



(Formerly Sonoro Metals Corp)

(An Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2021 and 2020
(Expressed in Canadian Dollars)
(Unaudited)

Notice to Reader

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

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

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

SONORO GOLD CORP.

(Formerly Sonoro Metals Corp.)

(An Exploration Stage Company)

Condensed interim consolidated statements of financial position

(Expressed in Canadian Dollars) (Unaudited)

As at	Note	March 31, 2021	December 31, 2020
Assets			
Current assets			
Cash and cash equivalents		\$ 397,791	\$ 2,310,411
Receivable		68,891	51,273
Prepaid expenses		20,270	39,783
		486,952	2,401,467
Non-current assets			
VAT receivables		1,087,067	915,077
Exploration and evaluation assets	5	2,792,305	2,337,687
		\$ 4,366,324	\$ 5,654,231
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	6	\$ 213,513	\$ 146,111
Due to related parties	7	16,540	22,017
Loans payable	8	357,339	59,727
		587,392	227,855
Shareholders' equity			
Share capital	9	16,837,074	16,837,074
Share-based payment reserve	9	1,545,719	1,462,819
Share subscriptions receivable	9	(40,500)	(40,500)
Share subscriptions		259,000	-
Deficit		(14,822,361)	(12,833,017)
		3,778,932	5,426,376
		\$ 4,366,324	\$ 2,310,411

Approved on behalf of the Board:

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

Stephen Kenwood, Director

Ken MacLeod, Director

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

SONORO GOLD CORP.

(Formerly 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	2021	2020
Operating expenses			
Consulting fees	7	\$ 185,204	\$ 173,938
Exploration expenditures	5	1,297,054	67,245
Legal and audit		16,545	38,348
Office and administration		53,657	22,093
Share-based payments	7,9	82,900	273,600
Transfer agent and filing fees		24,786	7,060
Travel and promotion		271,741	93,407
		(1,931,887)	(675,691)
Other income (expenses)			
Interest income		963	127
Interest expense	8	(6,000)	(9,991)
Foreign exchange gain (loss)		(52,420)	(96,670)
		(57,457)	(106,534)
Loss and comprehensive loss for the year		\$ (1,989,344)	\$ (782,225)
Basic and diluted loss per share		\$ (0.02)	\$ (0.02)
Weighted average number of shares outstanding		85,077,285	41,747,869

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SONORO GOLD CORP.

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Condensed interim consolidated statements of comprehensive loss

(Expressed in Canadian Dollars) (Unaudited)

	Note	Share Capital		Share-Based Payment Reserve	Subscription Received	Subscription Receivable	Deficit	Shareholders' Equity
		Shares	Amount					
Balance, December 31, 2019		42,469,317	\$ 8,139,909	\$ 140,489	\$ -	\$ -	\$ (7,184,438)	\$ 1,095,960
Share-based payments	7, 9	-	-	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
Balance, December 31, 2020		85,077,285	\$ 16,837,074	\$ 1,462,819	\$ -	\$ (40,500)	\$ (12,833,017)	\$ 5,426,376
Subscriptions received in advance		-	-	-	259,000	-	-	259,000
Share-based payments	7, 9	-	-	82,900	-	-	-	82,900
Net loss for the period		-	-	-	-	-	(1,989,344)	(1,989,344)
Balance, March 31, 2021		85,077,285	\$ 16,837,074	\$ 1,545,719	\$ 259,000	\$ (40,500)	\$ (14,822,361)	\$ 3,778,932

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Condensed interim consolidated statements of comprehensive loss

(Expressed in Canadian Dollars) (Unaudited)

For the three months ended March 31	2021	2020
Operating Activities		
Net loss	\$ (1,989,344)	\$ (782,225)
Items not involving cash		
Share-based payments	82,900	273,600
Foreign exchange	(2,388)	13,789
Changes in non-cash working capital		
VAT receivables	(171,990)	15,071
Receivables	(17,618)	-
Prepaid expenses	19,513	8,276
Accounts payable and accrued liabilities	67,402	(563,103)
Due to related parties	(5,478)	16,299
Cash Used in Operating Activities	(2,017,003)	(1,018,293)
Investing Activities		
Expenditures on exploration and evaluation assets	(454,617)	(180,467)
Cash Used in Investing Activities	(454,617)	(180,467)
Financing Activities		
Proceeds from subscriptions received	259,000	-
Loans payable – related parties	300,000	160,550
Cash Provided by Financing Activities	559,000	160,550
Outflow of Cash and Cash Equivalents	(1,912,620)	(1,038,210)
Cash and Cash Equivalents, Beginning of Period	2,310,411	1,074,652
Cash and Cash Equivalents, End of Period	\$ 397,791	\$ 36,442
Cash and Cash Equivalents Consists of		
Cash	\$ 397,791	\$ 10,916
Term deposit	-	25,526
	\$ 397,791	\$ 36,442
Supplemental Disclosure with Respect to Cash Flows		
Interest received	\$ 963	\$ 847
Interest paid/accrued	\$ 6,000	\$ 3,911

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SONORO GOLD CORP.

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Notes to the condensed interim consolidated financial statements

For the three months ended March 31, 2021 and 2020

(Expressed in Canadian Dollars) (Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

Sonoro Gold Corp., formerly 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 “SGO”.

The head office, registered address and records office of the Company are located at suite 408 – 470 Granville Street, Vancouver, British Columbia, Canada, V6C 1V5.

The Company has no source of revenue and has significant cash requirements to meet its administrative overhead and to finance mineral property acquisitions and future exploration. The Company does not generate cash flow from operations to adequately fund its activities and has therefore relied principally upon the issuance of securities for financing. The Company will be required to and intends to continue relying upon the issuance of securities to finance its future activities, but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company. The Company incurred a net loss of \$1,989,344 during the three months ended March 31, 2021 (2020 - \$782,225) and has an accumulated deficit of \$14,822,361 (December 31, 2020 - \$12,833,017) as at March 31, 2020. As at March 31, 2021, the Company had a working capital deficit of \$100,441 (working capital on December 31, 2020 - \$2,173,612) 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.

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 Company 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.

The Board of Directors approved these consolidated financial statements for issue on May 27, 2021.

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, 2020 (“Annual Financial Statements”), which have been prepared in accordance with IFRS.

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2. BASIS OF PREPARATION (Continued)

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.

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 condensed interim 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, 2020 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, 2021.

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4. FINANCIAL INSTRUMENTS

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

Fair value

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

Credit risk

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

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

	March 31, 2021	December 31, 2020
Cash and cash equivalents held at major Canadian financial institutions	\$ 349,861	\$ 1,887,635
Cash held at major Mexican financial institutions	47,930	422,776
Total cash and cash equivalents	\$ 397,791	\$ 2,310,411

As at March 31, 2021, the Company held a 60 day term deposit of \$nil (December 31, 2020 – US \$250,000 earning interest of 3.17% per year).

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company had working capital deficit at March 31, 2021 in the amount of \$100,441 (working capital on December 31, 2020 – \$2,173,612).

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4. FINANCIAL INSTRUMENTS (Continued)

Market risk

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

(a) Interest rate risk

The Company's cash and cash equivalents consist of cash held in bank accounts. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of December 31, 2020 and 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.

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, 2021 and December 31, 2020, 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, 2021		
	MXN	USD
Cash	\$ 265,017	\$ 55,051
VAT receivable	17,438,475	-
Prepaid expenses	17,660	-
Accounts payable and accrued liabilities	(1,683,834)	-
Loans	(405,118)	(23,440)
Total	15,632,199	31,611
Canadian dollar equivalent	\$ 961,068	\$ 39,751

December 31, 2020		
	MXN	USD
Cash	\$ 5,252,702	\$ 75,731
VAT receivable	14,055,695	-
Prepaid expenses	17,660	-
Accounts payable and accrued liabilities	(1,787,862)	-
Loans	(405,118)	(23,440)
Total	17,133,077	52,291
Canadian dollar equivalent	\$ 1,097,202	\$ 66,577

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4. FINANCIAL INSTRUMENTS (Continued)

Market risk (Continued)

(b) Foreign currency risk (continued)

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, 2021 by approximately \$103,000 (December 31, 2020 - \$115,000).

(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.

5. EXPLORATION AND EVALUATION ASSETS

	Cerro Caliche	San Marcial	Total
December 31, 2019	1,078,446	353,649	1,432,095
Acquisition costs	905,592	-	905,592
Disposition of mineral properties	-	-	-
December 31, 2020	1,984,038	353,649	2,337,687
Acquisition costs	454,617	-	454,617
Disposition of mineral properties	-	-	-
March 31, 2021	\$ 2,438,656	\$ 353,649	\$ 2,792,305

During the three months ended March 31, 2021, the Company incurred the following exploration expenditures:

	Cerro Caliche
Field expenses	\$ 225,615
Drilling	506,341
Geological fees	203,505
Assays	196,679
Consulting	5,759
Laboratory	132,955
Administration	701
Travel expenses	4,233
Concession taxes	15,709
Geological data	5,557
	\$ 1,297,054

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5. EXPLORATION AND EVALUATION ASSETS (continued)

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

(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)
January 23, 2018 (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 (paid) (amended as per discussion below)
April 30, 2020	US\$120,000 (paid) (amended as per discussion below)
July 23, 2020	US\$200,000 (paid)
January 23, 2021	US\$200,000 (paid)
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.

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5. EXPLORATION AND EVALUATION ASSETS (Continued)

(a) Cerro Caliche Property (continued)

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), which included a US\$5,000 incentive payment and an additional US\$140,000 by March 31, 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 (paid) by April 3, 2020 and US\$120,000 by April 30, 2020.

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 (paid) by June 30, 2020.

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

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

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

On signing	US\$60,000 (paid)
March 14, 2019	US\$75,000 (paid)
March 14, 2020	US\$90,000 (paid)
March 14, 2021	US\$150,000 (paid)
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.

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.

In July 2020, MMP entered into a second amendment agreement with the Rosario Vendor to pay the US\$55,000 amount due by June 30, 2020 to be split such that MMP will pay US\$10,000 (paid) by July 10, 2020 and US\$45,000 by August 31, 2020 (paid).

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5. EXPLORATION AND EVALUATION ASSETS (Continued)

(a) Cerro Caliche Property (continued)

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

On signing	US\$14,444 (paid)
November 2, 2018	US\$14,444 (paid)
May 2, 2019	US\$14,444 (paid)
November 2, 2019	US\$14,444 (paid)
May 2, 2020	US\$14,444 (paid)
November 2, 2020	US\$14,444 (paid)
May 2, 2021	US\$14,444 (Note 12)
November 2, 2021	US\$14,444
May 2, 2022	US\$14,444

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 (paid in July 2020).

On August 10, 2018, the Company entered into an option agreement to acquire a 100% interest in the El Colorado concessions, which are located within the perimeter of the Cerro Caliche concessions. To exercise the option the Company must make payments totaling US\$100,000, of which US\$50,000 (\$63,810) 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 were 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 (paid)

In September 2020, the Company acquired the 100% interest in Cabeza Blanca concession by making the US\$70,000 payment due on October 5th, 2020 and secured 100% title to the concession through execution of an "Assignment of Title to Mining Concession Agreement."

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5. EXPLORATION AND EVALUATION ASSETS (Continued)

(a) Cerro Caliche Property (continued)

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, 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 a period of seven years at 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

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

In September 2012, Breco entered into an option agreement with certain vendors (the "Vendors") whereby Breco acquired a 100% interest in an additional concession that is contiguous to the San Marcial project for cash payments of US \$180,000 made between September 2012 to September 2017. The San Marcial concession is subject to a 2% NSR, which may be purchased for US\$750,000 at the Company's election.

(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.

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5. EXPLORATION AND EVALUATION ASSETS (Continued)

(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.

(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.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	March 31, 2021	December 31, 2020
Trade payables	\$ 172,794	\$ 103,391
Accrued liabilities	40,720	42,720
Total	\$ 213,514	\$ 146,111

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

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7. RELATED PARTY TRANSACTIONS

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,	
	2021	2020
Consulting fees	\$ 136,900	\$ 120,000
Share-based payments	7,750	186,750
	\$ 144,650	\$ 306,750

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

In May 2020, the Board of Directors reapproved executive compensation plans (“ECPs”) for the Chief Executive Officer (“CEO”) and Executive Chairman (“EC”) of the Company for a three year term starting from May 1, 2020. Pursuant to the ECPs the CEO and EC are entitled to additional bonuses at the discretion of the Board of Directors. In the event of termination without cause or under change of control provisions, the CEO and EC are entitled to a one-time lump sum payment equivalent to 24 months of the officer’s then-current annual fees within 5 business days from the date of the termination notice.

In May 2020, the Board of Directors reapproved the compensation plan for an officer of the Company for a three-year term starting from May 1, 2020. Pursuant to the compensation plan, the officer is entitled to additional bonuses at the discretion of the Board of Directors. In the event of termination without cause or under change of control provisions, the officer is entitled to a one-time lump sum payment equivalent to 12 months of the officer’s then-current annual fees, within 5 business days from the date of the termination notice.

At March 31, 2021, \$16,540 (December 31, 2020 - \$22,017) is owing to related parties without interest and is payable on demand.

8. LOANS PAYABLE

During the three months ended March 31, 2021, the Company issued promissory notes to related parties in the amount of \$300,000 with 10% interest (December 31, 2020 - \$770,670 with annual interest rates ranging from 8% to 10%). Promissory notes of \$992,240 and interest of \$89,256 were repaid during the year ended December 31, 2020. As at March 31, 2021, the balance owing was \$357,339 (December 31, 2020 - \$59,727), of which \$332,823 is owed to related parties, bears no interest, and is due on demand. (Note 12)

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9. SHARE CAPITAL AND RESERVES

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued

The Company did not issue any shares during the three months ended March 31, 2021.

- i. In October 2020, warrant holders exercised the remaining balance of 2,980,000 warrants with an exercise price of \$0.15 per share, which were to expire in October 2020, for gross proceeds of \$447,000 of which \$40,500 remains outstanding as of March 31, 2021. The 270,000 shares relating to the outstanding amount of \$40,500 are held in treasury by the Company.
- ii. In September, 2020, 245,000 warrants with an exercise price of \$0.15 were exercised for gross proceeds of \$36,750.
- iii. 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 connection with the offering, the Company entered into finder's fee agreements pursuant to which the Company paid to each arm's length finder: (i) at the election of the finder, either a cash finder's fee or units equal to 7% of the gross proceeds raised from subscribers introduced to the Company by the finder and (ii) such number of non-transferable finder's warrants (the "Finder's Warrants") equal to 7% of the gross proceeds raised from subscribers introduced to the Company by the finder. Each Finder's Warrant entitles the finder to purchase one common share in the capital of the Company at a price of \$0.30 for a period of three years following the closing of the offering. The Company paid total cash finder's fee of \$66,228 to seven arm's length finders and issued 1,043,802 units and 1,329,157 non-transferrable Finder's Warrants to an arm's length finder. The fair value of the finder's warrants was \$162,000 which has been recorded as share-based payment reserve.

- iv. In August, 2020, warrant holders exercised 275,000 warrants with an exercise price of \$0.15 per share for gross proceeds of \$41,250.
- v. In August 2020, 200,000 options with an exercise price of \$0.16 were exercised for gross proceeds of \$32,000. Upon exercise, \$15,720 was allocated to share capital from share-based payment reserve.
- vi. In August 2020, 900,000 options with an exercise price of \$0.15 were exercised for gross proceeds of \$135,000. Upon exercise, \$81,000 was allocated to share capital from share-based payment reserve.
- vii. In July, 2020, warrant holders exercised 600,528 warrants with an exercise price of \$0.27 per share for gross proceeds of \$162,643.

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9. SHARE CAPITAL AND RESERVES (Continued)

(b) 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, 2021		December 31, 2020	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	7,565,000	\$ 0.15	1,185,000	\$ 0.12
Granted	535,000	0.24	7,790,000	0.17
Expired	(150,000)	0.16	(235,000)	0.16
Exercised*	-	0.15	(1,100,000)	0.14
Cancelled	-	0.21	(75,000)	0.16
Balance, end of period	7,950,000	\$ 0.24	7,565,000	\$ 0.15

*The weighted average market price on the dates the shares were exercised was \$0.28 per share.

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, 2023. The fair value of \$273,600 is included in net loss for year ended December 31, 2020.

On August 26, 2020, the Company granted incentive stock options to directors, officers and consultants of the Company entitling them to purchase 4,200,000 common shares at a price of \$0.30 per share for a period of three years vesting 100% on the date of grant and expiring August 26, 2023. The fair value of \$865,200 is included in net loss for the year ended December 31, 2020.

On September 4, 2020, the Company granted incentive stock options to directors, officers and consultants of the Company entitling them to purchase 550,000 common shares at a price of \$0.30 per share for a period of three years vesting 100% on the date of grant and expiring September 4, 2023. The fair value of \$118,250 is included in net loss for the year ended December 31, 2020.

On January 25, 2021, the Company granted stock options to officers, directors and consultants to purchase up to 535,000 common shares at an exercise price of \$0.30 until January, 2024. The options are fully vested as of the grant date.

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9. SHARE CAPITAL AND RESERVES (Continued)

(b) Stock options (continued)

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, 2021		March 31, 2020	
	Options	Warrants	Options	Warrants
Risk-free interest rate	0.38%	n/a	1.69%	n/a
Expected dividend yield	0.00	n/a	0.00	n/a
Expected stock price volatility	126.74%	n/a	121.84%	n/a
Expected life in years	3.00	n/a	3.00	n/a
Weighted average fair value	\$0.16	n/a	\$0.09	n/a

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

Expiry Date	Exercise Price	March 31, 2021	December 31, 2020
July 28, 2022	\$ 0.12	200,000	200,000
May 31, 2023	\$ 0.15	200,000	200,000
February 11, 2021	\$ 0.17	-	150,000
December 9, 2021	\$ 0.16	200,000	200,000
January 10, 2023	\$ 0.15	2,140,000	2,140,000
August 26, 2023	\$ 0.30	4,200,000	4,200,000
September 4, 2023	\$ 0.30	550,000	550,000
January 25, 2021	\$ 0.30	535,000	-
		7,950,000	7,565,000

The weighted average remaining contractual life for the outstanding options at March 31, 2021 is 2.19 (December 31, 2020 – 2.35) years.

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9. SHARE CAPITAL AND RESERVES (Continued)

(c) Warrants

The Company's warrant activity for the year ended December 31, 2020 is as follows:

	Number of Financing Warrants	Number of Finders Warrants	Weighted Average Exercise Price \$
December 31, 2019	7,391,054	273,191	0.22
Issued	36,363,638	2,372,959	0.30
Exercised	(4,100,528)	-	0.17
Expired	(3,290,526)	(273,191)	0.27
December 31, 2020 and March 31, 2021	36,363,638	2,372,959	0.30

The following summarizes information on the number of warrants outstanding:

Expiry Date	Exercise Price	March 31, 2021 and December 31, 2020
August 12, 2023	\$ 0.30	38,736,597

10. SEGMENTED INFORMATION

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

As at March 31, 2021

	<u>Exploration and Evaluation Assets</u>	<u>VAT receivable</u>	<u>Total</u>
Mexico	\$ 2,792,305	\$ 1,017,884	\$ 3,864,189

As at December 31, 2020

	<u>Exploration and Evaluation Assets</u>	<u>VAT receivable</u>	<u>Total</u>
Mexico	\$ 2,337,687	\$ 915,077	\$ 3,242,764

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11. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

In June 2020, the Company entered into a commercial property lease commencing on July 1, 2020 and expiring on November 29, 2021.

The Company has entered into option agreements to acquire certain exploration properties in Mexico. For the option agreements to remain in good standing, the Company is committed to making periodic payments. (Note 5)

12. EVENTS AFTER THE REPORTING PERIOD

- a. In April 2021, the Company repaid loans in the amount of \$300,000 and related interest. (Note 8)
- b. In April 2021, the Company closed a non-brokered private placement offering of 17,283,586 units at \$0.18 per unit for proceeds of \$3,111,045. 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 two years from the closing date at an exercise price of \$0.30 per share.

In connection with the offering, the Company entered into finder's fee agreements pursuant to which the Company paid to each arm's length finder:

- (i) at the election of the finder, either a cash finder's fee or units equal to 7% of the gross proceeds raised from subscribers introduced to the Company by the finder, and
- (ii) such number of non-transferable finder's warrants equal to 7% of the gross proceeds raised from subscribers introduced to the Company by the finder. Each finder's warrant entitles the finder to purchase one common share in the capital of the Company at a price of \$0.30 for a period of two years following the closing of the offering.

In total the company paid \$26,406 in finder's fees, 9,722 in finder's units and 167,922 in nontransferable finder's warrants.

- c. In May 2021, the Company granted 2,000,000 stock options to certain directors, officers and consultants exercisable for a period of up to two years from the date of grant at a price of \$0.30 per share.
- d. In May 2021, the Company paid the Tres Amigos concession payment of US\$ 14,444 and surface access lease annual payment of US\$ 48,000. (Note 5)