SONORO GOLD CORP

(Formerly Sonoro Metals Corp)

(An Exploration Stage Company)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

Suite 408 – 470 Granville Street, Vancouver, BC V6C 1V5

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of the financial position and results of activities of Sonoro Gold Corp. ("Sonoro" or the "Company") is prepared as of November 17, 2020 and should be read in conjunction with the condensed consolidated interim financial statements for the nine months ended September 30, 2020 ("Interim Financial Statements") and the audited consolidated financial statements for the year ended December 31, 2019, ("Annual Financial Statements") and the related notes thereto. Additional information and disclosure relating to the Company can be found on SEDAR at www.sedar.com.

FORWARD LOOKING STATEMENTS

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

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

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

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

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

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

- fluctuations in mineral prices;
- the Company's dependence on a limited number of mineral projects;
- the nature of mineral exploration and mining and the uncertain commercial viability of certain mineral deposits;
- the Company's lack of operating revenues;
- the Company's ability to obtain necessary financing to fund the development of its mineral properties or the completion of further exploration programs;
- jurisdiction operating risks which can over time include changes in political, economic, regulatory and taxation regimes;
- governmental regulations and specifically the ability to obtain necessary licenses and permits;
- risks related to the Company's mineral properties being subject to prior unregistered agreements, transfers, or claims and other defects in title;
- fluctuations in the currency markets;
- changes in environmental laws and regulations which may increase costs of doing business and

restrict the Company's operations;

- risks related to the Company's dependence on key personnel; and
- estimates used in the Company's consolidated financial statements proving to be incorrect.

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

DESCRIPTION OF BUSINESS

Sonoro 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 under the symbol "SGO".

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

HIGHLIGHTS

- On April 2, 2019, the Company closed a non-brokered private placement for gross proceeds of $650,718.
- On July 3, 2019, the Company announced the completion of a 2-phase reverse-circulation drill program totaling 10,328 m over 96 drill holes.
- On July 26, 2019 the Company filed a National Instrument 43-101 technical report for its Cerro Caliche gold project in Sonora, Mexico.
- On August 2, 2019, the Company closed a non-brokered private placement for gross proceeds of $750,060.
- On September 3, 2019, the Company engaged New Tigers Technologies Ltd., ("NTT") to act as the Company's China branch office representative.
- In December 2019, the Company, received proceeds of $875,000 from the sale of the 1% net smelter returns royalty (the "Royalty") on the Chipriona property located in the Mulatos Mining District in Sonora, Mexico. The Royalty originated from the sale of the Chipriona property by the Company to Agnico Sonoro, S.A. de C.V., a subsidiary of Agnico Eagle Mines Limited ("Agnico") in December 2016. Sonoro has no further interest in the Chipriona property.
- In August 2020, the Company closed a non-brokered private placement offering of 36,363,638 units at $0.22 per unit for proceeds of $8,000,000. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share for a period of three years from the closing date at an exercise price of $0.30 per share.
- In September 2020, the Company paid the final US$70,000 instalment for the acquisition of the Cabeza Blanca concession and secured 100% title to the concession through execution of an "Assignment of Title to Mining Concession Agreement" which has been filed with the Public Registry of Mining.

PROJECT UPDATE: CERRO CALICHE PROJECT

Cerro Caliche - Option Agreements

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

The Cerro Caliche Option Agreement provides for the Company to acquire a 100% interest in Cerro Caliche over a 72-month period for total consideration of US$2,977,000 payable in instalments.

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

On March 14, 2018, the Company through its wholly owned Mexican subsidiary, MMP, entered into an option agreement (the "Rosario Option Agreement") with a resident of Tucson Arizona (the "Rosario Vendor"), to acquire a 100% interest (the "Rosario Option") in the Rosario Group of Concessions ("Rosario") located in the municipality of Cucurpe, in northern Sonora state, Mexico. The Rosario Option Agreement provides for the Company to acquire a 100% interest in Rosario over a 72-month period for total consideration of US$1,600,000 payable in instalments.

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

On May 29, 2018, the Company entered into an option agreement to acquire a 100% interest in the Tres Amigos concessions in Sonora, Mexico. The Tres Amigos concessions are contiguous to the Company's Cerro Caliche concessions. The Company can acquire the 100% interest for total consideration of US$130,000, which is payable in nine equal instalments over 48 months from the date of signing.

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. The Company acquired its 100% interest in the El Colorado concessions by paying US$100,000.

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. The Company acquired its 100% interest in the Cabeza Blanca concession by paying US$175,000 in staged payments over two years from the date of signing and by issuing 250,000 common shares.

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 to the Cerro Caliche concession. In Mexico, mineral concessions do not grant the rights over the surface where they are located, and 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.

Cerro Caliche – Exploration History

Following the acquisition of the Cerro Caliche Group of Concessions in Sonora State, Mexico in 2018, the Company carried out an analysis of historical data from earlier exploration programs and commenced a new exploration program comprised of surface sampling and reverse circulation drilling. Cerro Caliche contains eight historic gold mining sites which had been artisanally mined in the past century. Results from exploration programs carried out by prior operators during the period 2006 to 2011, combined with results from Sonoro's exploration activities during 2018 and 2019, totaling 23,000 meters of drilling, and more than

6,000 soil and rock samples, confirmed the existence of a broadly mineralized low-sulphidation, epithermal vein system with continuing potential to develop a large tonnage resource suitable for open pit mining.

An NI 43-101 technical report (summarized in the following section) estimated an inferred mineral resource (at a 0.25 g/t gold equivalent cut-off grade) of 11.5M tonnes at an average grade of 0.495 g/t gold and 4.3 g/t silver that would be amenable to open pit extraction methods." The technical report supports the Company's plan to initiate production through the construction of a Heap Leach Mining Operation ("HLMO") at Cerro Caliche. To advance the HLMO, the Company has entered into Memorandums of Understanding with three China-based EPC companies for the HLMO's finance and development. Because there can be no assured date as to when COVID related restrictions will be lifted, Sonoro is also investigating an alternative plan to advance its proposed HLMO with Mexican technical expertise, with the intent of eliminating the impact of future COVID-19 related travel restrictions. Additional information on the alternative plan will be announced in due course.

Sonoro's principle focus is on the property's shallow bulk tonnage potential in terms of both exploration and developing the HLMO. Results from drilling and field work have outlined a shallow oxide gold exploration target of between 75,000,000 to 100,000,000 tonnes with grades potentially between 0.3 g/t to 0.5 g/t gold. It is important to emphasize that these potential tonnages and grades quantifying the exploration target are conceptual in nature and until enough drilling occurs, the existence, if at all, of a mineral resource cannot be assured. Also please note that the targeted bulk tonnage potential estimates are separate from the inferred mineral resources stated in the NI 43-101 technical report.

During Spring 2020, an in-company analysis of the company's entire geological dataset outlined Cerro Caliche's elevated potential to host high-grade gold. In May 2020, Sonoro released the Cerro Caliche Project Development Report which summarizes the study and its conclusions. As detailed in the report, an analysis of high grade chip samples taken by the Company, over an area of 4 kms by 3 kms, noted their near ubiquitous occurrence and elevation which is restricted principally to elevations between 1,100 meters above sea level (masl) to almost 1,700 masl. The high-grade samples ranged from 4 g/t to 25 g/t gold with a high of 95 g/t.

Based on the conclusions of the report and subsequent work to define specific drill targets, the 2020 drilling program was planned to incorporate HQ diameter core drilling. An initial 6,000-meter core drill program to test the high-grade potential at Cerro Caliche is currently underway.

The core campaign, together with reverse circulation ("RC") drilling to test the property's shallow bulk tonnage potential and the resumption of the HLMO scoping study commenced following the August 12th, 2020 completion of a CAD $8,000,000 equity financing, which included a fully subscribed 60% over allotment.

To view a map of all the drill holes, precise locations of each hole and a table of assay results, please visit the Sonoro website at www.sonorometals.com and view the Cerro Caliche page.

Cerro Caliche – National Instrument 43-101 Technical Report Filed

An independent technical report titled "NI 43-101 Technical Report on the Cerro Caliche Gold Project, Cucurpe Mining District of Sonora State, Northwestern Mexico", dated July 26, 2019 (the "Technical Report") was prepared by independent Qualified Persons, Derrick Strickland, P.Geo., and Robert Sim, P.Geo., Sim Geological Inc. The Technical Report was filed both on SEDAR at www.sedar.com, and on the Company's website at www.sonorometals.com.

The report's estimated resources are based on certain mineralized zones identified on the property including 21,091 meters of reverse circulation drilling in 200 holes. Of these, 10,328 meters in 96 holes were drilled by Sonoro, plus 7,725 meters in 86 holes were drilled by Corex Gold and 3,038 meters in 18 holes were drilled by Paget Southern, both previous operators of the Cerro Caliche project

While exploration continues on the numerous other mineralized zones identified by scout drilling, surface mapping and surface geochemical rock sampling, the report notes that the majority of the rocks that host the mineral resources at Cerro Caliche are highly oxidized and likely amenable to low-cost heap leach extraction methods.

Estimate of Mineral Resources for the Cerro Caliche Project

Category	Tonnes (000)	Average Grade			Contained Metal		
		AuEq (g/t)	Au (g/t)	Ag (g/t)	AuEq (koz)	Au (koz)	Ag (koz)
Inferred	11,470	0.545	0.495	4.3	201	183	1,601

The estimates in the above table are limited inside the $1,500/oz Au pit shell. The base case cut-off grade is 0.25 g/t gold equivalent (AuEq), where AuEq = Au g/t + (Ag g/t x 0.01133). Mineral resources are not mineral reserves because the economic viability has not been demonstrated. There are no mineral reserve estimates for the Cerro Caliche project. It is reasonably expected that a majority of Inferred mineral resources could be upgraded to Indicated (or Measured) mineral resources with continued exploration.

The estimate of mineral resources is constrained within a pit shell to establish reasonable prospects for eventual economic extraction. The pit shell was generated using the following projected technical and economic parameters:

- Mining (open pit) US$1.75/t
- Processing US$6.80/t
- G&A US$1.50/t
- Gold price US$1,500/oz
- Silver price US$17.00/oz
- Gold process recovery 72%
- Silver process recovery 30%
- SG 2.50
- Pit slope 50 degrees
- Gold Equivalent calculation AuEq = Au g/t + (Ag g/t x 0.1133)
- Base case Cut-off grade 0.25 g/t AuEq

Based on the evaluation of the data available from the Cerro Caliche Project, the authors of the Technical Report have drawn the following conclusions:

- The Cerro Caliche deposit exhibits features that are typical of low-sulphidation epithermal style deposits. Mineralized zones are often structurally controlled and extend for strike lengths of up to 1 km and to depths approaching 200 m below surface.
- Many of the mineralized zones remain “open” along strike and at depth. Numerous other mineralized zones have been identified by surface mapping and surface geochemical rock sampling.
- Exploration activities conducted by Sonoro and the previous operators of the property followed industry standards, and the resulting database is considered to be reliable to support estimates of mineral resources.
- Drilling to date has outlined an estimated Inferred mineral resource of 11.5M tonnes at an average grade of 0.495 g/t gold and 4.3 g/t silver. It is assumed that the mineral resource is potentially amenable to open pit extraction methods.
- Preliminary metallurgical test work has only recently been initiated by Sonoro. The majority of the rocks that host the mineral resources at Cerro Caliche are highly oxidized and it is likely that the deposit is amenable to low-cost heap leach extraction methods. There are several proximal deposits that have similar geologic characteristics that are currently extracting gold and silver through heap leach extraction.
- The authors of the Technical Report are not aware of any known factors related to metallurgical, environmental, permitting, legal, title, taxation, socio-economic, marketing or political issues which could materially affect the mineral resource estimates.

Recommendations

Based on the review of the data provided, the authors recommended the following next steps to advance the Cerro Caliche project:

- Conduct a drilling program that includes:
  - A 500 m infill drilling program comprising large diameter (PQ) core to provide valuable structural and mineralization information.
  - A 6,500 m reverse-circulation drilling program to increase the confidence of the known mineral resource and identify potential expansion of known mineralization.
- Conduct a detailed metallurgical analysis of the known mineralized area.
- Review the existing data to integrate the geology, alteration, observations, and known structure into a 3D model. This will help target areas for potential expansion.
- Continue to explore for extensions of existing mineralized zones.
- Drill a series of diamond drill holes in each mineralized zone to gain additional information related to geologic and metallurgical characteristics.
- Conduct a suite of cyanide soluble gold assays on a select suite of samples to better understand the nature and distribution of soluble gold.
- Attempt to locate the older drilling data generated by Cambior.

These recommendations have been incorporated into the next phase of the exploration program which commenced in August 2020.

August 2020: Launch of 2020-21 Drilling Program at Cerro Caliche

In August 2020, Sonoro commenced the first segment of a projected 50,000-meter core and reverse circulation (RC) drilling program at Cerro Caliche,

The main purpose of the 2020-21 drilling program is to explore the potential for expansion of the inferred resource at Cerro Caliche's outlined, previously-drilled, shallow, gold-bearing epithermal mineralization at the Japoneses zone and investigate the potential to develop a resource at multiple mineralized zones throughout the concession area. The drilling program is also designed to explore several of the concession's 17 mineralized zones to test for the presence of high-grade gold mineralization.

In October 2020, Sonoro announced assay results from the first series of 12 RC drill holes at Cerro Caliche. Highlights include key intercepts at the premier Japoneses and Buena Suerte zones.

At Japoneses, SCR-104 intercepted 15.24 meters averaging 1.278 g/t Au and SCR-106 intercepted 16.76 meters averaging 0.853 g/t Au. At Buena Suerte, SCR-096 intercepted 16.76 meters averaging 0.841 g/t Au and SCR-097 intercepted 12.19 meters averaging 0.508 g/t Au. The Company expects that these results will contribute to establishing a significant addition to Cerro Caliche's existing 201,000 gold equivalent (AuEq) inferred resource estimate[1].

Results from the 12 RC drill holes discussed here are listed in greater detail on Sonoro's website, under the Cerro Caliche tab at: https://sonorogold.com/projects/cerro-caliche. A cutoff of 0.15 grams per ton Au was used for reporting intervals and, for consistency, is in the same format as in previous years' news reports. The drill holes are angled generally 45 degrees at azimuth 225° and are targeted to cut the vein

[1] [NI 43-101 Technical Report on the Cerro Caliche Property, July 26, 2019, Strickland, D., Sim, R.C. prepared for Sonoro Metals; comprised of an inferred resource of 201,000 AuEq ounces at a grade of 0.55 AuEq (0.495 g/t Au and 4.3 g/t Ag).

zones near perpendicular to their plane of strike. The drill intervals are near true widths of the vein zones unless reported otherwise.

The Japoneses vein zone is the largest mineralized zone on the Cerro Caliche project with dimensions of up to 300 meters wide by 550 meters long with the five new holes reported here filling several drill pattern gaps and also extending the mineralized zone 100 meters to the northwest and 100 meters to the southeast. The apparent continuation of this zone by an additional 350 meters to the southeast is identified as the Los Cuervos zone. This entire mineralized zone is a series of northwest-trending veins, shears and shatter bands in quartzite with shales in its central and southern parts. The northern extension of the Japoneses zone gold mineralization passes into andesite and vein associated rhyolitic dikes where both rock units host gold mineralization.

Two drill holes were located in the vicinity of El Boludito vein, a small zone that begins in the hanging wall of the Japoneses vein zone and extends in a northerly direction away from the Japoneses zone. The results indicated insufficient dimensions and mineralization to add to the current mineralized material inventory.

Two RC drill holes cut the Chinos NW gold mineralized zone which is about 400 meters long and up to 30 meters wide running parallel to the Japoneses zone on its east side. It continues northerly for another 500 meters between El Boludito and the Veta de Oro vein zone before merging into Veta de Oro where a further outcrop of the vein zone is hidden by soil cover. The Chinos NW vein zone appears to be part of a classic vein splitting pattern called “horse tailing” on its southern part. Drill hole SCR-101 tested the Chinos NW mineralization’s northernmost extent with mixed results, including 3.05 meters averaging 0.517 g/t Au and 3.6 g/t Ag. Two of the core drill holes cut the southern part of Chinos NW and will be reported in upcoming diamond drill hole results.

Three holes were completed in the Buena Suerte vein zone and, while showing the vein zone is independent of other nearby vein zones, they also added to the potential for increasing the project’s current inferred gold resource. The veins are hosted in quartzite and a vein parallel – rhyolite dike. The three drill holes intersected gold mineralization that will potentially extend mineralized material to more than double the prior drill confirmed mineralized dimensions. The dimensions of the Buena Suerte mineralized zone are approximately 30 meters wide by 300 meters in length and located about 120 meters west of the Japoneses footwall structure with a parallel NW trend.

Core drilling at Cerro Caliche to investigate the higher-grade gold targets is ongoing. Nine exploratory holes have been completed to date and an additional ten core holes are expected to be completed by mid-December. Furthermore, an air-track drill rig is scheduled to commence shallow percussion drilling to investigate continuity of mineralization between the mineralized zones.

As part of the Company’s strategy to fast-track the development of a Heap Leach Mining Operation (HLMO) at Cerro Caliche, ten 85-mm diameter PQ Core holes were drilled to supply deeper mineralized material for metallurgical testing. Management is expanding its development plans from the previously announced pilot level project to assess the economic viability of a proposed 8,000 ton per day mining operation.

The current exploration work is part of the Company’s conceptual fast-track development schedule for the Cerro Caliche project with the aspirational goal of commencing gold production by the end of 2021. However, a successful realization of that goal remains subject to several material conditions, most notably including the satisfactory completion of metallurgical testing, securing required environmental permitting, a favourable preliminary economic assessment and the availability of project financing.

Quality Assurance/Quality Control (“QA/QC”) Measures and Analytical Procedures

Drill samples are collected with an airstream cyclone and passed into a splitter that divides each sample into quarters. The quartered samples are then bagged and sealed with identification. The sample group has blanks, standards and duplicates inserted into the sample stream. ALS-Chemex collects the samples and transports them directly to the preparation laboratory in Hermosillo, Sonora.

At the laboratory, part of each sample is reduced through crushing, splitting and pulverization from which 200 grams is sent to the ALS-Chemex assay laboratory in Vancouver. Thirty grams undergoes fire assay for gold with the resulting concentrated button of material produced is dissolved in acids, and the gold is determined by atomic absorption. Another quantity of the sample is dissolved in four acids for an ICP multi-element analysis.

Geologic Description

Cerro Caliche is located 45 kilometers east southeast of Magdalena de Kino in the Cucurpe-Sonora Mega-district of Sonora, Mexico. Multiple historic underground mines were developed in the concession including Cabeza Blanca, Los Cuervos, Japoneses, Las Abejas, Boluditos, El Colorado, Veta de Oro and Espanola. Mineralization types of the Cucurpe-Sonora Mega-district include variants of epithermal low sulfidation veins and related mineralized dikes and associated volcanic domes. Local altered felsic dikes cut the mineralized meta-sedimentary rock units and may be associated with mineralization both in the dikes and meta- sedimentary rocks. The Cucurpe-Sonora Mega-district has historically been regarded as vein dominated, but recently, open pit mining operations have been developed on disseminated and stockwork style gold mineralization.

Host rocks include Jurassic-Cretaceous meta-sedimentary rock units including argillite, shale, quartzite, limestone, quartz pebble conglomerate and andesite. Younger intrusive rock consisting of medium coarse-grained granodiorite-granite is present in the westerly parts of the concessions near the historic Cabeza Blanca mine. It is apparent that veining cuts and pervasively alters the intrusive stock. Rhyolite occurs in irregular bodies distributed in higher elevations in the northerly part of the concession, including the Rincon area, where it occurs as flows, sills, dikes and rhyolite domes. Part of the rhyolite is mineralized and appears to be related to epithermal gold mineralization throughout the property.

PROJECT UPDATE: SAN MARCIAL PROPERTY

The Company’s wholly-owned subsidiary Minera Breco, S.A. de C.V. (“Breco”) holds the San Marcial project, located in Sonora State, Mexico, which consists of three contiguous mineral concessions and option rights to acquire an additional contiguous concession.

The San Marcial concessions are situated at the southern end of the prolific Sonora-Mojave Megashear, a regional scale structural system measuring approximately 50 km in width and 500 km in length. Gold mines in the Megashear have produced over 10 million ounces.

Mines in this trend include New Gold’s Mesquite Mine near Yuma, Arizona, in addition to several mines located in the northwest corner of Sonora State, including La Herradura (Fresnillo and Newmont); El Chanate (Au Rico Gold); and San Francisco (Alio Gold).

Gold mineralization in the San Marcial concession is hosted in Jurassic sedimentary rocks consisting of quartzite, shale and limestone, in addition to younger porphyritic intrusive rocks. Previous work on the San Marcial concessions and in the immediate area date back to the late 1980s when Cominco’s Mexican subsidiary performed work that culminated in the drilling of 4 RC holes, results of which are not available. Other small programs were undertaken by Barrick and Campbell Resources, with the latest work done by Queenstake in the mid-1990s. Sonoro initiated a comprehensive program on the property beginning with a thorough data compilation followed by a property scale soil geochemical sampling program to aid in delineating anomalous zones in this structurally complex region.

In 2015, the Company initiated exploration at San Marcial with a Phase One exploration program consisting mainly of a wide spaced soil geochemical survey to delineate anomalous zones in this structurally complex region. Soil lines have been established on north-south lines 200 meters apart and samples taken at 50-meter intervals over three lines. Seven specific mineralized structural zones were identified and crossed in the soil sampling, including the old mine prospect areas at San Marcial and Soledad. Underground workings in these two areas have characterization rock chip sample values ranging from .3 to over 4 g/t gold and 7 to over 50 g/t silver; lead values from 700 ppm to over 2 percent; with additional anomalous values of arsenic and mercury.

Sonoro proposes to conduct a reverse circulation drill program at San Marcial in due course. The timing for the start of the drill program will be dependent on the availability of Sonoro’s technical team which is currently focused on conducting a drilling program at the nearby Cerro Caliche project.

CHINA BRANCH OFFICE

On September 3, 2019, the Company announced it had entered into an agreement with New Tigers Technologies Ltd., ("NTT"), a wholly owned subsidiary of New Tigers Consulting Ltd. of Suzhou, Jiangsu Province, P. R. China. NTT acts as Sonoro's representative and has establish a representative office for the Company at NTT. A key NTT function is to identify and introduce Sonoro to China-based engineering, procurement and construction ("EPC") companies considered to be a good potential fit for Sonoro's project requirements. NTT has already assisted with initial introductions, enabling Sonoro to advance discussions to the point of executing two Memorandum of Understanding agreements regarding the development and debt finance of its proposed Cerro Caliche heap leach pilot operation.

According to the agreement with NTT, following any future joint development between Sonoro and any China-based entities, NTT will continue to act as the Company's China branch office representative.

During July 2019, on an exploratory business tour organized by NTT and exclusive to the Company, Chairman John Darch and Director of Finance Neil Maedel travelled to Beijing, Yantai, Shanghai and Hong Kong to meet with corporate executives and initiate discussions regarding potential EPC and project development and structuring agreements. The Company subsequently entered into confidentiality agreements and commenced formal discussions with five China-based EPC companies regarding potential EPC contracts, and opportunities for project financing.

In October 2019 Chairman John Darch and Director of Finance Neil Maedel were invited back to China for a series of follow-up meetings in Tianjin and Beijing with those EPC companies, organized by NTT under the direction of Dr. Wei Qian. Two of those EPC companies have successfully financed and developed mining projects introduced by NTT in the past decade, and they have been proactive in their approach with the Company. Meetings with four of the companies' senior executives were held to discuss the various aspects of the proposed pilot plant, including permitting requirements and processes, and the dispatch of their technical staff to the Cerro Caliche project site.

Subsequently, three Memorandums of Understanding ("MOU") have been executed for project debt financing and EPC services for the development and operation of the Company's proposed Cerro Caliche Pilot Project. Two additional MOU's are currently under consideration, however their completion has been delayed as a consequence of the COVID-19 related restrictions.

On March 28, 2020, China suspended the entry of most foreign nationals, including those with valid visas, while international travel by Chinese citizens continues to be heavily restricted. Any individual traveling to China must be quarantined for 14 days on arrival. The consequence of these travel restrictions has delayed Company executives' plans to visit with the executives of the EPC companies in China regarding EPC and debt proposals. In addition, the EPC companies have been prevented from conducting site visits to Cerro Caliche as part of the bidding process.

Due to ongoing COVID-19 related travel restrictions, the Company and NTT mutually agreed to modify the agreement.

COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization declared the outbreak of the novel coronavirus, COVID-19, a global pandemic. This has impacted the global economy with restrictions on travel and mobility being imposed by numerous countries to help reduce new infections. These countries include locations where the Corporation operates. The Company is committed to providing safe and healthy work environments for its employees, contractors and the communities in which it operates. The Company initiated an exploration program in August 2020 on its Cerro Caliche project in Sonoro State, Mexico. The Company has developed a comprehensive mobilization protocol for the resumption of field activities and is observing social distancing and other protective measures in accordance with such protocols.

RESULTS OF OPERATIONS

Three months ended September 30, 2020, compared to the three months ended September 30, 2019.

The Company recorded a net loss and comprehensive loss of $2,669,664 ($0.04 loss per common share) for the three months ended September 30, 2020 (the "Current Quarter") compared to a net loss and comprehensive loss of $1,074,999 ($0.03 loss per common share) during the three months ended September 30, 2019 (the "Comparative Quarter"). Significant differences in operating expenses for the Current Quarter versus the Comparative Quarter were:

- Exploration expenditures were $743,999 in the Current Quarter compared to $679,131 in the Comparative Quarter. The Company incurred exploration expenditures in the Current Quarter as it initiated the exploration program in August 2020, on completion of the private placement.
- Share-based payments, a non-cash expense was $983,450 in the Current Quarter compared to $nil in the Comparative Quarter due to options vesting in the Current Quarter.
- During the Current Quarter, the consulting fees increased to $403,319 (Comparative Quarter - $153,500) due to additional personnel engagement.
- The Company incurred a foreign exchange loss of $75,535 in the Current Quarter compared to a loss of $41,039 in the Comparative Quarter due to higher value transactions in USD.
- The Company incurred interest expense of $66,451 in the Current Quarter compared to $nil in the Comparative Quarter relating to the loan advances.

Nine months ended September 30, 2020, compared to the nine months ended September 30, 2019.

The Company recorded a net loss and comprehensive loss of $3,927,629 ($0.08 loss per common share) for the nine months ended September 30, 2020 (the "Current Period") compared to a net loss and comprehensive loss of $2,636,896 ($0.08 loss per common share) during the nine months ended September 30, 2019 (the "Comparative Period"). Significant differences in operating expenses for the current quarter versus the comparative quarter were:

- Exploration expenditures were $1,063,053 in the Current Period compared to $1,538,626 in the Comparative Period. The Company incurred exploration expenditures at the Company's Cerro Caliche project in the Current Quarter as it initiated the exploration program in August 2020, on completion of the private placement.
- Share-based payments, a non-cash expense was $1,257,050 in the Current Period compared to $47,200 in the Comparative Period due to higher number of options vesting in the current period.
- During the Current Period, the consulting fees increased to $748,257 (Comparative Period - $430,006) due to additional personnel engagement.
- The Company incurred a foreign exchange loss of $76,301 in the Current Period compared to a gain of $24 in the Comparative Period due to increase in accounts payable and accrued liabilities and loans in US dollar offset by strengthening of the CAD dollar.
- The Company incurred interest expense of $89,256 in the Current Period compared to $nil in the Comparative Period relating to the loan advances.

SUMMARY OF QUARTERLY RESULTS (unaudited)

The following table summarizes selected information from the Company's unaudited condensed interim consolidated financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS"), for the last eight quarters.

	Sep 30, 2020	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019
Total revenues (interest and other income)	$ -	$ -	$127	$875,006
Income (loss) for the quarter	($2,669,664)	($475,742)	($782,225)	$991,527
Income (loss) for the quarter per share	($0.04)	($0.01)	($0.02)	$0.02

	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018
Total revenues (interest income)	$44	$4	$793	$21,381
Income (loss) for the quarter	($1,074,999)	($945,874)	($616,025)	($1,611,107)
Income (loss) for the quarter per share	($0.03)	($0.03)	($0.02)	($0.06)

The Company only earns interest income (except for the sale of a royalty in the current quarter) from its cash and cash equivalents, which will vary from period to period depending on their relative balances.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2020, the Company had working capital of $3,875,561 (working capital deficit at December 31, 2019 –$577,432). The Company has reclassified the Value Added Tax ("VAT") receivables in the amount of $570,600 (December 31, 2019 - $241,297) as non-current. The VAT receivables are generated on the purchase of supplies and services and are receivable from the Mexican government. The Company classifies VAT receivables as non-current as it does not expect collection of amounts to occur within the next year. The recovery of VAT involves a complex application process and the timing of collection of VAT receivables is uncertain. Accordingly, this recasting of the VAT receivable has had an adverse effect on the Company's working capital.

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

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

SHARE CAPITAL AND DISCLOSURE OF OUTSTANDING SHARE DATA

At the date of this MD&A, there were 85,077,285 common shares issued and outstanding and stock options and share purchase warrants to purchase an aggregate of 46,611,597 common shares expiring at various dates between October 2020 and August 2023, exercisable at various prices between $0.15 and $0.30 per share.

If the options and warrants were exercised, the maximum number of shares potentially issuable is therefore 46,611,597.

TRANSACTIONS WITH RELATED PARTIES

At September 30, 2020, $4,000 (December 31, 2019 - $22,743) is owing to a related party 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 September 30, 2020	2019	For the nine months ended September 30, 2020	2019
Consulting fees	$ 220,000	$ 105,000	$ 460,000	$ 325,000
Share-based payments	648,900	-	835,650	35,290
	$ 868,900	$ 105,000	$ 1,295,650	$ 360,290

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

During the nine months ended September 30, 2020, the Company issued promissory notes to related parties in the amount of $542,940 (December 31, 2019 - $273,862) with annual interest rate of 10%. The promissory notes of $784,499 and interest of $89,256 was repaid during the nine months ended September 30, 2020.

OFF-BALANCE SHEET ARRANGEMENTS

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

PROPOSED TRANSACTIONS

Other than the previous disclosure, the Company has no proposed transactions.

CONTRACTUAL OBLIGATIONS

For the Company’s option agreements to remain in good standing, the Company has the following commitments:

Cerro Caliche Option Agreements

Cerro Caliche group of concessions:

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

Rosario group of concessions:

March 14, 2021	US$150,000
March 14, 2022	US$300,000
March 14, 2023	US$375,000
March 14, 2024	US$550,000

Tres Amigos concession:

May 2, 2021	US$14,444
November 2, 2021	US$14,444
May 2, 2022	US$14,444

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 to the Cerro Caliche concession. In Mexico, mineral concessions do not grant the rights over the surface where they are located, and 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.

RISKS AND UNCERTAINTIES

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

Precious and Base Metal Price Fluctuations

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

Fluctuations in the Price of Consumed Commodities

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

Foreign Exchange Rate Fluctuations

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

Competitive Conditions

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

Operating Hazards and Risks

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

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

Infrastructure

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

Exploration and Development

There is no assurance given by the Company that its exploration and development programs and properties will result in the discovery, development or production of a commercially viable ore body or yield new reserves to replace or expand current reserves. The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. At this time, none of the Company's properties have any defined ore-bodies with proven reserves.

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

Business Strategy

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

Environmental Factors

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

Title to Assets

Although the Company has or will receive title opinions for any properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. The Company has not conducted surveys of the claims in which it holds direct or indirect interests and, therefore, the precise area and location of such claims may be in doubt. The Company's claims may be subject to prior unregistered agreements or transfers, or native land claims, and title may

be affected by unidentified or unknown defects. The Company has conducted as thorough an investigation as possible on the title of properties that it has acquired or will be acquiring to be certain that there are no other claims or agreements that could affect its title to the concessions or claims. If title to the Company's properties is disputed, it may result in the Company paying substantial costs to settle the dispute or clear title and could result in the loss of the property, which events may affect the economic viability of the Company.

Uncertainty of Funding

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

Agreements with Other Parties

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

Potential Conflicts of Interest

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

There is no assurance that the needs of the Company will receive priority in all cases. From time to time, several companies may participate together in the acquisition, exploration and development of natural resource properties, thereby allowing these companies to:

(i) participate in larger properties and programs;
(ii) acquire an interest in a greater number of properties and programs; and
(iii) reduce their financial exposure to any one property or program.

A particular company may assign, at its cost, all or a portion of its interests in a particular program to another affiliated company due to the financial position of the company making the assignment. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, it is expected that the directors and officers of the Company will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

Third Party Reliance

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

Assurance on the Consolidated Financial Statements

We prepare our financial reports in accordance with accounting policies and methods prescribed by IFRS. In the preparation of financial reports, management may need to rely upon assumptions, make estimates or use their best judgment in determining the financial condition of the Company. Significant accounting policies and practices are described in more detail in the notes to our consolidated financial statements for the year ended December 31, 2018. In order to have a reasonable level of assurance that financial transactions are properly authorized, assets are safeguarded against unauthorized or improper use and transactions are properly recorded and reported, we have implemented and continue to analyze our internal control systems for financial reporting. Although we believe our financial reporting and financial statements are prepared with reasonable safeguards to ensure reliability, we cannot provide absolute assurance in that regard.

General Economic Conditions

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

Substantial Volatility of Share Price

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

Potential dilution of present and prospective shareholdings

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

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.

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

		September 30, 2020		**December 31, 2019**
Cash and cash equivalents held at major Canadian financial institutions	$	4,493,733	$	194,602
Cash held at major Mexican financial institutions		35,968		880,050
Total cash and cash equivalents	$	4,529,701	$	1,074,652

As at September 30, 2020, the Company held a cashable guaranteed investment certificate of $nil (December 31, 2019 - $25,526) earning interest at nil% (December 31, 2019 - 0.50%).

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 at September 30, 2020 in the amount of $3,877,561 (working capital deficit on 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 December 31, 2019 and 2018.

b) Foreign currency risk

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

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

	September 30, 2020	
	MXN	USD
Cash	$ 588,136	359,279
Accounts receivable	10,288,130	-
Prepaid expenses	17,660	-
Accounts payable and accrued liabilities	(13,891,966)	(407,221)
Loans	(405,118)	(23,440)
Total	(204,904)	(736,671)
Canadian dollar equivalent	$ 145,312	335,839

	December 31, 2019	
	MXN	USD
Cash	$ 153,297	$ 770,012
Accounts receivable	3,340,603	-
Prepaid	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 nine months ended September 30, 2020 by $68,000 (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.