SONORA GOLD & SILVER CORP.

INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER ENDED OCTOBER 31, 2010

UNAUDITED – PREPARED BY MANAGEMENT

Responsibility for Financial Statements

The accompanying financial statements for Sonora Gold & Silver Corp. have been prepared by management in accordance with Canadian generally accepted accounting principles. These financial statements, which are the responsibility of management, are unaudited and have not been reviewed by the Company's auditors. Management believes the financial statements are free of material misstatement and present fairly, in all material respects, the financial position of the Company as at October 31, 2010 and the results of its operations and its cash flows for the periods then ended.

SONORA GOLD & SILVER CORP.

Balance Sheet

As at October 31, 2010 and January 31, 2010

(*Expressed in Canadian dollars*)

	October 31 (unaudited)	**January 31 (audited)**
	2010	2010
	$	$
Assets		
Current Assets		
Cash	440,980	52,855
Amounts receivable	60,030	1,825
	501,010	54,680
Deposit in trust	816,347	-
Mineral property costs (Note 5)	1,166,581	574,965
	2,495,438	641,145
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	39,428	39,705
Promissory note payable (Note 6)	150,000	–
	189,428	39,705
Shareholders' Equity		
Share capital (Note 7)	10,882,632	8,929,432
Contributed surplus (Note 10)	1,083,627	234,698
Deficit	(9,660,249)	(8,562,690)
	2,306,009	601,440
	2,495,438	641,145

Nature of operations and continuance of business (Note 1)

Subsequent events (Note 14)

Approved on behalf of the Board

/s/ Kenneth Churchill	*/s/ Paul Matysek*
Kenneth Churchill, Director	Paul Matysek, Director

(The accompanying notes are an integral part of these financial statements)

SONORA GOLD & SILVER CORP.

Statement of operations and deficit

Nine months ended October 31, 2010 and 2009

(Unaudited – Prepared by Management)

(*Expressed in Canadian dollars*)

	Three months ended October 31		Nine months ended October 31	
	2010	2009	2010	2009
	$	$	$	$
Revenue	–	–	–	–
Expenses				
Property acquisition costs	26,598	53,632	26,598	53,632
Amortization	–	200	–	600
Consulting	4,500	–	17,000	–
Investor relations	1,770	–	2,411	311
Management fees (Note 11)	19,500	26,625	49,650	55,125
Office and miscellaneous	4,882	873	6,951	5,105
Finance charges	30,000	–	30,000	–
Professional fees	7,111	788	22,400	25,403
Rent	2,243	2,363	6,402	5,345
Stock-based compensation	71,587	–	848,929	–
Transfer agent and regulatory fees	22,150	(2,004)	40,394	17,187
Travel	39,358	4,344	46,824	4,344
	929,699	86,821	1,097,559	167,052
Net loss and comprehensive loss	(929,699)	(86,821)	(1,097,559)	(167,052)
Deficit, beginning of period	(8,730,550)	(8,424,074)	(8,562,690)	(8,343,844)
Deficit, end of period	(9,660,249)	(8,510,895)	(9,660,249)	(8,510,895)
Loss per share, basic and diluted	(0.01)	(0.01)	(0.01)	–
Weighted average shares outstanding	26,515,029	20,863,050	26,515,029	20,863,050

(The accompanying notes are an integral part of these financial statements)

SONORA GOLD & SILVER CORP.

Statement of Cash Flows

For the Three and Nine Months ended October 31, 2010

(*Expressed in Canadian dollars*)

	Three months ended October 31		Nine months ended October 31	
	2010	2009	2010	2009
Operating Activities				
Net loss for the period	(929,699)	(86,821)	(1,097,559)	(167,052)
Adjustments:				
Amortization	–	200	–	600
Property acquisition costs	–	53,632	–	53,632
Stock-based compensation	771,587	–	848,929	–
Bonus shares issued	30,000	–	30,000	–
Changes in non-cash working capital items:				
Amounts receivable	(58,363)	–	(58,205)	7,957
Prepaid expenses and deposits	–	650	–	650
Accounts payable and accrued liabilities	4,857	282	(277)	(12,198)
Net cash used in operating activities	(181,618)	(31,976)	(277,112)	(116,330)
Financing Activities				
Promissory note	150,000	–	150,000	–
Issuance of shares	1,300,313	–	1,550,313	–
Net cash provided from financing activity	1,450,313	–	1,700,313	–
Investing Activities				
Funds deposited in trust re property acquisition	(816,347)	–	(816,347)	–
Option payment on mineral properties	(208,531)	–	(218,728)	–
Net Cash Used in Investing Activities	(1,024,878)	–	(1,035,075)	–
Increase (decrease) in cash during the period	243,817	(31,976)	388,126	(116,330)
Cash and cash equivalents, beginning of period	197,163	113,930	52,855	198,283
Cash and cash equivalents, end of period	440,980	81,954	440,980	81,954

(The accompanying notes are an integral part of these financial statements)

1. Nature of Operations and Going Concern

Sonora Gold & Silver Corp. (the "Company") is an exploration stage company incorporated under the laws of the Province of British Columbia and currently focused on exploration and development of precious and base metal projects in Mexico and northeast Africa. Its common shares trade on the TSX Venture Exchange ("TSX-V") under the symbol "SOC".

These financial statements have been prepared on the going concern basis, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Management is of the opinion that sufficient capital will be obtained from external financing sources to meet the Company's liabilities and commitments as they become due.

There can be no assurance that the Company will be able to continue to raise funds, in which case the Company may be unable to meet its obligations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the balance sheets. The business of mining and exploration involves a high degree of risk and there can be no assurance that the current or future exploration projects will result in economically recoverable reserves. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. Significant Accounting Policies

These interim financial statements should be read in conjunction with the audited January 31, 2010 annual financial statements. These interim financial statements do not conform in all respects to the requirements of Canadian generally accepted accounting principles for annual financial statements in that they do not include all note disclosures.

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions which affect reported amounts of assets and liabilities at the date of the financial statements and expenses for the periods reported. Actual results could differ from those estimates.

3. New and Future Accounting Standards

Business Combinations, Non-controlling Interest and Consolidated Financial Statements

In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations", 1601 "Consolidated Financial Statements" and 1602 "Non-controlling Interests" which replace CICA Handbook Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 established standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS, Section 1582 is applicable for the Company's business combinations with acquisition dates on or after March 1, 2011. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning February 1, 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently.

International Financial Reporting Standards ("IFRS")

In addition to the above new accounting standards, the Accounting Standards Board ("AcSB"), in 2006, published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after February 1, 2011. The transition date of February 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended January 31, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time although there are some standards that could have significant impacts on the Company's financial reporting.

i) The IFRS standards on impairment could require property write-downs sooner than under current standards.

ii) Under IFRS the Company will be required to record its non-employee stock-based compensation at fair value of the services received, rather than using a pricing model. This could result in significant accounting differences.

To date, no other significant IFRS standards applicable to the Company have been identified, however, IFRS will require some different and additional presentations and disclosures, and ongoing development of new IFRS standards could have affects ad they evolve.

The Company is currently assessing the impact of the initiative on its financial statements.

4. Cash and Cash Equivalents

	October 31, 2010	January 31, 2010
Cash – general bank account	$440,980	52,855

Restricted cash - Company has pledged a guaranteed investment certificate ("GIC") for $11,500 as collateral for Company credit cards**.** The GIC earns interest of prime minus 2.65% and has a maturity date of December 15, 2010.

The Company also has on deposit the sum of $816,347 with the law firm of Immma Advocates in Tanzania regarding the acquisition of the Mineral License on the Handeni property. These funds are being held in trust pending verification of title and other legal formalities regarding the Handeni property.

5. Mineral Property Costs

(a) On September 11, 2007, the Company entered into an option agreement to purchase three separate mineral claims in the state of Sonora, Mexico. The Company paid US$50,000 to purchase a two year option on the three separate mining claims. Under the agreement, the Company has the right to earn a 100% interest in the three properties, named Los Pavitos, Brenda and Christina. In order to exercise the options relating to the Los Pavitos Property and the Christina Property, the Company must, for each property, complete payments of US$50,000 and issue 1,500,000 common shares of the Company. To exercise the option on the Brenda Property, the Company must issue 3,500,000 common shares but no cash payment is required. All three properties are subject to a 2% net smelter return. There are no expenditure commitments in connection with the options on the properties.

5. Mineral Property Costs (continued)

On November 27, 2007, the Company exercised its option to acquire 100% of the Los Pavitos mining claim in Sonora, Mexico, by making a cash payment of US$50,000 and by issuing 1,500,000 common shares at a fair value of $442,500 to the vendors. During the year ended January 31, 2010, the Company dropped its option on Christina and Brenda properties and recognized an impairment loss of $53,632 on these two properties.

(b) On July 24, 2010, the Company entered into an Exploration Development and Option Agreement (the "Option") with Abdalah Omary Kigoda of P.O. Box 80, Handeni, Tanga, Tanzania, the Mining License ("ML") holder, wherein Mr. Kigoda will grant to the Company the sole right to carry out prospecting work on the Property with the option to purchase the ML. Should the Company be satisfied with its due diligence after 90 days from payment of the initial deposit, then the Company will pay the ML holder an additional $22,500 US every 90 days for one year for a total of $90,000 US in additional payments.

The initial term of the option is 12 months from the initial date of execution, being July 24, 2010. The Company has the right, prior to July 24, 2011, of extending the Option for up to two further twelve-month periods and then one further six month period by notice in writing to the ML holder and further installments of $45,000US at the beginning of the new 12 month period and at six month periods thereafter.

The Company has the option at any time of paying the ML holder the sum of $1,000,000US which will constitute the purchase of the ML subject to a 2% net smelter return royalty payable to the selling ML holder. The payment of the $1,000,000US to exercise the option shall be considered an advance payment of the Royalty.

(c) On September 9, 2010, the Company entered into an Exploration Development and Purchasing Option Agreement with Mojar One Company Limited of Dar es Salaam Tanzania, the ML Holder, of Mining Licence NO 380/2009 issued on July 30, 2009 covering an area of approximately 10 square kilometers located in the Ngese Area in Kilindi District, Tanzania and referred to as the Ngese property. The terms of the Option Agreement consist of:

- $5,000US on signing and $25,000US within 30 days;
- Issuance of 300,000 common shares of the Company after initial due diligence;
- Monthly payment of $2,000US to the Vendor, increasing to $5,000US in the second year to maintain option for up to 4 years;
- A lump sum payment of $1,300,000US at any time to exercise the Option in full for 100% ownership of the Ngese Property, subject to a 2% Net Smelter Return Royalty.

	Ngese $	Handeni $	Los Pavitos $	Total $
Acquisition Costs:				
Balance, January 31, 2010	–	–	514,675	514,675
Option payment	174,973	416,642	–	591,615
Impairment	–	–	–	–
Balance, October 31, 2010	174,973	416,642	514,675	1,106,290
Exploration Costs:				
Balance, January 31, 2010	–	–	60,290	60,290
Impairment	–	–	–	–
Balance, October 31, 2010	–	–	60,290	60,290
	174,973	416,642	574,965	1,166,580

6. Promissory Note Payable

The Company entered into a loan agreement with 3 directors of the Company whereby each of the three directors lent to the Company $50,000, for a total of $150,000. A Promissory Note was executed with each director whereby the terms of the note are a one year term from October 6, 2010 to October 6, 2011, interest at 12% per annum, calculated yearly not in advance. The Company may prepay any, or all, of the principal sum and all accrued and unpaid interest at any time, without penalty.

7. Share Capital

Authorized: 100,000,000 common shares without par value.

	Number of shares	$
Balance, January 31, 2010	25,196,348	8,929,432
Issued pursuant to private placements	7,500,000	1,500,000
Issued for mineral property acquisitions	1,000,000	319,000
Bonus shares issued	58,824	30,000
Issued pursuant to exercise of options	546,000	104,200
Balance, October 31, 2010	34,301,172	10,882,632

(a) On September, 2010, the Company issued 5,000,000 units at $0.25 per unit for proceeds of $1,250,000. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole share purchase warrant entitles the holder to acquire an additional common share at an exercise price of $0.50 for a one year period.

(b) On October 15, 2010, the Company issued 700,000 common shares at $0.25 per share regarding the Handeni property per the terms of its Option Agreement dated July 24, 2010 on this property. The Company also issued 300,000 common shares at $0.48 per share regarding its Option Agreement re the Negese property, dated September 9, 2010.

(c) During the quarter ended October 31, 2010, two directors exercised options totaling 100,000 common shares and two consultants exercised options in the amount of 446,000 common shares. 50,000 options were exercised at $0.10 per share and the remaining 496,000 shares were exercised at $0.20 per share. The Company also issued 58,824 bonus shares in the quarter ending October 31, 2010 pursuant to the Promissory Note executed with 3 directors of the Company. These shares were issued at $0.51 per share.

(d) On June 9, 2010, the Company issued 2,500,000 units at $0.10 per unit for proceeds of $250,000. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole share purchase warrant entitles the holder to acquire an additional common share at an exercise price of $0.15 for a one year period.

8. Share Purchase Warrants

The following table summarizes the Company's share purchase warrants:

	Number of Warrants	Weighted Average Exercise Price $
Balance, January 31, 2010	–	–
Issued	3,750,000	0.15
Balance, October 31, 2010	3,750,000	0.15

9. Stock Options

The Company has adopted a fixed stock option plan pursuant to which options may be granted to directors, officers, employees and consultants of the Company to a maximum of 10% of the issued and outstanding common shares. Stock options granted under this plan vest immediately. As of October 31, 2010 there are 3,154,000 shares reserved for issuance pursuant to stock options granted under this plan.

The following table summarizes the continuity of the Company's stock options:

	Number of options	Weighted average exercise price $
Outstanding, January 31, 2010	1,000,000	0.18
Granted	2,700,000	0.40
Exercised	(546,000)	0.19
Outstanding October 31, 2010	3,154,000	0.37

Additional information regarding stock options outstanding as at October 31, 2010 is as follows:

	Outstanding and exercisable		
Range of exercise prices $	Number of shares	Weighted average remaining contractual life (years)	Weighted average exercise price $
0.10	1,200,000	4.3	0.10
0.20	104,000	0.1	0.20
0.50	900,000	4.7	0.50
0.60	900,000	4.7	0.60
	3,154,000	4.4	0.37

The fair values for stock options granted have been estimated using Black-Scholes option pricing model assuming no expected dividends and the following weighted average assumptions:

	2010	2009
Risk-free interest rate	2.35%	_
Expected life (in years)	5	_
Expected volatility	112%	_

The weighted average fair value of the stock options granted was $0.32 per option.

The total fair value of the stock options granted in 2010 was $848,929 which was recorded as contributed surplus and charged to operations.

10. Contributed Surplus

	$
Balance, January 31, 2010	234,698
Fair value of stock options granted	848,929
Balance, October 31, 2010	1,083,627

11. Related Party Transactions

During the nine months ended October 31, 2010 and 2009, the Company was involved in the following related party transactions:

(a) The amount of $13,500 (2009-4,500) was paid to the Chief Financial Officer of the Company for management fees.

(b) The amount of $36,000 (2009 - $22,500) was paid to the President of the Company for management fees.

(c) Three directors entered into a loan agreement whereby they each advanced $50,000 to the Company for a total of $150,000. A promissory note payable was executed for a one year term at 12%, repayable at any time. See Note 6.

All of the above transactions have been in the normal course of operations and have been recorded at their exchange amounts, which are the amounts agreed upon by the transacting parties.

12. Financial Instruments

(a) Classification of Financial Instruments

The Company has classified its financial instruments as follows:

	October 31, 2010 $	January 31, 2010 $
Financial assets:		
Held for trading, measured at fair value:		
Cash	440,980	52,855
Loans and receivables, measured at amortized cost:		
Amounts receivable	60,030	1,825
Financial liabilities, measured at amortized cost:		
Accounts payable and accrued liabilities	39,428	39,705
Promissory note payable	150,000	–
	189,428	39,705

(b) Fair Values

The fair values of financial instruments, which include cash, amounts receivable, accounts payable and accrued liabilities, and due to related parties approximate their carrying values due to the relatively short-term maturity of these instruments.

12. Financial Instruments (continued)

(c) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

(d) Foreign Exchange Rate and Interest Rate Risk

The Company is not exposed to any significant foreign exchange rate or interest rate risk.

(e) Liquidity

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

13. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital, contributed surplus and deficit.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company’s overall strategy with respect to capital risk management remains unchanged from the year ended January 31, 2010.

14. Subsequent Events

(a) On November 26, 2010, the Board of Directors terminated the Option Agreement regarding the Los Pavitos property in Mexico**.** Notice of termination was served on the property owner and on legal counsel acting for the property owner.

(b) On December 2, 2010, the Company was in receipt of an order from the Commissioner for Minerals for the United Republic of Tanzania that ordered the ML holder, Dr. Kigoda to surrender Mining License (ML) 413/2010 to the Commissioner in favor of the issuance to Dr Kigoda of a Primary Mining License (PML) used for small-scale artisanal mining. The Commissioner ruled that Dr Kigoda may conduct mining activities on his property without foreign involvement. The Commissioner has also ordered that mining contracts that involve foreign companies or individuals with Dr Kigoda are deemed illegal. The Company and Dr Kigoda plan to vigorously appeal this decision on the basis that the Commissioner does not have the power to cancel the ML under the rules and regulations contained in the new Mining Act of Tanzania.