2,865,000	-	-	2,865,000
$0.12/$0.15/$0.15	June 29, 2018	-	1,450,000	-	1,450,000
		11,531,667	1,450,000	-	12,981,667

As at December 31, 2014, the Company had share purchase warrants outstanding entitling the holders to acquire common shares as follows:

Exercise Price	Expiry Date	Outstanding, December 31, 2013	Issued	Expired	Outstanding, December 31, 2014
$ 0.40	December 20, 2014	2,137,500	-	(2,137,500)	-
$ 0.60	December 20, 2014	112,500	-	(112,500)	-
$0.15/$0.20/$0.25	November 20, 2017	-	1,666,667	-	1,666,667
$0.15/$0.20/$0.25	November 27, 2017	-	7,000,000	-	7,000,000
$0.15/$0.20/$0.25	December 3, 2017	-	2,865,000	-	2,865,000
		2,250,000	11,531,667	(2,250,000)	11,531,667

(Expressed in Canadian Dollars)

10. 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, 2015

	Exploration and Evaluation Assets
United States	$ 495,622
Mexico	$ 1,722,043

As at December 31, 2014

	Exploration and Evaluation Assets
Canada	$ 50,000
Mexico	$ 1,635,803

11. INCOME TAXES

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

	2015	**2014**
Loss before taxes	$ (947,944)	$ (620,051)
Canadian statutory tax rate	26%	26%
Income tax recovery computed at statutory rates	(246,465)	(161,213)
Non-deductible items	20,901	22,315
Temporary differences	8,086	(50,247)
Foreign tax rates different from statutory	(8,574)	14,056
Effects of foreign exchange on tax assets	(29,815)	(788)
Unused tax losses and tax offsets not recognized	255,867	175,877
Income tax recovery	$ -	$ -

The Mexican income tax rate remained constant at 30%.

(Expressed in Canadian Dollars)

11. INCOME TAXES (Continued)

(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:

	2015	2014
Non-capital losses	$ 3,563,000	$ 2,775,000
Share issue costs	35,000	35,000
Tax value over book value of exploration and evaluation assets	158,000	305,000
Tax value over book value of equipment	10,000	10,000
Unrecognized deferred tax	$ 3,766,000	$ 3,125,000

As at December 31, 2015, the Company has non-capital losses carried forward of approximately $3,175,000 and $388,000 that may be applied against future income for income tax purposes in Canada and Mexico, respectively. The operating losses expire between 2016 and 2035.