



(An Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2020 and 2019
(Expressed in Canadian Dollars)
(Unaudited)

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

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	March 31, 2020	December 31, 2019
Assets			
Current assets			
Cash and cash equivalents		\$ 36,442	\$ 1,074,652
Prepaid expenses		5,909	14,185
		42,351	1,088,837
Non-current assets			
VAT receivables		226,226	241,297
Exploration and evaluation assets	4	1,612,562	1,432,095
		\$ 1,881,139	\$ 2,762,229
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	5	\$ 806,561	\$ 1,369,664
Due to related parties	6	39,042	22,743
Loans payable to related parties	7	448,201	273,862
		1,293,804	1,666,269
Shareholders' equity			
Share capital	8	8,139,909	8,139,909
Share-based payment reserve	8	414,089	140,489
Subscription receivable	8	-	-
Deficit		(7,966,663)	(7,184,438)
		587,335	1,095,960
		\$ 1,881,139	\$ 2,762,229

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)

For the three months ended March 31	Note	2020	2019
Operating expenses			
Consulting fees	6	\$ 173,938	\$ 119,000
Exploration expenditures	4	67,245	288,893
Legal and audit		38,348	49,204
Office and administration		22,093	32,783
Share-based payments	6,8	273,600	39,700
Transfer agent and filing fees		7,060	13,697
Travel and promotion		93,407	104,655
		(675,691)	(647,932)
Other income (expenses)			
Interest income		127	793
Interest expense	7	(9,991)	-
Foreign exchange gain (loss)		(96,670)	31,114
		(106,534)	31,907
Loss and comprehensive loss for the year		\$ (782,225)	\$ (616,025)
Basic and diluted loss per share		\$ (0.02)	\$ (0.02)
Weighted average number of shares outstanding		41,747,869	31,130,086

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 changes in shareholders' equity

(Expressed in Canadian Dollars)

(Unaudited)

	Note	Share Capital		Share-Based Payment Reserve	Subscription Receivable	Deficit	Shareholders' Equity
		Shares	Amount				
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	8	7,964,231	1,376,987	-	-	-	1,376,987
Reallocation of fair value of finders warrants	8	-	(19,000)	19,000	-	-	-
Exercised options	8	1,875,000	264,500	-	13,000	-	277,500
Reallocation of reserve on exercise of options	8	-	180,123	(180,123)	-	-	-
Exercised warrants	8	1,500,000	225,000	-	-	-	225,000
Share-based payments	6, 8	-	-	87,500	-	-	87,500
Net loss for the period		-	-	-	-	(1,756,410)	(1,756,410)
Balance, December 31, 2019		42,469,317	8,139,909	140,489	-	(7,184,438)	1,095,960
Share-based payments	6, 8	-	-	273,600	-	-	273,600
Net loss for the period		-	-	-	-	(782,225)	(782,225)
Balance, March 31, 2020		42,469,317	\$ 8,139,909	\$ 414,089	\$ -	\$ (7,966,663)	\$ 587,335

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SONORO METALS CORP.

(An Exploration Stage Company)

Condensed interim consolidated statements of cash flows

(Expressed in Canadian Dollars)

(Unaudited)

For the three months ended March 31	2020	2019
Operating Activities		
Net loss	\$ (782,225)	(616,025)
Items not involving cash		
Share-based payments	273,600	39,700
Foreign exchange	13,789	-
Changes in non-cash working capital		
VAT receivables	15,071	(82,180)
Prepaid expenses	8,276	11,742
Accounts payable and accrued liabilities	(563,103)	90,933
Due to related parties	16,299	96,004
Cash Used in Operating Activities	(1,018,293)	(459,826)
Investing Activities		
Expenditures on exploration and evaluation assets	(180,467)	(297,454)
Cash Used in Investing Activities	(180,467)	(297,454)
Financing Activities		
Proceeds received from subscriptions received	-	260,816
Proceeds received from subscriptions receivable	-	13,000
Loans payable – related parties	160,550	42,000
Cash Provided by Financing Activities	160,550	315,816
Outflow of Cash and Cash Equivalents	(1,038,210)	(441,464)
Cash and Cash Equivalents, Beginning of Year	1,074,652	732,636
Cash and Cash Equivalents, End of Year	\$ 36,442	291,172
Cash and Cash Equivalents Consists of		
Cash	\$ 10,916	\$ 266,172
Term deposit	25,526	25,000
	\$ 36,442	\$ 291,172
Supplemental Disclosure with Respect to Cash Flows		
Interest received	\$ 847	\$ -
Interest paid	\$ 3,911	\$ -

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(An Exploration Stage Company)

Notes to the condensed interim consolidated financial statements

For the three months ended March 31, 2020 and 2019

(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 \$782,225 during the three months ended March 31, 2020 (2019 - \$616,025) and has an accumulated deficit of \$7,966,663 (December 31, 2019 - \$7,184,438) as at March 31, 2020. As at March 31, 2020, the Company had a working capital deficit of \$1,251,453 (December 31, 2019 - \$577,432) 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 May 27, 2020.

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, 2019 (“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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(Expressed in Canadian Dollars)

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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.

Accounting policies

These interim condensed consolidated financial statements follow the same accounting policies and methods of their application as the December 31, 2019 annual audited 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.

3. 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 three months ended March 31, 2020.

SONORO METALS CORP.

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Notes to the condensed interim consolidated financial statements

For the three months ended March 31, 2020 and 2019

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4. EXPLORATION AND EVALUATION ASSETS

	Cerro Caliche	San Marcial	Total
December 31, 2018	518,373	0	518,373
Acquisition costs	560,073	-	560,073
Disposition of mineral properties	-	-	-
December 31, 2019	1,078,446	353,649	1,432,095
Acquisition costs	180,467	-	180,467
March 31, 2020	\$ 1,258,913	\$ 353,649	\$ 1,612,562

During the three months ended March 31, 2020, the Company incurred the following exploration expenditures:

	Cerro Caliche
Geological fees	\$ 57,724
Field expenses	7,036
Travel expenses	2,485
March 31, 2020	\$ 67,245

During the three months ended March 31, 2019, the Company incurred the following exploration expenditures:

	Cerro Caliche	San Marcial	Total
Geological fees	\$ 83,936	\$ -	\$ 83,936
Drilling	143,086	-	143,086
Assays	9,285	-	9,285
Field expenses	8,644	-	8,644
Travel expenses	8,450	-	8,450
Concession taxes	26,823	8,669	35,492
March 31, 2019	\$ 280,224	\$ 8,669	\$ 288,893

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(Unaudited)

4. EXPLORATION AND EVALUATION ASSETS (Continued)

(a) Cerro Caliche Property

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

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

December 19, 2017 deposit	US\$10,000 (paid)
On signing	US\$117,000* (paid)
January 23, 2019	US\$200,000 (paid)
December 13, 2019	US\$30,000 (paid) (amended as per discussion below)
January 13, 2020	US\$135,000 (paid) (amended as per discussion below)
April 3, 2020	US\$20,000 (amended as per discussion below)
April 30, 2020	US\$120,000 (paid US\$ 50,000) (amended as per discussion below) (Note 12)
July 23, 2020	US\$200,000
January 23, 2021	US\$200,000
July 23, 2021	US\$250,000
January 23, 2022	US\$250,000
July 23, 2022	US\$300,000
January 23, 2023	US\$300,000
July 23, 2023	US\$400,000
January 23, 2024	US\$450,000

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

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

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

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

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

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4. EXPLORATION AND EVALUATION ASSETS (Continued)

(a) Cerro Caliche Property (continued)

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).

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 (Note 12)
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, 2020	US\$14,444 (paid)
November 2, 2019	US\$14,444 (paid)
May 2, 2020	US\$14,444
November 2, 2020	US\$14,444
May 2, 2021	US\$14,444
November 2, 2021	US\$14,444
May 2, 2022	US\$14,444

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(Expressed in Canadian Dollars)

(Unaudited)

4. EXPLORATION AND EVALUATION ASSETS (Continued)

(a) Cerro Caliche Property (continued)

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) had been paid and the balance was due six months from the signing of the agreement.

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

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

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

In June 2018, the Company entered into a surface access agreement with the owners of El Cerro Prieto Ranch, which has ownership of the surface rights above the Cerro Caliche concession. In Mexico, mineral concessions do not grant the rights over the surface where they are located, the concession holder must negotiate directly for the use of land with the owners of the surface rights.

Under the Sonoro agreement with El Cerro Prieto Ranch, the Company has access to the land for mineral exploration and development for an annual fee of US\$48,000.

(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

SONORO METALS CORP.

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Notes to the condensed interim consolidated financial statements

For the three months ended March 31, 2020 and 2019

(Expressed in Canadian Dollars)

(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.

(c) 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.

(d) 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)

(e) 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:

	March 31, 2020	December 31, 2019
Trade payables	\$ 710,367	\$ 1,197,917
Accrued liabilities	96,194	171,747
Total	\$ 806,561	\$ 1,369,664

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

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6. RELATED PARTY TRANSACTIONS

At March 31, 2020, \$39,042 (December 31, 2019 - \$22,743) is owing to related parties without interest and is payable on demand.

Compensation of key management

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

	For the three months ended March 31,	
	2020	2019
Consulting fees	\$ 120,000	\$ 82,500
Share-based payments	186,750	27,790
	<u>\$ 306,750</u>	<u>\$ 110,290</u>

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

7. LOANS - RELATED PARTIES

During the three months ended March 31, 2020, the Company issued promissory notes to a related party in the amount of \$134,550 (December 31, 2019 - \$273,862) with annual interest rate of 10%. The promissory notes are due on demand and have no fixed terms.

8. SHARE CAPITAL AND RESERVES

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued

- (i) On December 27, 2019, 100,000 options with an exercise price of \$0.18 were exercised for gross proceeds of \$18,000. Upon exercise, \$11,700 was allocated to share capital from share-based payment reserve.
- (ii) On December 27, 2019, 350,000 options with an exercise price of \$0.17 were exercised for gross proceeds of \$59,500. Upon exercise, \$39,200 was allocated to share capital from share-based payment reserve.
- (iii) On December 27, 2019, 150,000 options with an exercise price of \$0.16 were exercised for gross proceeds of \$24,000. Upon exercise, \$11,790 was allocated to share capital from share-based payment reserve.
- (iv) On December 6, 2019, 350,000 options with an exercise price of \$0.16 were exercised for gross proceeds of \$24,000. Upon exercise, \$27,510 was allocated to share capital from share-based payment reserve.

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8. SHARE CAPITAL AND RESERVES (Continued)

(b) Issued (continued)

- (v) On December 6, 2019, 625,000 options with an exercise price of \$0.12 were exercised for gross proceeds of \$75,000. Upon exercise, \$61,313 was allocated to share capital from share-based payment reserve.
- (vi) On October 31, 2019, 600,000 warrants with an exercise price of \$0.15 were exercised for gross proceeds of \$90,000.
- (vii) On October 23, 2019, 200,000 stock options with an exercise price of \$0.10 were exercised for gross proceeds of \$20,000. Upon exercise, \$18,800 was allocated to share capital from share-based payment reserve
- (viii) On October 10, 2019, 300,000 warrants with an exercise price of \$0.15 were exercised for gross proceeds of \$45,000.
- (ix) On August 9, 2019, 600,000 warrants with an exercise price of \$0.15 were exercised for gross proceeds of \$90,000.
- (x) On August 2, 2019, the Company completed a non-brokered private placement of 4,167,000 units (the "Units") at a price of \$0.18 per Unit, for gross proceeds of up to \$750,060. Each Unit consists of one common share and one-half of a common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder to purchase one additional common share of the Company at an exercise price of \$0.27 for a period of one year. Finder's fee of 114,437 Units and 114,437 non-transferable finder's warrants ("Finder's Warrants") were issued to three arm's length finders equaling 7% of the total unit subscriptions introduced by each respective finder ("Finder's Warrants"). Each Finder's Warrant entitles the finder to purchase one common share of the Company at a price of \$0.27 and expires in one year.
- (xi) On July 31, 2019, 100,000 stock options with an exercise price of \$0.12 per share were exercised for gross proceeds of \$12,000. Upon exercise, \$9,810 was allocated to share capital from share-based payment reserve.
- (xii) On April 2, 2019, the Company completed a non-brokered private placement of 3,615,104 units (the "Units") at a price of \$0.18 per Unit, for gross proceeds of \$650,718. Each Unit consists of one share and one-half of a common share purchase warrant (each warrant, a "Warrant"). Each Warrant entitles the holder to purchase one additional common share of the Company at an exercise price of \$0.27 for a period of one year. In connection with the private placement, the Company paid finder's fees by way of issuing 67,690 Units and 67,690 non-transferrable finder's warrants ("Finder's Warrants"). Each Finder's Warrant entitles the holder to purchase one common share of the Company at a price of \$0.27 for a period of one year.

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8. 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 is as follows:

	March 31, 2020		December 31, 2019	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of year	1,185,000	\$ 0.15	2,375,000	\$ 0.12
Granted	3,040,000	0.15	800,000	0.17
Exercised*	-	-	(1,875,000)	0.14
Cancelled	-	-	(115,000)	0.16
Balance, end of period	4,225,000	\$ 0.15	1,185,000	\$ 0.15

On January 10, 2020, the Company granted incentive stock options to directors, officers and consultants of the Company entitling them to purchase 3,040,000 common shares at a price of \$0.15 per share for a period of three years vesting 100% on the date of grant and expiring January 10, 2020. The fair value of \$273,600 is included in net loss for the three months ended March 31, 2020.

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

	March 31, 2020		March 31, 2019	
	Options	Warrants	Options	Warrants
Risk-free interest rate	1.69%	n/a	1.79%	n/a
Expected dividend yield	0.00	n/a	0.00	n/a
Expected stock price volatility	121.84%	n/a	76.94%	n/a
Expected life in years	3.00	n/a	2.00	n/a
Weighted average fair value	\$0.09	n/a	\$0.08	n/a

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8. SHARE CAPITAL AND RESERVES (Continued)

(c) Stock options (continued)

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

Expiry Date	Exercise Price	March 31, 2020	December 31, 2019
July 28, 2022	\$ 0.12	200,000	200,000
May 31, 2023	\$ 0.15	200,000	200,000
November 13, 2020	\$ 0.16	435,000	435,000
February 11, 2021	\$ 0.17	150,000	150,000
December 9, 2021	\$ 0.16	200,000	200,000
January 10, 2023	\$ 0.15	3,040,000	-
		4,225,000	1,185,000

The weighted average remaining contractual life for the outstanding options at March 31, 2020 is 2.43 (December 31, 2019 – 2.67) years.

(d) Warrants

As at March 31, 2020, the Company had share purchase warrants outstanding entitling the holders to acquire common shares as follows:

	Number of Financing Warrants	Number of Broker Warrants	Weighted Average Exercise Price \$
December 31, 2018	5,000,000	-	0.15
Issued	3,891,054	273,191	0.27
Exercised	(1,500,000)	-	0.15
December 31, 2019	7,391,054	273,191	0.22
Expired	(1,807,552)	(101,535)	0.15
March 31, 2020	5,583,502	171,656	0.20

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9. 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 March 31, 2020

	Exploration and Evaluation Assets
Mexico	\$ 1,612,562
Total	\$ 1,612,562

As at December 31, 2019

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

10. 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 three months ended March 31, 2020 there were no transfers between level 1, level 2 and level 3 classified assets and liabilities.

11. 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.

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11. FINANCIAL INSTRUMENTS (continued)

Credit risk

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

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

	December 31, 2019	December 31, 2019
Cash and cash equivalents held at major Canadian financial institutions	\$ 3,527	\$ 194,602
Cash held at major Mexican financial institutions	32,915	880,050
Total cash and cash equivalents	\$ 36,442	\$ 1,074,652

As at March 31, 2020, the Company held a cashable guaranteed investment certificate of \$25,526 (December 31, 2019 - \$25,526) earning interest at prime less 0.50% (December 31, 2019 - 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 March 31, 2020 in the amount of \$1,251,453 (December 31, 2019 - \$577,432) 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 March 31, 2020 and December 31, 2019.

(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.

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11. FINANCIAL INSTRUMENTS (continued)

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

As at March 31, 2020 and December 31, 2019, 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:

	March 31, 2020	
	MXN	USD
Cash	\$ 476,045	349
Accounts receivable	5,053,205	-
Prepaid expenses	17,660	-
Accounts payable and accrued liabilities	(1,267,566)	(295,100)
Total	4,279,343	(294,751)
Canadian dollar equivalent	\$ 256,889	(418,163)

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

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 three months ended March 31, 2020 by \$70,000 (December 31, 2019 - \$145,000).

(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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12. EVENTS AFTER THE REPORTING PERIOD

- (a) In May 2020, MMP entered into a fourth amendment agreement with Cerro Caliche vendor to split the April 30, 2020 payment such that MMP would pay US\$50,000 by May 7, 2020 (paid) and US\$70,000 by June 30, 2020. (Note 4)
- (b) In May 2020, MMP entered into an amendment agreement with the Rosario Vendor to pay the US\$90,000 amount due on March 14, 2020 to be split such that MMP will pay US\$35,000 by May 7, 2020 (paid) and US\$55,000 by June 30, 2020. (Note 4)
- (c) In May 2020, MMP entered into an amendment agreement with the Tres Amigos concession Vendors to pay the US\$14,444 amount due on May 2, 2020 to be split such that MMP will pay US\$7,222 by May 7, 2020 (paid) and US\$7,222 by June 30, 2020. (Note 4)