

**Sonoro Gold Corp.**

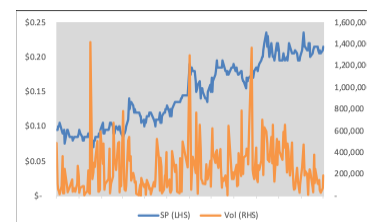
(TSXV: SGO / OTCQB: SMOFF / FSE: 23SP)

**BUY****Current Price: C\$0.21****Fair Value: C\$0.70****Risk\*: 5****Advancing a Low-CAPEX Gold Project Amid Mexico's Mining Revival – Resuming Coverage****Sector: Junior Resource**[Click here for more research on the company](#)**Highlights**

- We are resuming coverage on Sonoro Gold. The company's portfolio includes the **advanced-stage Cerro Caliche gold** project, and the pre-resource stage San Marcial gold-silver project, in Mexico. SGO plans to **spin out** San Marcial into a new publicly listed entity, with shareholders receiving free shares in the new company.
- Mexico's mining sector is **rebounding under President Sheinbaum**, with 100 of 175 pending permits already approved, signaling renewed investor optimism.
- Cerro Caliche is strategically located near operating mines owned by Bear Creek Mining (TSXV: BCM/MCAP: \$152M) and Goldgroup Mining (TSXV: GGA/MCAP: \$327M), as well as an exploration project by Agnico Eagle (NYSE: AEM). **Regional M&A opportunities are emerging** as GGA's mine nears depletion, positioning SGO as an attractive target if and when Cerro Caliche receives its environmental permit. In 2028, SGO will control the surface rights over GGA's operations, forcing GGA to negotiate directly with SGO to continue mining. We believe this situation could push both parties toward an M&A deal.
- Cerro Caliche is a **low-CAPEX, open-pit project** that is currently in the **permitting stage**. The project could reach production within 13 months of SGO receiving approval of its Environmental Impact Statement (MIA), which management expects in Q1 2026.
- A 2023 **Preliminary Economic Assessment (PEA)** suggested the project could be advanced to production at a very low CAPEX of US\$32M (US\$16M upfront), with cash costs of US\$1,295/oz. The study returned an **after-tax NPV5% of US\$77M vs a current MCAP of only US\$44M**, and a high after-tax IRR of 63%, based on US\$2,000/oz gold (spot: US\$4,309/oz).
- Management plans to complete a **resource update**, and an **updated PEA**, by Q1-2026. With higher gold prices, the resource update will use a lower cut-off grade, which we believe should result in a **50–100% increase** in resources, and significantly improved project economics. Additionally, there is resource expansion potential, as only 30% of the property's known mineralized zones have been drilled.
- With gold near record highs, **we anticipate robust M&A activity** over the next 12 months as larger companies target juniors. We remain positive on gold prices, supported by US\$ weakness, and strong safe-haven demand amid economic and geopolitical uncertainty.
- SGO recently strengthened its balance sheet through **equity financings totaling \$8M**. Upcoming catalysts include an updated resource, PEA, permitting, and the San Marcial spin-off.

**Risks**

- Metal prices
- **Permitting**
- Exploration and development
- **Access to capital** and potential share dilution
- FOREX

**Sid Rajeev, B.Tech, MBA, CFA**  
Head of Research**Nina Rose Coderis, B.Sc (Geology)**  
Equity Analyst**Price and Volume (1-year)**

	YTD	12M
SGO	133%	110%
TSXV	52%	56%
GOEX	160%	148%
Gold	67%	64%

**Company Data**

52 Week Range	\$0.07 - \$0.24
Shares O/S	287M
Market Cap.	\$60M
Yield (forward)	N/A
P/E (forward)	N/A
P/B	6.9x

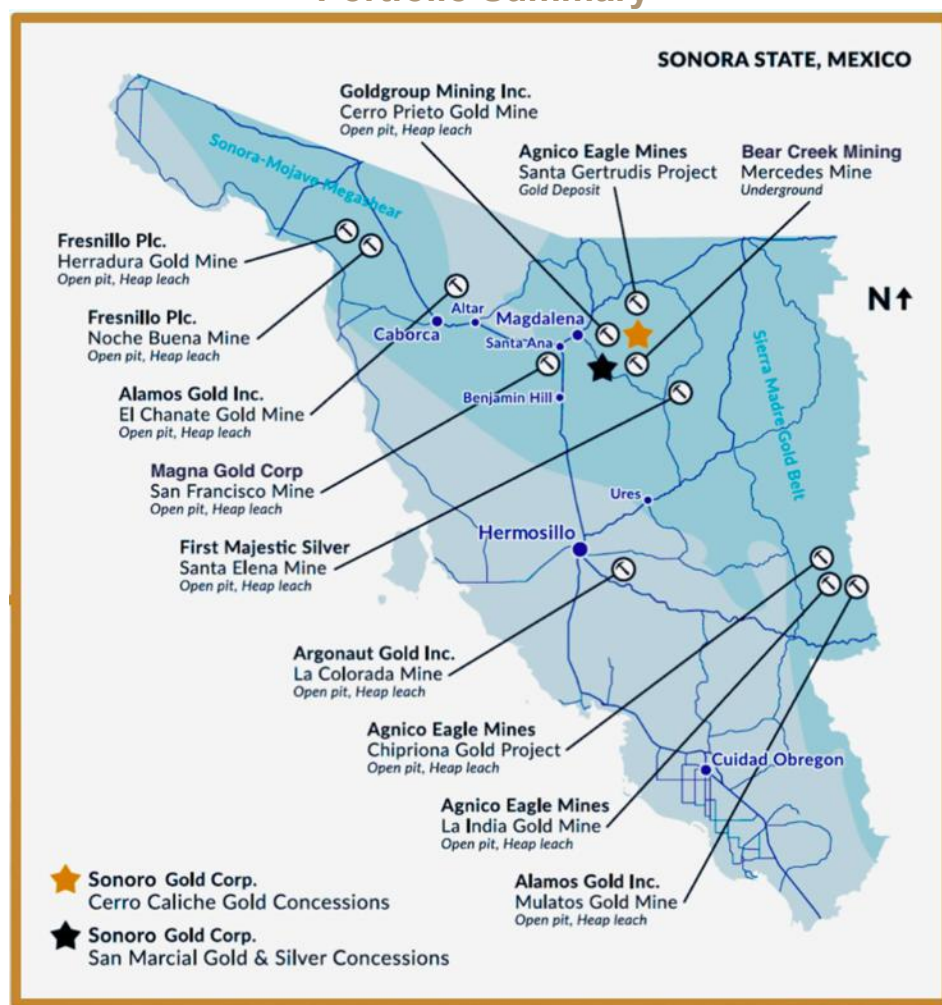
**Key Financial Data (FYE - Dec 31)**

(C\$)	2024	2025 (9M)	Current Cash
Cash	\$214,084	\$191,485	~\$3,400,000
Working Capital	-\$5,447,614	-\$5,794,141	
Mineral Assets	\$5,970,726	\$6,042,351	
Total Assets	\$7,992,097	\$9,030,198	
Net Income (Loss)	-\$1,287,334	-\$7,618,951	
EPS	-\$0.01	-\$0.03	

\* Qualified Person: Stephen Kenwood, P.Geo., Director of Sonoro Gold Corp.

\* Sonoro Gold Corp. has paid FRC a fee for research coverage and distribution of reports. See last page for other important disclosures, rating, and risk definitions.

## Portfolio Summary



Source: Company

Two gold projects in Mexico: the advanced-stage Cerro Caliche gold project (flagship asset), and the early-stage San Marcial gold-silver project

Management plans to spin-off the San Marcial project into a new publicly listed company – Oronos Gold Corp.

Near several well-known operating mines

Mexico Mining Sector: Renewed Momentum

Mexico's mining sector, previously constrained by regulatory uncertainty and permitting delays, is **showing renewed optimism since President Claudia Sheinbaum** took office in 2024. The new administration has signaled a more balanced approach, supporting economic growth while maintaining environmental oversight and accelerating permit approvals.

To date, 100 of the 175 pending mining permits have been approved, with the Ministry of Economy estimating up to US\$7B in potential investment once all outstanding permits are authorized.

Notably, Mexico has **begun approving open-pit mining projects**. Recent approvals, including Silver Tiger Metals' (TSXV: SLVR) El Tigre Project in Sonora, highlight this policy shift. This development is **particularly positive for SGO**, which is currently awaiting an environmental permit for its Cerro Caliche open-pit gold project.

Cerro Caliche is located near several established projects, and within close proximity to two operating mines owned by Bear Creek Mining and Goldgroup Mining, and an exploration project held by Agnico Eagle

Regional M&A opportunities are emerging as GGA's mine nears depletion, positioning SGO as an attractive target if Cerro Caliche receives its environmental permit

## Cerro Caliche Gold Project (100% interest)

SGO's flagship project is in Sonora, one of Mexico's leading mining states producing gold, silver, copper, iron and non-metallic minerals.

### Cerro Caliche vs. Nearby Producing and Exploration Gold Projects

Project Name	Mercedes (Sonora)	Santa Gertrudis (Sonora)	Cerro Prieto (Sonora)	Cerro Caliche (Sonora)
Owner	Bear Creek Mining (TSXV: BCM/MCAP: \$152M)	Agnico Eagle Mines (NYSE: AEM/MCAP: \$118B)	Goldgroup Mining (TSXV: GGA/MCAP: \$327M)	Sonoro Gold (TSXV: SGO/MCAP: \$62M)
Deal Terms	BCM acquired this project in 2022 for approx. US\$125M	Agnico acquired this project in 2017 for US\$80M	N/A	N/A
Type	Underground gold-silver mine / Producing since 2011	Potential for open-pit + underground	Open-pit gold mine / Producing since 2013	A near-term open-pit gold-silver mine
Production	Current annual production: 30+ Koz gold & 150+ Koz silver (AISC: approx. US\$1,800/oz)	Historic heap-leach operation	Current annual production: 12.5 Koz gold (planning to increase production to 34 Koz)	Potential to produce over 50 Koz gold annually
Resources	<b>M&amp;I:</b> 449 Koz (5.98 gpt) gold & 4 Moz silver + <b>Inferred:</b> 65 Koz (5.26 gpt) gold & 0.5 Moz silver	<b>O/P M&amp;I:</b> 563 Koz (0.91 gpt) gold + <b>Inferred:</b> 429 Koz (1.36 gpt) gold; <b>UG Inferred:</b> 1 Moz (3.44 gpt) gold	<b>M&amp;I + Inferred:</b> 39 Koz (0.37 gpt) gold	<b>Indicated:</b> 290 Koz (0.46 gpt) AuEq + <b>Inferred:</b> 150 Koz (0.44 gpt) AuEq

Source: FRC / Various

The Cerro Caliche project comprises 15 contiguous mining concessions, all 100% owned by SGO. **In Mexico, mining rights are government-controlled, while surface rights belong to the landowner.** SGO holds a 25-year surface lease over 3,908 ha, covering the area within the black outline on the map below, except for the 1,009 ha in red, where GGA's Cerro Prieto mine is located. In 2028, **the lease will expand to include the red area**, increasing SGO's total controlled land to 5,007 ha. At that point, **GGA will need to negotiate** surface rights with SGO, creating **another potential M&A catalyst**.

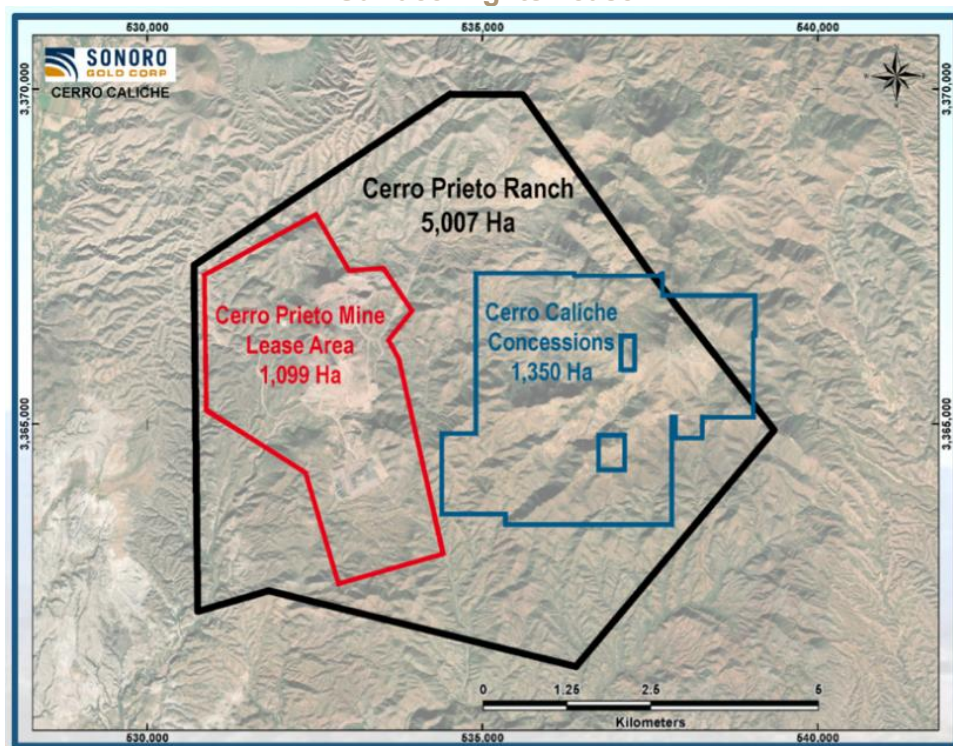


Located three hours  
south of Tucson,  
Arizona

Existing  
infrastructure in  
place, including  
access to roads,  
power, and skilled  
workforce

To date, SGO has  
delineated a  
medium-tonnage,  
low-grade oxide  
gold-silver deposit

### Surface Rights Lease



Source: Company

**Only 30%** of the Cerro Caliche concessions (1,350 ha) have been assayed and drilled to date, with **498 holes totaling 55,360 m** completed. Exploration has confirmed a low-sulphidation epithermal gold-silver system, with over 25 gold-mineralized zones, extending at least 200 m along strike.

### Resource Estimate and PEA

In October 2023, SGO completed a **Preliminary Economic Assessment (PEA)** based on a 12,000 tpd open-pit, heap-leach operation.

#### 2023 Resource Estimate

Category	Tonnes 000s	Grade			Contained Metal		
		g/t Au	g/t Ag	g/t AuEq	000 oz Au	000 oz Ag	000 oz AuEq
Indicated	19,900	0.44	3.50	0.46	280	2,235	290
Inferred	10,550	0.42	4.00	0.44	140	1,345	150
<b>Total</b>	<b>30,450</b>	<b>0.43</b>	<b>3.67</b>	<b>0.45</b>	<b>420</b>	<b>3,580</b>	<b>440</b>

(QP Stephen Kenwood, P. Geo., Director of Sonoro Gold Corp.)

Source: Company

### Open-pit operations

The PEA was based on a nine-year mine life, producing 41 Koz AuEq per year, making it a mid-sized junior gold producer

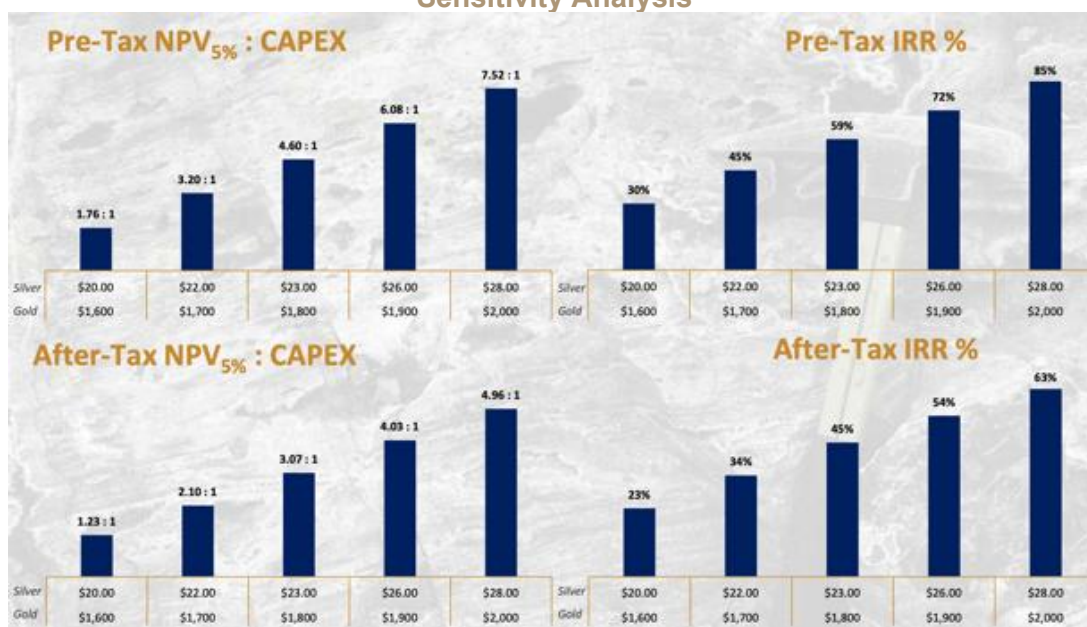
AT-NPV5% of US\$77M, and a high AT-IRR of 63%, using US\$2,000/oz gold (spot: US\$4,309/oz)

Moderate OPEX of US\$1,295/oz and low CAPEX of US\$32 M (US\$16 M upfront), reflecting its small open-pit/heap-leach design

NPV and IRR are sensitive to gold prices

2023 PEA Highlights	
Assumptions	Value
Total Tonnes Processed	28.6M
Strip Ratio	2.1
Gold Grade (g/t)	0.43
Silver Grade (g/t)	3.75
Gold Recovery	72%
Silver Recovery	27%
Gold Price (US\$/oz)	\$2,000
Silver Price (US\$/oz)	\$28
Annual AuEq Production (oz)	41,357
Total AuEq Production (oz)	297,575
Initial CAPEX (US\$M)	\$15.5
Operating Cash Costs (US\$/AuEq oz)	\$1,295
AISC (US\$/AuEq oz)	\$1,395
Mine Life	9 years
Average Processing Rate (tonnes per day)	12,000
After-Tax NPV5% (US\$M)	\$77
After-Tax IRR	63.00%
Payback Period	2.4

### Sensitivity Analysis



(QP Stephen Kenwood, P.Geo., Director of Sonoro Gold Corp.)

Source: Company

### Resource Expansion Potential

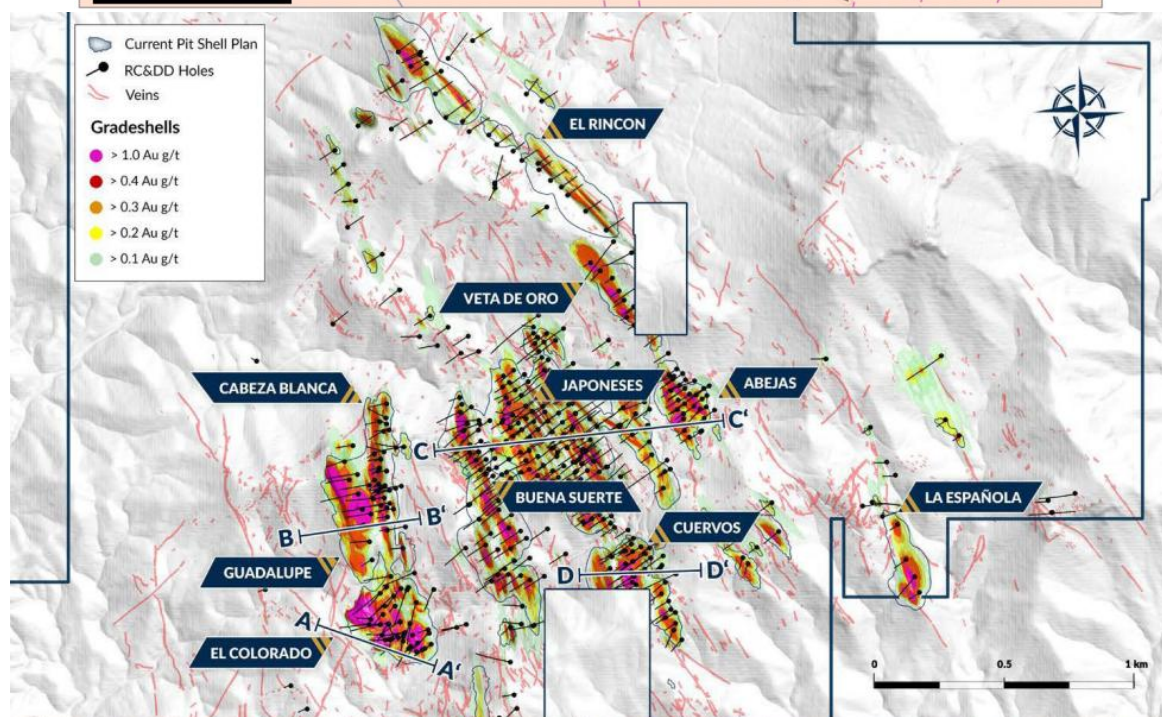
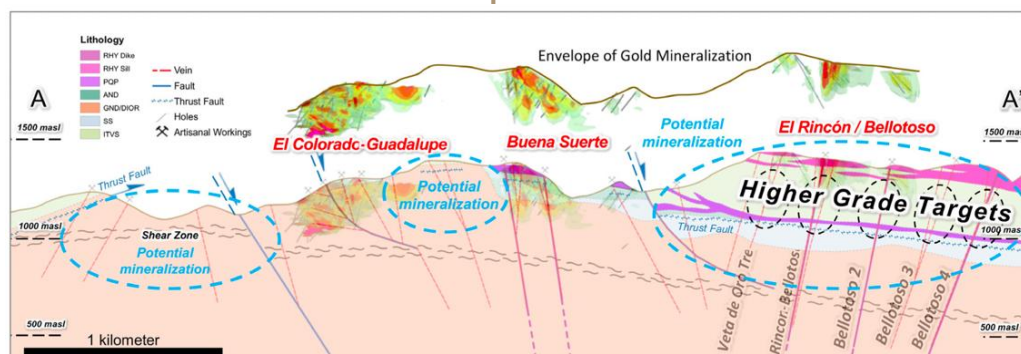
The company is updating its resource estimate with higher gold prices, and a lower cut-off grade. With the previous estimate at US\$1,800/oz, and the new one likely at



US\$3,000/oz or higher, we believe resources could rise 50–100%, materially improving project economics.

In addition, a 2023 study by SRK Consulting estimated **potential to add 125–285 Koz AuEq (0.26–0.39 g/t)** of lower-grade resources by drilling beyond the current pit shells.

### Resource Expansion Potential



Source: Company

### Permitting and Upcoming Plans

SGO has submitted an **Environmental Impact Statement (Manifestación de Impacto Ambiental, or MIA)**, including a mine plan, environmental baseline studies, and socio-economic assessments. MIA approval is required before construction or mining can begin. **Management expects a decision in Q1-2026**, though we note that delays are possible given the current backlog of applications.

We see potential for resource expansion, as only 30% of the property's identified mineralized zones have been drill-tested

Several additional targets remain to be explored

SGO is planning a 56-hole, 8,890 m resource expansion drill program in 2026, with a budget of approximately \$9M

MIA approval is the final major regulatory step before advancing to construction

### Permitting underway

Management is aiming to complete an updated resource and PEA by Q1-2026

Following MIA approval, SGO expects to move quickly to construction and begin production within 13 months

In addition to the MIA, SGO plans to submit applications for a **Change of Land Use permit** and a **Water Use permit** in H1-2026. We note that these approvals are relatively straightforward, and should be granted within a few months of submission.

### Management's Projected Timelines



Source: Company

### San Marcial Gold-Silver Project (100% interest)

This **pre-resource stage** project covers 1,015 ha across four contiguous mining concessions, located **30 km southwest of Cerro Caliche**. It includes the historic San Marcial and Soledad mines within the Cucurpe district, a significant **gold-producing region** known for high-grade veins and large open-pit deposits.

### Project Location



Source: Company

Located 20 km east of the currently inactive San Francisco open-pit gold mine, the project historically produced high-grade gold from quartz veins

Management **plans to spin out** the project into a new publicly listed company, with SGO shareholders receiving free shares. For conservatism, we are not assigning any value to this project at this time.

## Management and Board

### Share Ownership

Name	Shares	% of Total
John Darch, Executive Chairman	11,229,288	3.91%
Kenneth MacLeod, President & CEO	15,091,590	5.26%
Jorge Diaz, Vice Chairman & VP Operations	30,824,393	10.74%
Melvin Herdrick, VP Exploration	7,497,716	2.61%
Katharine Regan, VP Corporate Development	3,100,850	1.08%
Curtis Turner, Independent Director	1,266,005	0.44%
Stephen Kenwood, Independent Director	1,715,216	0.60%
James Taylor, Independent Director	1,407,000	0.49%
<b>Total</b>	<b>72,132,058</b>	<b>25.13%</b>

Management and board own 25% of SGO's equity

Three out of six directors are independent



**John Darch**  
**Chairman & Director**

40 years experience in financing, development & operations in the international resource sector.



**Jorge Diaz**  
**Vice Chairman & VP Operations**

50 years mining experience including development and construction of the Mulatos Mine and La Colorada Mine.



**Kenneth MacLeod**  
**President & CEO**

40 years experience as financier, developer & operator in the resource sector including nine years in Mexico.



**Melvin Herdrick**  
**P.Geo, VP Exploration**

50 years experience, formerly Head of Exploration Mexico for Phelps Dodge & Pediment Gold.



**Oscar González**  
**Chief Geologists & Project Manager**

20 years experience in mineral exploration and development within Mexico.

Source: Sedi/Company/FRC



## Financials

*Strengthened  
balance sheet  
through equity  
financings totaling  
\$8.10M since Q3-  
2025*

*Expecting \$2.10M  
VAT refund by Q1-  
2026*

*Can raise up to  
\$6.25M from in-the-  
money options and  
warrants*

(in C\$) (FYE - Dec 31)	2024	2025 (9M)	Current Cash
Cash	\$214,084	\$191,485	~\$3,400,000
Working Capital	-\$5,447,614	-\$5,794,141	
Current Ratio	0.21	0.28	
LT Debt	227,855	448,357	
LT Debt/ Assets	0.03	0.05	
Monthly Burn Rate (incl. G&A)	-\$133,474	-\$159,038	
Property Related	-\$1,833,333	-\$4,970,958	
Cash from Financing Activities	\$4,153,455	\$6,514,785	

Options	#	Exercise Price	Amount
Total	21,050,000	\$0.15	\$3,157,500
In-the-Money	21,050,000	\$0.15	\$3,157,500

Warrants	#	Exercise Price	Amount
Total	83,388,049	\$0.18	\$15,032,248
In-the-Money	40,172,269	\$0.08	\$3,091,626

*Source: FRC / Company*

## FRC DCF Valuation

Our DCF valuation, based on a 10-year operation producing approximately 49 Koz AuEq annually, is \$0.70/share

DCF Valuation	15,000 tpd
Operating Life (years)	10
Tonnage (Mt)	52.5
Avg Grade (gpt) - Au	0.39
Recovery Rate	72%
Annual AuEq Production (oz)	48,762
Average Price of Au (US\$/oz)	\$3,000
Average Price of Ag (US\$/oz)	\$30
Exchange Rate (US\$:C\$)	1.38
Operating Cost (LOM) in US\$/t	\$15
Initial Capital Cost (US\$M)	\$50
Discount Rate	11.5%
<b>After-Tax Net Asset Value (C\$)</b>	<b>\$240,087,716</b>
Working Capital - Debt (C\$)	-\$3,467,695
<b>Fair Value of Sonoro (C\$)</b>	<b>\$236,620,021</b>
No. of Shares *	338,462,389
<b>Fair Value per Share (C\$)</b>	<b>\$0.70</b>

\* calculated based on the treasury stock method

Fair Value (\$)		Gold Price (US\$ / oz)				
C\$:US\$ - 1.38		\$2,000	\$2,500	\$3,000	\$3,500	\$4,000
Discount Rate	7.5%	\$0.68	\$0.82	\$0.96	\$1.10	\$1.23
	10.0%	\$0.56	\$0.67	\$0.78	\$0.90	\$1.01
	11.5%	\$0.50	\$0.60	<b>\$0.70</b>	\$0.80	\$0.90
	15.0%	\$0.38	\$0.46	\$0.54	\$0.61	\$0.69
	17.5%	\$0.31	\$0.38	\$0.44	\$0.51	\$0.57

Source: FRC

**We are resuming coverage with a BUY rating, and a fair value estimate of \$0.70/share.** We base our valuation solely on a DCF model, as few projects offer a similar low-CAPEX, quick-to-production profile. We are positive on SGO given Cerro Caliche's low-CAPEX profile, strong project economics, and strategic location near operating and depleting mines, **which could drive near-term M&A interest.**



## Risks

We believe the company is exposed to the following key risks (not exhaustive):

- Metal prices
- **Permitting**
- Exploration and development
- **Access to capital** and potential share dilution
- FOREX

*We are assigning a  
risk rating of 5  
(Highly Speculative)*



**Fundamental Research Corp. Equity Rating Scale** (ratings are not a recommendation to acquire, dispose of, or take no action regarding a security; the definitions of our ratings are explained below):

**Buy** – Fair value is 12% above the current market price; or risk and reward is favorable

**Hold** – Fair value is between 5% to 12% above the current market price

**Sell** – Fair value is 5% above, or less, than the current market value; or risk and reward is unfavorable

**Suspended or Rating N/A**— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

**Fundamental Research Corp. Risk Rating Scale:**

**1 (Low Risk)** - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

**2 (Below Average Risk)** - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

**3 (Average Risk)** - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

**4 (Speculative)** - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

**5 (Highly Speculative)** - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues and may rely on external funding. These stocks are considered highly speculative.

**Definition of FRC's Fair Value Estimate** – Our fair value estimate is the theoretical value of the company's equity using widely accepted methods of valuation such as discount cash flow or comparables. IT IS NOT A TARGET PRICE or PREDICTION OF THE FUTURE STOCK PRICE.

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