

SONORO METALS CORP.

(An Exploration Stage Company)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

Suite 1430 – 800 West Pender St Vancouver, BC, V6C 2V6

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1.0 INTRODUCTION

This Management's Discussion and Analysis ("MD&A") includes financial information from, and should be read in conjunction with, Sonoro Metals Corp (the "Company" or "Sonoro") unaudited condensed interim consolidated financial statements and notes thereto for the three and nine months ended September 30, 2018 and audited consolidated financial statements and notes thereto for the year ended December 31, 2017. This MD&A was prepared with information available to November 29, 2018. Additional information and disclosure relating to the Company can be found on SEDAR at www.sedar.com.

2.0 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:

- the 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;

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- 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.

3.0 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 "SMO".

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.

4.0 HIGHLIGHTS

- On January 23, 2018 the Company entered into an option agreement to acquire a 100% interest in the Cerro Caliche Group of Concessions located in the municipality of Cucurpe, in northern Sonora state, Mexico for total consideration of US\$2,977,000 payable in instalments. Refer to Project updates for further information.
- On March 14, 2018, the Company entered into an option agreement to acquire a 100% interest in the Rosario Group of Concessions located in the municipality of Cucurpe, in northern Sonora state, Mexico for total consideration of US\$1,600,000 payable in instalments. Refer to Project updates for further information.
- On May 29, 2018, the Company entered into an option agreement to acquire a 100% interest in the Tres Amigos concession in Sonoro, Mexico for total consideration of US\$130,000 payable in instalments. Refer to Project updates for further information.
- 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 currently being explored by the Company.
- As at September 30, 2018, the Company had working capital of \$345,071.
- On October 30, 2018, the Company closed a non-brokered private placement for gross proceeds of \$500,000.

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5.0 PROJECT UPDATES

Cerro Caliche Group of Concessions

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 as follows:

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

* Included in prepaid expenses at December 31, 2017.

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

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.

Subsequent to September 30, 2018, the Company initiated a 10,000 meter drill program on the Cerro Caliche concessions. Initial drill results were announced in a news release dated November 9, 2018.

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 as follows:

On signing	US\$60,000 (paid)
March 14, 2019	US\$75,000
March 14, 2020	US\$90,000
March 14, 2021	US\$150,000
March 14, 2022	US\$300,000
March 14, 2023	US\$375,000
March 14, 2024	US\$550,000

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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 concession in Sonoro, Mexico. 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, as follows:

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

On August 10, 2018, the Company entered into an option agreement to acquire a 100% interest in the El Colorado concessions, which are located within the perimeter of the Cerro Caliche concessions currently being explored by the Company. The Company can acquire its 100% interest in the El Colorado concessions by paying US\$100,000, of which US\$50,000 (\$63,810) has been paid and the balance is due six months from the signing of the agreement.

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 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 plans to perform 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.

Gold mines in the Megashear have produced over 10 million ounces with about 25 million ounces remaining in resources. 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 (Timmins Gold).

In 2015, the Company initiated exploration at San Marcial with a Phase 1 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

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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. These samples were previously collected by the former owner and analyzed at commercial laboratories, but do not represent a resource.

Sale of Chipriona, Santa Clara and Los Pinos

On December 13, 2016, through its wholly owned subsidiary, MMP, the Company entered into an assignment agreement (the "Agreement") with Agnico Sonoro, S.A. de C.V. ("Agnico") for the sale of the Company's Chipriona Group of Concessions (the "Properties"), and the obligations of the relating underlying royalties, for \$4 million plus a 1% net smelter return royalty ("NSR"). The NSR may be purchased by Agnico at any time for \$1.5 million.

Per the agreement, the consideration was to be paid by Agnico in four tranches, with an initial instalment of \$650,000 (received December 2016) payable upon execution of the Agreement. Three additional payments of \$650,000 (received), \$800,000 (received) and \$1,900,000 (received), respectively, were due and payable following registration of title at Mexico's Public Registry of Mining, commencing with the registration of title from the original vendors through final registration under Agnico.

On June 1, 2017, the transaction closed and Agnico advanced the remaining balance of \$3,350,000 in cash and a gain from the sale of properties of \$2,433,162 was recognized plus taxes payable of \$725,270.

Hilltop Property

On June 12, 2015, the Company entered into a Definitive Agreement with Northern Empire Resources Corp. ("Northern Empire") that grants the Company the option to earn a 60% interest in Northern Empire's Hilltop Gold project ("Hilltop") located in Alaska, USA. Northern Empire holds a 100% interest in Hilltop within the broader Richardson Gold District (excluding placer gold). To exercise the option and earn its 60% interest in Hilltop, the Company must incur expenditures of C\$3,000,000 on exploration activities at Hilltop and the issuance of 1,000,000 Sonoro shares to Northern Empire prior to December 31, 2019. During the term of the option, Northern Empire will be the operator of the project.

Hilltop is an exploration stage gold project located 70 km southeast of Fairbanks, Alaska and 70 km northwest of Delta Junction in east-central interior Alaska. Gold producers in the region are Sumitomo's Pogo mine (4.973 million ounces at 12.5 g/t gold; http://www.sumitomocorp.co.jp/files/topics/25649_ext_31_en_0.pdf) located 75 km to the east and Kinross's Fort Knox mine (3.8 million ounces at 0.45 g/t gold; <http://www.kinross.com/operations/operation-fort-knox-alaska-usa.aspx>) located 135 km to the north.

The 31,720 acre (12,836 hectare) Hilltop property is bordered on the south by the all-weather and paved Richardson Highway. In addition, Hilltop is proximal to high power electrical transmission lines and the Trans-Alaska Pipeline. Access into the interior of the property from the Richardson Highway is via a new system of logging roads and trails which makes most points within Hilltop accessible for exploration activities.

To view a map and detailed description of the Hilltop Gold Project, please visit the Sonoro website at: <http://sonorometals.com/projects/usa/hilltop/>

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Geologic Description

The Hilltop Project is located 70 km ESE of Fairbanks Alaska and sits within the boundaries of the Yukon Tanana Terrain (YTT) which extends from West-Central Alaska well into the Yukon. The YTT consists of deformed and variably metamorphosed mid Paleozoic and older sedimentary, volcanic and plutonic rocks intruded by Mid-Cretaceous and early Tertiary plutonic and minor volcanic rocks. Locally, the Hilltop Project sits within the 40 km long, northwest trending Richardson Gneiss Dome which is cored by a central migmatite, mantled by gneiss and surrounded by lithologically equivalent schist (Noyes et al., 2006).

Bedrock at Hilltop is dominated by a flat lying, broadly folded quartz dominated muscovite-sericite-biotite schist. Within trenches this schist varies from muscovite sericite to quartz-muscovite biotite to quartzite. Metamorphic grade is upper greenschist. Folding here is low amplitude with wavelengths from 0.5 m to 2 m. Quartz veins are common, flat-lying and conformable to the schist foliation ranging in thickness from 2 cm to 0.4 m. Local steeply dipping and cross cutting quartz veins to 1 m in width have been mapped and sampled within trench boundaries.

Within the property boundaries other lithologies found include quartz-feldspar porphyry, massive quartzite, graphite schist and quartz boulders.

Calera Group of Concessions

On November 1, 2017, the Company through its wholly owned Mexican subsidiary, MMP, entered into an option agreement (the "Calera Option Agreement") with a resident of Magdalena de Kino, Sonora, Mexico (the "Calera Vendor"), to acquire a 100% interest (the "Calera Option") in the Calera Group of Concessions ("Calera") located in the municipality of Cucurpe, in northern Sonora state, Mexico.

The Calera Option Agreement provides for the Company to acquire a 100% interest in Calera over a 72-month period for total consideration of US\$1,000,000 payable in installments as follows:

November 1, 2017	US\$25,000* (paid)
November 1, 2018	US\$50,000
May 1, 2019	US\$30,000
November 1, 2019	US\$30,000
May 1, 2020	US\$50,000
November 1, 2020	US\$50,000
May 1, 2021	US\$100,000
November 1, 2021	US\$100,000
May 1, 2022	US\$125,000
November 1, 2022	US\$125,000
May 1, 2023	US\$150,000
November 1, 2023	US\$150,000

* Plus reimbursement of property taxes to a maximum of US\$15,000 (paid).

Following exercise of the Calera Option, the Calera Vendor will be entitled to a 2% net smelter returns royalty ("Calera NSR") from the proceeds of the sale of minerals from the Calera project. The Company has been granted an option to purchase the Calera NSR for US\$650,000 at any time.

The Calera project consists of four concessions covering 144 hectares within the Cucurpe Sonora mega-district. The Cucurpe mega-district includes Premier Gold Mines' Mercedes gold mine, Goldgroup Mining's Cerro Prieto gold mine, Agnico Eagle's recently purchased Santa Gertrudis gold mine, and other nearby gold mineralized prospect areas.

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Subsequent to September 30, 2018, the Company cancelled the Calera option to purchase agreement.

6.0 RESULTS OF OPERATIONS

Three months ended September 30, 2018, compared to the three months ended September 30, 2017,

The Company recorded a net loss and comprehensive loss of \$296,649 (\$0.01 loss per common share) for the three months ended September 30, 2018 (the “current quarter”) compared to net loss and comprehensive loss of \$343,172 (\$0.01 loss per common share) during the three months ended September 30, 2017 (the “comparative quarter”), a decrease of \$46,523, as explained in the following paragraphs.

- Consulting fees were \$36,731 lower in the current quarter (\$77,528) when compared to the comparative quarter (\$114,259), which is the result of bonuses being included in the comparative quarter that were not incurred in the current quarter.
- Legal and audit fees were \$22,142 lower in the current quarter (\$12,953) when compared to the comparative quarter (\$35,095). The Company incurred additional legal fees in the comparative quarter as a result of increasing its business activity in Mexico.
- Exploration expenditures were \$188,357 higher in the current quarter (\$202,336) when compared to the comparative quarter (\$13,979), which is a result of the Company substantially increasing exploration activities on its mineral properties in Mexico.
- Share-based payments were \$117,720 lower in the current period (\$nil) when compared to the comparative period (\$117,720). The decrease is the result of 200,000 options being granted and having vested in the comparative period.
- Travel and promotion expenses were \$9,425 higher in the current quarter (\$22,745) when compared to the comparative quarter (\$13,320). The increase is the result of increased travel to Mexico and additional promotional activities.
- Interest income was \$19,278 higher in the current quarter (\$19,343) when compared to the comparative quarter (\$65). The increase is the result of a significantly larger cash balance throughout the current quarter earning an average interest rate between 6-7% on balances held in Mexico.

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Nine months ended September 30, 2018, compared to the nine months ended September 30, 2017,

The Company recorded a net loss and comprehensive loss of \$868,397 (\$0.04 loss per common share) for the nine months ended September 30, 2018 (the "current period") compared to net income and comprehensive income of \$1,589,420 (\$0.07 gain per common share) during the nine months ended September 30, 2017 (the "comparative period"), a decrease of \$2,457,817, as explained in the following paragraphs.

- Consulting fees were \$192,212 lower in the current period (\$229,436) when compared to the comparative period (\$421,648), which is the result of bonuses being included in the comparative period and fewer consultants being engaged in current period.
- Exploration expenditures were \$309,441 higher in the current period (\$365,493) when compared to the comparative period (\$56,052), which is a result of the Company substantially increasing exploration activities on its mineral properties in Mexico.
- Travel and promotion expenses were \$48,075 higher in the current period (\$83,435) when compared to the comparative period (\$35,360). The increase is the result of increased travel to Mexico and additional promotional activities.
- Share-based payments were \$95,680 lower in the current period (\$22,040) when compared to the comparative period (\$117,720). The decrease is the result of fewer options being granted and having vested in the current period.
- Interest income was \$57,358 higher in the current period (\$57,553) when compared to the comparative period (\$195). The increase is the result of a significantly larger cash balance throughout the current period earning an average interest rate between 6-7% on balances held in Mexico.
- Gain on disposition of mineral property was \$2,433,162 lower in the current period (\$nil) when compared to the comparative period (\$2,433,162), which is a result of the Company closing the sale of La Chipriona, Santa Clara and Los Pinos to Agnico in the comparative period.

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7.0 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.

	Sept 30, 2018	Jun 30, 2018	Mar 31, 2018	Dec 31, 2017
Total revenues (Interest income)	\$19,343	\$19,781	\$18,429	\$ 2,198
Income (Loss) for the quarter	(\$296,649)	(\$411,049)	(\$160,699)	(\$997,743)
Income (Loss) for the quarter per share	(\$0.01)	(\$0.02)	(\$0.01)	(\$0.05)

	Sept 30, 2017	Jun 30, 2017	Mar 31, 2017	Dec 31, 2016
Total revenues (Interest income)	\$ -	\$ -	\$ 65	\$ 36
Loss for the quarter	(343,172)	2,086,215	(\$153,623)	(\$150,444)
Loss for the quarter per share	(\$0.01)	\$0.09	(\$0.01)	(\$0.01)

The Company only earns interest income from its cash and cash equivalents, which will vary from period to period depending on their relative balances.

8.0 LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2018, the Company had working capital of \$345,071 (December 31, 2017 – \$1,533,791).

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.

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9.0 SHARE CAPITAL AND DISCLOSURE OF OUTSTANDING SHARE DATA

At September 30, 2018, the authorized share capital was an unlimited number of common shares and there were 24,777,586 common shares issued and outstanding

Stock Options and Warrants

The following summarizes information on the number of stock options outstanding as at September 30, 2018:

Expiry Date	Exercise Price	September 30, 2018	December 31, 2017
April 7, 2019	\$ 0.20	225,000	225,000
December 17, 2019	\$ 0.10	842,500	842,500
July 29, 2022	\$ 0.12	1,200,000	1,200,000
May 31, 2023	\$ 0.15	200,000	-
		2,467,500	2,267,500

As at September 30, 2018, the Company had \$nil share purchase warrants outstanding.

As at the date of this MD&A, the Company's fully diluted shares outstanding is as follows:

Common shares	30,467,586
Options	3,037,500
Warrants	5,000,000
Fully diluted shares outstanding	38,505,086

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10.0 TRANSACTIONS WITH RELATED PARTIES

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

At September 30, 2018, \$18,825 (December 31, 2017 - \$3,590) is owing to related parties without interest and is payable on demand.

Compensation of key management

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

	For the three months ended September 30		For the nine months ended September 30	
	2018	2017	2018	2017
Short-term employment benefits	\$ 52,500	\$ 160,838	\$ 157,500	\$ 310,838
Total	\$ 52,500	\$ 160,838	\$ 157,500	\$ 310,838

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

11.0 OFF-BALANCE SHEET ARRANGEMENTS

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

12.0 PROPOSED TRANSACTIONS

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

13.0 CONTRACTUAL OBLIGATIONS

The Company has no commitments, material capital lease agreements and no material long term obligations other than what has been previously stated in this MD&A.

14.0 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

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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.

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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

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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.

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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, 2017. 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.

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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.

15.0 CRITICAL ACCOUNTING ESTIMATES

The preparation of the condensed interim consolidated financial statements requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reported periods. Significant assumptions about the future and other sources of estimation uncertainty that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Critical accounting estimates

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

Share-based payments

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

Recovery of deferred tax assets

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

Critical accounting judgments

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

Exploration and evaluation assets

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

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Assets held for sale

Judgment is required in determining whether an asset meets the criteria for classification as “assets held for sale” in the consolidated statements of financial position. Criteria considered by management include the existence of and commitment to a plan to dispose of the assets, the

expected selling price of the assets, the expected timeframe of the completion of the anticipated sale and the period of time any amounts have been classified within assets held for sale. The Company reviews the criteria for assets held for sale each quarter and reclassifies such assets to or from this financial position category as appropriate. In addition, there is a requirement to periodically evaluate and record assets held for sale at the lower of their carrying value and fair value less costs to sell. Management has evaluated the expected fair value less costs to sell and determined that it is higher than the carrying value, based on an offer to purchase the asset.

Functional currency

The Company applies judgment in assessing the functional currency of each entity consolidated in these condensed interim consolidated financial statements, including determinations of whether each entities functional currency is impacted by the direction of the Canadian head office, or local market forces.

Going concern

The assessment of the Company’s ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

16.0 CHANGES IN ACCOUNTING POLICIES AND FUTURE ACCOUNTING STANDARDS

Adoption of new accounting policies

The following accounting standard has been adopted as at January 1, 2018 in accordance with the transitional provisions outlined in the respective standards.

IFRS 9 - Financial Instruments

The final version of IFRS 9, Financial Instruments, was issued in July 2014 to replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. Classification is determined at initial recognition in one of the following categories: fair value through profit and loss (“FVTPL”), fair value through other comprehensive income (“FVOCI”) or at amortized cost. In addition, the standard amended some of the requirements of IFRS 7, Financial Instruments: Disclosures, including the requirement for added disclosures about investments in equity instruments measured at FVOCI and guidance on financial liabilities and derecognition of financial instruments. The Company adopted the standard on January 1, 2018. Retrospective application was required, but there was no requirement to restate comparative periods disclosed.

The Company has assessed the classification and measurement of its financial assets and financial liabilities under IFRS 9 and have summarized the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 in the following table:

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	Measurement Categories	
	IAS 39	IFRS 9
Cash and cash equivalents	Amortized cost	Amortized cost
Receivables	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Due to related parties	Amortized cost	Amortized cost

The adoption of IFRS 9 resulted in no impact to the Company's financial statements.

The following is the new accounting policy for financial instruments under IFRS 9:

Financial instruments

The Company recognizes financial assets and liabilities on the balance sheet when the Company becomes party to the contractual provisions of the instrument.

Cash and cash equivalent

Cash and cash equivalent includes cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalent is classified and measured at amortized cost.

Receivable and accounts payable and accrued liabilities

Receivable and accounts payable and accrued liabilities are non-interest bearing and are initially measured at fair value, subsequently recorded at amortized cost which approximates fair value due to the short term to maturity. Receivable are classified as financial assets measured at amortized cost and accounts payable and accrued liabilities are classified as financial liabilities measured at amortized cost.

Equity investments

Equity investments in entities that are not subsidiaries, joint ventures or investments in associates are designated FVTPL unless they are irrevocably designated, on an individual basis, as FVOCI. These investments are measured at fair value on acquisition and at each reporting date. Any unrealized holding gains, and losses related to long-term investments designated as FVOCI are excluded from the consolidated statement of loss and comprehensive loss and are included in other comprehensive income ("OCI"). Upon disposal, any accumulated gains and losses remain in equity.

Impairment of financial assets

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, management measure the loss allowance for the financial asset at an amount equal to twelve month expected credit losses.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

Derecognition of financial assets

Financial assets are derecognized when the investments mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized within other non-operating income. Accumulated gains or losses on financial assets classified as FVOCI remain within accumulated other comprehensive income.

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New accounting standards issued but not yet effective

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

IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 *Leases*.

Applicable to the Company's annual period beginning on January 1, 2019.

17.0 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, 2018	December 31, 2017
Cash and cash equivalents held at major Canadian financial institutions	\$ 131,678	\$ 370,355
Cash held at major Mexican financial institutions	898,989	1,841,240
Total cash and cash equivalents	\$ 1,030,667	\$ 2,211,595

As at September 30, 2018, the Company held a cashable guaranteed investment certificate of \$25,000 (December 31, 2017 - \$25,000) earning interest at prime less 0.50% (December 31, 2017 - prime less 1.95%), maturing May 12, 2019.

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As at September 30, 2018, the Company held a cashable guaranteed investment certificate of \$870,000 (December 31, 2017 - \$105,535) earning interest at 6.75% (December 31, 2017 - 6.45%) maturing October 12, 2018.

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 working capital at September 30, 2018 in the amount of \$345,071 (December 31, 2017 - \$1,533,791).

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 September 30, 2018 and December 31, 2017.

(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 September 30, 2018 and December 31, 2017, 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, 2018	
	MXN	USD
Cash	13,006,225	1,025
Accounts receivable	1,548,535	-
Accounts payable and accrued liabilities	(1,236,484)	-
Total	13,318,275	1,025
Canadian dollar equivalent	\$ 920,559	\$ 1,327

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	December 31, 2017	
	MXN	USD
Cash	27,494,093	3,246
Accounts receivable	1,816,610	-
Accounts payable and accrued liabilities	(444,643)	-
Total	28,866,060	3,246
Canadian dollar equivalent	\$ 1,841,652	\$ 4,358

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, 2018 by \$70,699(2017 - \$2,850).

(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.

Additional information related to the Company can be found on SEDAR at www.sedar.com.