

SONORO METALS CORP.

(An Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2019 and 2018

(Expressed in Canadian Dollars)

(Unaudited)

Notice to Reader

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

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

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

SONORO METALS CORP.

(An Exploration Stage Company)

Condensed interim consolidated statements of financial position

(Expressed in Canadian Dollars)

(Unaudited)

As at	Note	June 30, 2019	December 31, 2018
Assets			
Current Assets			
Cash and cash equivalents		\$ 86,319	\$ 732,636
Receivables		350,541	228,236
Prepaid expenses		56,901	86,097
		493,761	1,046,969
Non-Current Assets			
Exploration and evaluation assets	4	1,288,394	872,022
		\$ 1,782,155	\$ 1,918,991
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	5	\$ 641,448	\$ 308,338
Due to related parties	6	184,615	-
Loans payable	6	58,000	-
Taxes payable		725,270	725,270
		1,609,333	1,033,608
Shareholders' Equity			
Share capital	7	6,761,186	6,112,299
Share-based payment reserve	7	263,143	214,112
Subscriptions received	11	138,420	-
Subscription receivable	7	-	(13,000)
Deficit		(6,989,927)	(5,428,028)
		172,822	885,383
		\$ 1,782,155	\$ 1,918,991

Approved on behalf of the Board:

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

Stephen Kenwood, Director

Ken MacLeod, Director

SONORO METALS CORP.

(An Exploration Stage Company)

Condensed interim consolidated statements of comprehensive loss

(Expressed in Canadian Dollars)

(Unaudited)

	Note	Three months ended June 30,		Six months ended June 30,	
		2019	2018	2019	2018
Expenses					
Consulting fees	6	\$ 157,506	\$ 84,734	\$ 276,506	\$ 151,908
Exploration expenditures	4	570,602	83,362	859,495	163,157
Legal and audit		43,109	72,087	92,313	96,412
Office and administration		31,991	22,944	64,774	37,006
Share-based payments	6, 7	7,500	22,040	47,200	22,040
Transfer agent and filing fees		12,929	9,762	26,626	11,136
Travel and promotion		132,190	23,948	236,845	60,690
		(955,827)	(318,877)	(1,603,759)	(542,349)
Other (expenses) and income					
Interest income	3	4	19,781	797	38,210
Foreign exchange gain/(loss)		9,949	(111,953)	41,063	(67,609)
		9,953	(92,172)	41,860	(29,399)
(Loss) income and Comprehensive (loss) income for the year		\$ (945,874)	\$ (411,049)	\$ (1,561,899)	\$ (571,748)
Basic and diluted (loss) income per share		\$ (0.01)	\$ (0.02)	\$ (0.05)	(0.02)
Weighted average number of shares outstanding		34,812,880	24,777,586	32,920,242	24,760,459

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

SONORO METALS CORP.

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Condensed interim consolidated statements of changes in shareholders' equity

(Expressed in Canadian Dollars)

(Unaudited)

	Note	Share Capital		Share-Based Payment Reserve	Subscriptions Received	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
Acquisition of mineral properties	7	100,000	17,000	-	-	-	-	17,000
Share-based payments		-	-	22,040	-	-	-	22,040
Net loss for the period		-	-	-	-	-	(571,748)	(571,748)
Balance, June 30, 2018		24,777,586	5,347,278	258,342	-	-	(3,573,229)	2,032,391
Private placement	7	5,000,000	500,000	-	-	-	-	500,000
Acquisition of mineral properties	7	250,000	45,000	-	-	-	-	45,000
Exercised options	7	1,102,500	123,500	-	-	(13,000)	-	110,500
Reallocation of reserve on exercise of options	7	-	96,521	(96,521)	-	-	-	-
Reallocation of reserve on expiry of options	7	-	-	(52,957)	-	-	52,957	-
Share-based payments	7	-	-	105,248	-	-	-	105,248
Net loss for the period		-	-	-	-	-	(1,907,756)	(1,907,756)
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	11	3,682,794	648,887	1,831	138,420	-	-	789,138
Exercised options	7	-	-	-	-	13,000	-	13,000
Share-based payments	6, 7	-	-	47,200	-	-	-	47,200
Net loss for the period		-	-	-	-	-	(1,561,899)	(1,561,899)
Balance, June 30, 2019		34,812,880	\$ 6,761,186	\$ 263,143	\$ 138,420	\$ -	\$ (6,989,927)	\$ 172,822

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

SONORO METALS CORP.

(An Exploration Stage Company)

Condensed interim consolidated statements of cash flows

For the six months ended June 30

(Expressed in Canadian Dollars)

(Unaudited)

	2019	2018
Operating Activities		
Net (loss) income	\$ (1,561,899)	\$ (571,748)
Item not involving cash		
Share-based payments	47,200	22,040
Changes in non-cash working capital		
Receivables	(122,305)	(8,479)
Prepaid expenses	29,196	52
Accounts payable and accrued liabilities	333,110	(36,472)
Loan payable	-	71,016
Due to related parties	184,615	(2,915)
Cash Used in Operating Activities	(1,090,083)	(526,506)
Investing Activities		
Expenditures on exploration and evaluation assets	(416,372)	(265,198)
Cash (Used in)/Provided by Investing Activities	(416,372)	(265,198)
Financing Activities		
Proceeds from share issuance	650,718	-
Subscriptions received	138,420	-
Subscription receivable	13,000	-
Loan payable	58,000	-
Cash Provided by/(Used in) Financing Activities	860,138	-
(Outflow) Inflow of Cash and Cash Equivalents	(646,317)	(791,704)
Cash and Cash Equivalents, Beginning of Year	732,636	2,211,595
Cash and Cash Equivalents, End of Year	\$ 86,319	\$ 1,419,891
Cash and Cash Equivalents Consists of		
Cash	\$ 60,905	\$ 1,394,891
Term deposit	25,414	25,000
	\$ 86,319	\$ 1,419,891

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SONORO METALS CORP.

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Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2019 and 2018

(Expressed in Canadian Dollars)

(Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

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

The head office, registered address and records office of the Company are located at suite 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 \$945,874 and \$1,561,899 during the three and six months ended June 30, 2019 (2018 - \$411,049 and \$571,748), respectively and has an accumulated deficit of \$6,989,927 (December 31, 2018 - \$5,428,028) as at June 30, 2019. As at June 30, 2019, the Company had a working capital deficit of \$1,115,572 (December 31, 2018 - \$13,361 in working capital) available to meet its liabilities as they become due. Although these condensed interim 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 would have a material adverse effect on the Company’s business, results of operations and financial condition. These matters indicate the existence of material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern.

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

The Board of Directors approved these consolidated financial statements for issue on August 29, 2019.

2. BASIS OF PREPARATION AND CONSOLIDATION

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as applicable to interim financial reports including International Accounting Standard 34 - Interim Financial Reporting. Therefore, these condensed interim consolidated financial statements do not include all the information and note disclosures required by IFRS for annual financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2018 (“Annual Financial Statements”), which have been prepared in accordance with IFRS.

The accounting policies applied in preparation of these condensed interim consolidated financial statements are the same as those applied in the most recent annual consolidated financial statements and were consistently applied to all the periods presented with the exception of IFRS 16 discussed below.

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For the three and six months ended June 30, 2019 and 2018

(Expressed in Canadian Dollars)

(Unaudited)

2. BASIS OF PREPARATION AND CONSOLIDATION (Continued)

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

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

Adoption of new accounting policies

IFRS 16: *Leases* ("IFRS 16"): This standard replaces IAS 17 – *Leases* and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The Company adopted the standard on January 1, 2019 and determined there is no impact on the condensed interim consolidated financial statements.

Key sources of estimation uncertainty and critical accounting judgement

In preparing these condensed interim consolidated financial statements, management has made judgements and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expense. Actual amounts incurred by the Company may differ from these values. The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Annual Financial Statements.

2. 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 six months ended June 30, 2019.

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Notes to the condensed interim consolidated financial statements

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3. LOAN RECEIVABLE

On December 4, 2017, the Company entered into a promissory note with another company for the principle amount of \$70,495. The note bears interest of 10% per annum and is payable on demand. During the year ended December 31, 2018, the principle and all accrued interest was repaid to the Company.

For the three and six months ended June 30, 2019, interest income of \$nil (2018 - \$1,528) and \$nil (2018 - \$3,267) is included in the statement of operations relating to the loan receivable, respectively.

4. 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
Disposition of mineral properties	-	-	(51,739)	(642,920)	(694,659)
December 31, 2018	518,373	353,649	-	-	872,022
Acquisition costs	416,372	-	-	-	416,372
June 30, 2019	\$ 934,745	\$ 353,649	\$ -	\$ -	\$ 1,288,394

During the six months ended June 30, 2019, the Company incurred the following exploration expenditures:

	Cerro Caliche	San Marcial	Total
Geological fees	\$ 285,051	\$ -	\$ 285,051
Drilling	333,804	-	333,804
Assays	103,473	-	103,473
Field expenses	16,442	-	16,442
Travel expenses	14,356	-	14,356
Surface access	70,777	-	70,777
Concession taxes	26,923	8,669	35,592
June 30, 2019	\$ 850,826	\$ 8,669	\$ 859,495

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4. EXPLORATION AND EVALUATION ASSETS (Continued)

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

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

(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\$2,977,000 payable in instalments as follows:

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

** 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 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).

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Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2019 and 2018

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(Unaudited)

4. 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 totalling 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 totalling US\$130,000, which is payable in nine equal instalments over 48 months from the date of signing, as follows:

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

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 totalling US\$100,000, of which US\$50,000 (\$63,810) has been paid and the balance is due six months from the signing of the agreement.

During the six months ended June 30, 2019, the Company paid the remaining balance of US\$50,000 (\$66,094) and completed the acquisition of the El Colorado concessions.

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Notes to the condensed interim consolidated financial statements

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(Unaudited)

4. 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 two 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
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

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Notes to the condensed interim consolidated financial statements

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(Unaudited)

4. 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.

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4. 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 will be entitled to a 2% NSR ("Calera NSR") from the proceeds of the sale of minerals from the Calera project. The Company may 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.

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4. 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.

(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.

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4. EXPLORATION AND EVALUATION ASSETS (Continued)

(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.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	June 30, 2019	December 31, 2018
Trade payables	\$ 625,448	\$ 276,338
Accrued liabilities	16,000	32,000
Total	\$ 641,448	\$ 308,338

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

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6. RELATED PARTY TRANSACTIONS

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

- (a) The Company paid \$117,500 (2018 - \$52,500) and \$207,500(2018 - \$118,500) during the three and six months ended June 30, 2019, in consulting fees to private companies controlled by certain directors and officers of the Company, respectively.
- (b) As at June 30, 2019, \$184,615 (December 31, 2018 – \$nil) is payable to officers and directors for consulting fees and reimbursable expenditures.
- (c) As at June 30, 2019, \$58,000 is owing to two directors and are recorded as loans payable. The loans payable are non-interest bearing and are due on demand.

Compensation of key management

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

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Consulting fees	\$ 117,500	\$ 52,500	\$ 207,500	\$ 105,000
Share-based payments	7,500	-	35,290	-
	\$ 125,000	\$ 52,500	\$ 242,790	\$ 105,000

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

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7. SHARE CAPITAL AND RESERVES

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued

- (i) 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 33,845 non-transferrable finder's warrants ("Finder's Warrants") with a fair value of \$1,831. 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.
- (ii) 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.
- (iii) 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.
- (iv) 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 during the six months ended June 30, 2019.
- (v) 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.
- (vi) 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.
- (vii) 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.
- (viii) 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 one 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.
- (ix) 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 4).

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7. SHARE CAPITAL AND RESERVES (Continued)

- (x) 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 4).

(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 is as follows:

	June 30, 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	600,000	0.17	1,575,000	0.15
Expired	-	-	(140,000)	0.11
Exercised*	-	-	(1,102,500)	0.11
Cancelled	-	-	(225,000)	0.20
Balance, end of period	2,975,000	\$ 0.15	2,375,000	\$ 0.12

On April 17, 2019, the Company granted incentive stock options to a director of the Company entitling him to purchase 100,000 common shares at a price of \$0.18 per share for a period of two years vesting 100% on the date of grant and expiring April 17, 2021. The fair value of \$7,500 is included in net loss for the three and six months ended June 30, 2019.

On February 11, 2019, the Company granted incentive stock options to consultants of the Company entitling them to purchase 500,000 common shares at a price of \$0.17 per share for a period of two years vesting 100% on the date of grant and expiring February 11, 2021. The fair value of \$39,700 is included in net loss for the six months ended June 30, 2019.

On November 13, 2018, the Company granted incentive stock options to consultants of the Company entitling them to purchase 1,050,000 common shares at a price of \$0.16 per share for a period of two years vesting 100% on the date of grant and expiring November 13, 2020. The fair value of the options granted was \$82,530.

On October 16, 2018, the Company granted incentive stock options to a director of the Company entitling them to purchase 325,000 common shares at a price of \$0.13 per share for a period of two years vesting 100% on the date of grant and expiring October 15, 2020. The fair value of the options granted was \$22,718.

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7. SHARE CAPITAL AND RESERVES (Continued)

(c) Stock options (continued)

On May 31, 2018, the Company granted incentive stock options to consultants of the Company entitling them to purchase 200,000 common shares at a price of \$0.15 per share for a period of five years vesting 100% on the date of grant and expiring May 31, 2023. The fair value of the options granted was \$22,040.

During the year ended December 31, 2018, 100,000 stock options with an exercise price of \$0.12 per share expired unexercised with the relating fair value of \$9,810 being allocated from share-based payment reserve to deficit.

During the year ended December 31, 2018, 40,000 stock options with an exercise price of \$0.10 expired unexercised with the relating fair value of \$3,760 being allocated from share-based payment reserve to deficit.

During the year ended December 31, 2018, 225,000 stock options with an exercise price of \$0.20 were cancelled with the related fair value of \$39,387 being allocated from share-based payment reserve to deficit.

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

	June 30, 2019		December 31, 2018	
	Options	Warrants	Options	Warrants
Risk-free interest rate	1.77%	n/a	2.28%	n/a
Expected dividend yield	0.00	n/a	0.00	n/a
Expected stock price volatility	76.42%	n/a	84.77%	n/a
Expected life in years	2	n/a	2.38	n/a
Weighted average fair value	\$0.07	n/a	\$0.08	n/a

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

Expiry Date	Exercise Price	June 30, 2019	December 31, 2018
December 17, 2019	\$ 0.10	200,000	200,000
July 28, 2022	\$ 0.12	925,000	925,000
May 31, 2023	\$ 0.15	200,000	200,000
November 13, 2020	\$ 0.16	1,050,000	1,050,000
February 11, 2021	\$ 0.17	500,000	-
April 17, 2021	\$ 0.18	100,000	-
		2,975,000	2,375,000

The weighted average remaining contractual life for the outstanding options at June 30, 2019 is 2.07 (December 31, 2018 – 2.67) years.

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7. SHARE CAPITAL AND RESERVES (Continued)

(c) Warrants

As at June 30, 2019, the Company had share purchase warrants outstanding entitling the holders to acquire common shares as follows:

Exercise Price	Expiry Date	Outstanding, December 31, 2018	Issued	Expired	Outstanding, June 30, 2019
0.15	October 29, 2020	5,000,000	-	-	5,000,000
0.27	April 2, 2020	-	1,909,087	-	1,909,087
		5,000,000	1,909,087	-	6,909,087

As at December 31, 2018, the Company had share purchase warrants outstanding entitling the holders to acquire common shares as follows:

Exercise Price	Expiry Date	Outstanding, December 31, 2017	Issued	Expired	Outstanding, December 31, 2018
\$0.12/\$0.15/\$0.15	June 29, 2018	1,450,000	-	(1,450,000)	-
\$0.15	October 29, 2020	-	5,000,000	-	5,000,000
		1,450,000	5,000,000	(1,450,000)	5,000,000

8. SEGMENTED INFORMATION

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

As at June 30, 2019

	Exploration and Evaluation Assets
Mexico	\$ 1,288,394
Total	\$ 1,288,394

As at December 31, 2018

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

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9. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

During the six months ended June 30, 2019 there were no transfers between level 1, level 2 and level 3 classified assets and liabilities.

10. FINANCIAL INSTRUMENTS

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

Fair value

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

Credit risk

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

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10. FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

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

	June 30, 2019	December 31, 2018
Cash and cash equivalents held at major Canadian financial institutions	\$ 66,569	\$ 474,671
Cash held at major Mexican financial institutions	19,750	257,965
Total cash and cash equivalents	\$ 86,319	\$ 732,636

As at June 30, 2019, the Company held a cashable guaranteed investment certificate of \$25,414 (December 31, 2018 - \$25,414) earning interest at prime less 0.50% (December 31, 2018 - 0.50%), 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 has a working capital deficit at June 30, 2019 in the amount of \$1,115,572 (December 31, 2018 - \$13,361 in working capital) and will need to access additional sources of capital in order to meet liabilities as they become due.

Market risk

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

(a) Interest rate risk

The Company's cash and cash equivalents consist of cash held in bank accounts. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of June 30, 2019 and December 31, 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.

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10. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

(b) Foreign currency risk (continued)

As at June 30, 2019 and December 31, 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:

	June 30, 2019	
	MXN	USD
Cash	\$ 281,257	605
Accounts receivable	4,663,698	-
Accounts payable and accrued liabilities	(5,491,953)	-
Total	(114,340)	605
Canadian dollar equivalent	\$ (7,799)	\$ 792

	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 six months ended June 30, 2019 by \$800 (December 31, 2018 - \$104,000).

(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.

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11. EVENTS AFTER THE REPORTING PERIOD

- (a) 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. As at June 30, 2019, \$138,420 in subscriptions had been received.

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.

- (b) Subsequent to June 30, 2019, 600,000 warrants with an exercise price of \$0.15 were exercised for gross proceeds of \$90,000 to the Company.
- (c) Subsequent to June 30, 2019, 100,000 stock options with an exercise price of \$0.12 were exercised for gross proceeds of \$12,000 to the Company.