

Sonoro Gold Corp.

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

Big Resource Gains, Compelling Economics

Sector: Junior Resource

[Click here for more research on the company](#)

BUY

Current Price: C\$0.28

Fair Value: C\$0.83

Risk*: 5

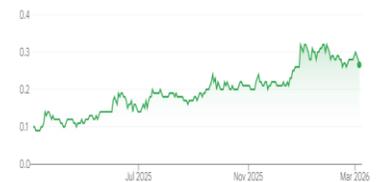
Highlights

- **SGO Performance:** Up 185% YoY, outperforming gold (+75% YoY), and the Junior Gold Miners ETF, GDXJ (+163% YoY). The company recently released a resource update, and an updated independent economic assessment (PEA) on its Cerro Caliche gold project in Mexico.
- **Resource Growth:** Measured and Indicated resources (higher-confidence categories) increased 122% to 644 Koz AuEq. Total resources rose 68%, in line with our December prediction of 50–100% growth. The substantially larger resource base suggests a longer mine life, and increased production potential. Only 30% of the property's identified mineralized zones have been drilled, indicating potential for further resource expansion.
- **PEA Highlights:** The updated PEA shows a longer mine life (10 vs. 9 years), and higher annual production (46 Koz vs 33 Koz AuEq; gold equivalent). The study used higher gold prices (US\$2,000 → US\$3,500/oz vs. spot: US\$5,090/oz), resulting in **an after-tax NPV8% of US\$224M**, and a very high IRR of 50% (for context, IRR >15% is attractive for mining projects). By comparison, the 2023 PEA had an after-tax NPV of US\$77M at a 5% discount rate. At US\$5,186/oz gold, economics improve to an NPV8% of US\$525M, and IRR of 91%. SGO's MCAP of US\$64M suggests the stock is trading at just ~12% of NPV.
- **Permitting & Production:** Cerro Caliche is currently in the permitting stage. The project could reach production within 13 months of Environmental Impact Statement (MIA) approval, expected in the coming months.
- **Gold Market Outlook:** Gold remains up 75% YoY despite retreating from historic highs. While short-term volatility may be high, we remain positive given elevated safe-haven demand amid high geopolitical tensions in the Middle East.
- **Upcoming Catalysts:** Potential MIA permit approval, resource expansion drilling, project financing, anticipated spin-off of its second asset (San Marcial), and market recognition of the resource update and PEA results.

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Equity Analyst

Price and Volume (1-year)



	YTD	YOY
SGO	-5%	185%
TSXV	6%	74%
Gold	16%	75%
GDXJ	20%	163%

Company Data

52 Week Range	\$0.09 - \$0.34
Shares O/S	315M
Market Cap.	\$88M
Yield (forward)	N/A
P/E (forward)	N/A
P/B	10.2x

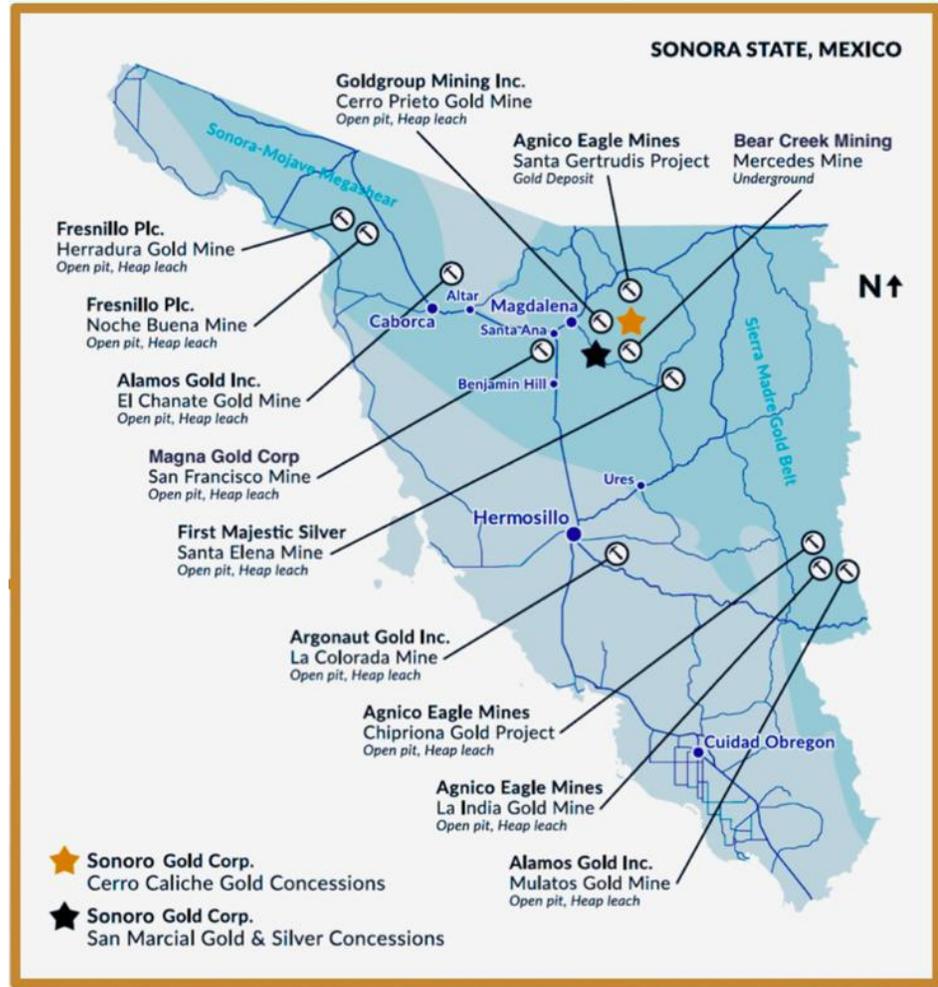
Key Financial Data (FYE - Dec 31)

(C\$)	2024	2025 (9M)	Current Cash
Cash	\$214,084	\$191,485	~\$3,000,000
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. All figures in C\$ unless otherwise specified.**

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 publicly listed company

Near several well-known operating mines

In January 2026, SGO acquired 10 additional claims, expanding the Cerro Caliche project from 1,350 to 3,924 hectares, **signalling management's strong commitment** to advancing and growing the project. The new claims are located right next to the current property, along both the northern and southern boundaries. By expanding the land position in this way, we believe the company increases the chances of potentially making new gold discoveries, and adding more value to its main project.

Located three hours south of Tucson, Arizona

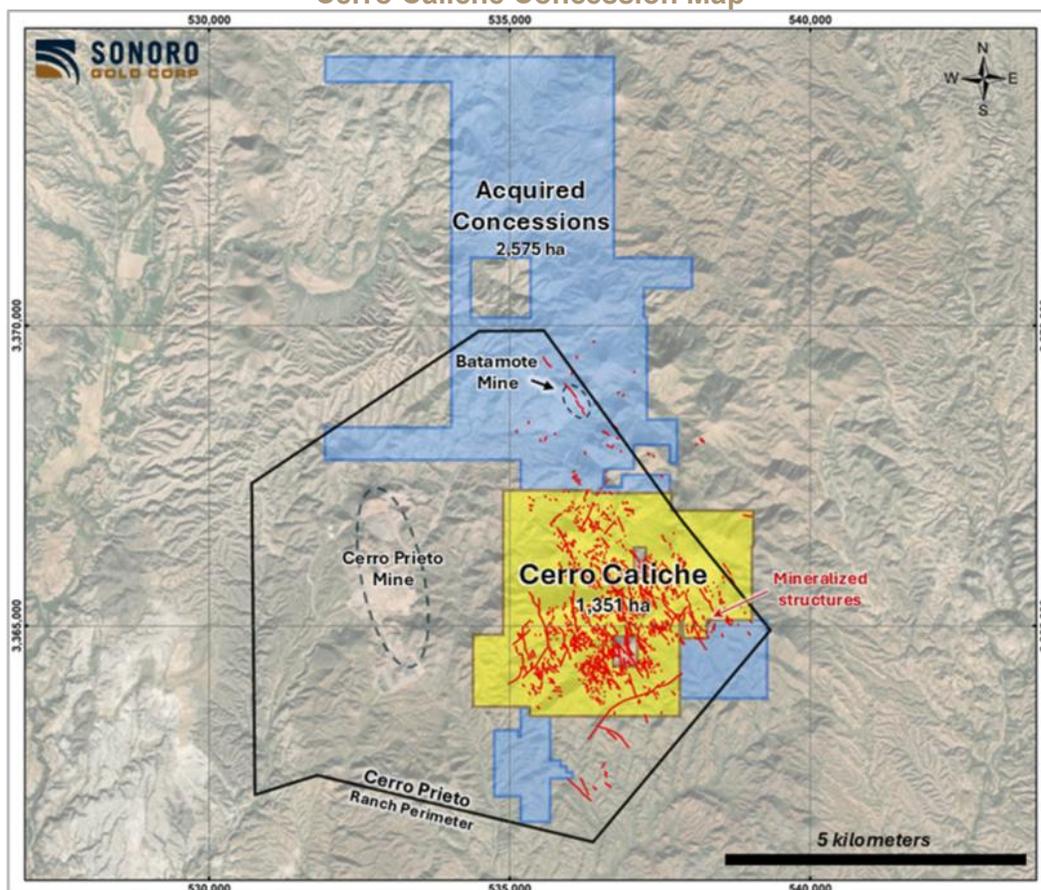
Cerro Caliche is located near several established projects, and within close proximity to two operating mines owned by Highlander Silver (TSX: HSLV) and Goldgroup Mining, and an exploration project held by Agnico Eagle (NYSE: AEM)

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

Open-pit, heap-leach operations are generally low-CAPEX, and quicker to bring into production; the project's initial CAPEX is US\$83M vs US\$100–US\$300M for similar-sized new gold mines

The Cerro Caliche project consists of 25 contiguous mining concessions, all 100% owned by SGO. In Mexico, mineral rights are controlled by the government, while surface rights belong to the landowner. SGO currently holds a 25-year surface lease covering 3,908 ha, shown within the black outline on the map below, except for the 1,009 ha oval-shaped area, where Goldgroup Mining's (TSXV: GGA/MCAP: \$444M) Cerro Prieto mine operates. In 2028, the lease will expand to include the oval-shaped area, increasing SGO's total controlled land to 5,007 ha. At that point, we believe **GGA would need to negotiate surface rights with SGO**, creating a potential M&A catalyst.

Cerro Caliche Concession Map



Source: Company

2026 vs 2023 PEA: Cerro Caliche Gold Project (100% Interest)

The 2026 update improves on the 2023 study by adding more resources, increasing the mining rate (throughput) from 12,000 to 16,000 tonnes per day, **boosting annual production** to 46 Koz AuEq (up from 33 Koz), and **extending mine life** to 10 years (up from nine).

AT-NPV8%:
US\$224 M, AT-IRR:
50% (US\$3,500/oz
gold; spot:
US\$5,090/oz); for
context, we view
IRR >15% as strong
for mining projects

By comparison, the
2023 PEA had an
AT-NPV of just
US\$77 M, and that
was calculated using
an even lower 5%
discount rate

With higher gold
prices, OPEX and
CAPEX estimates
have also increased
but remain very
reasonable, with
strong margins

At US\$5,186/oz
gold, the economics
are even more
compelling, with an
after-tax NPV8% of
US\$525 M and an
IRR of 91%

Assumptions	2023 PEA	2026 PEA	% Change
Total Tonnes Processed	28.6M	52.8M	85%
Strip Ratio	2.1	1.6	-24%
Gold Grade (g/t)	0.43	0.36	-16%
Silver Grade (g/t)	3.75	3.70	-1%
Gold Recovery	72%	72%	0%
Silver Recovery	27%	27%	0%
Gold Price (US\$/oz)	\$2,000	\$3,500	75%
Silver Price (US\$/oz)	\$28	\$48	71%
Annual AuEq Production (oz)	33,000	46,000	39%
Total AuEq Production (oz)	297,575	459,000	54%
Initial CAPEX (US\$M)	\$16	\$83	435%
Operating Cash Costs (US\$/AuEq oz)	\$1,295	\$1,842	42%
AISC (US\$/AuEq oz)	\$1,395	\$1,902	36%
Mine Life	9 years	10 years	11%
Average Processing Rate (tonnes per day)	12,000	16,000	33%
After-Tax NPV5%/8% (US\$M)	\$77M	\$224M	191%
After-Tax IRR	63%	50%	-21%
Payback Period	2.4	1.7	-29%

Sensitivity Analysis

Sensitivity	-20%	-10%	Base Case	+10%	+20%	Spot
Gold Price (\$/oz)	\$2,800	\$3,150	\$3,500	\$3,850	\$4,200	\$5,186
Silver Price (\$/oz)	\$38	\$43	\$48	\$53	\$58	\$88
Pre-Tax NPV ₍₈₎ (\$ million)	\$166M	\$263M	\$360M	\$457M	\$555M	\$846M
Pre-Tax IRR (%)	37%	52%	65%	78%	89%	121%
After-Tax NPV ₍₈₎ (\$ million)	\$102M	\$163M	\$224M	\$284M	\$344M	\$525M
After-Tax IRR (%)	29%	40%	50%	59%	68%	91%
After-Tax Payback (years)	2.6	2.0	1.7	1.4	1.3	1.0

Sensitivity	-20%	-10%	Base Case	+10%	+20%
Operating Costs – After-Tax NPV ₍₈₎ (\$ million)	\$287	\$256M	\$224M	\$192M	\$160M
Operating Costs – IRR (%)	61%	56%	50%	45%	39%
Capital Costs – After-Tax NPV ₍₈₎ (\$ million)	\$237	\$230M	\$224M	\$217M	\$210M
Capital Costs – IRR (%)	60%	55%	50%	46%	43%

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

Source: Company

Resource Estimate

Category	Tonnes kt	Average Grades			Metal Content			AuEq Oz	
		AuEq g/t	Au g/t	Ag g/t	AuEq (000s Oz)	Au (000s Oz)	Ag (000s Oz)	% Change	% of Total
2026 Update									
Measured	9,683	0.43	0.41	3.50	133	129	1,086		18%
Indicated	42,070	0.38	0.36	3.80	511	489	5,144	76%	69%
M&I	51,752	0.39	0.37	3.70	644	617	6,230	122%	87%
Inferred	8,801	0.34	0.33	3.70	97	93	1,040	-35%	13%
Total	60,553	0.38	0.36	3.74	741	710	7,270	68%	100%
2023 Resource									
Measured	-	-	-	-	-	-	-		0%
Indicated	19,900	0.46	0.44	3.50	290	280	2,235		66%
M&I	19,900	0.46	0.44	3.50	290	280	2,235		66%
Inferred	10,550	0.44	0.42	4.00	150	140	1,345		34%
Total	30,450	0.45	0.43	3.67	440	420	3,580		100%

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

Source: Company / FRC

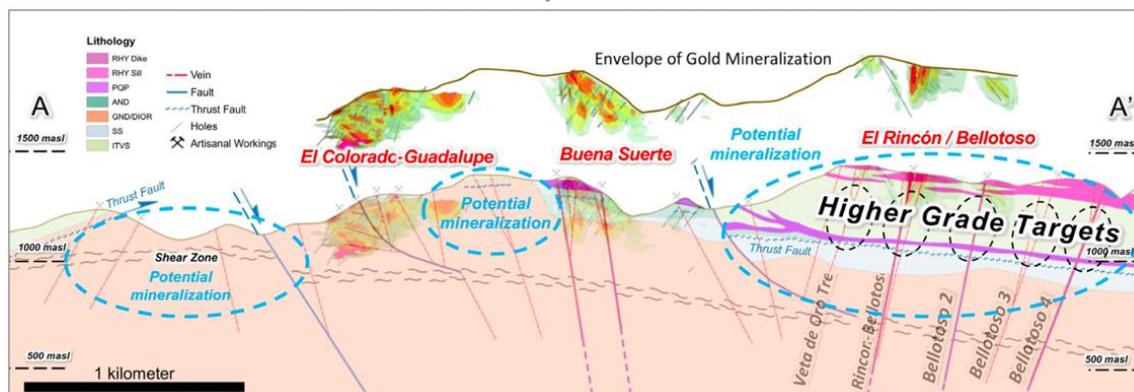
M&I resources (higher-confidence categories) increased 122% to 644 Koz AuEq, now accounting for 87% of total resources versus 66% previously, reflecting increased overall confidence

Total resources rose 68%, in line with our December report prediction that they could increase 50–100%

Lower-grade material (less-rich ore) was added to the new estimate, which is now economic due to higher gold prices; as a result, overall grades fell 15% to 0.38 g/t AuEq, but this should not be seen as negative; it simply means the newly added material will cost more to extract and process

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

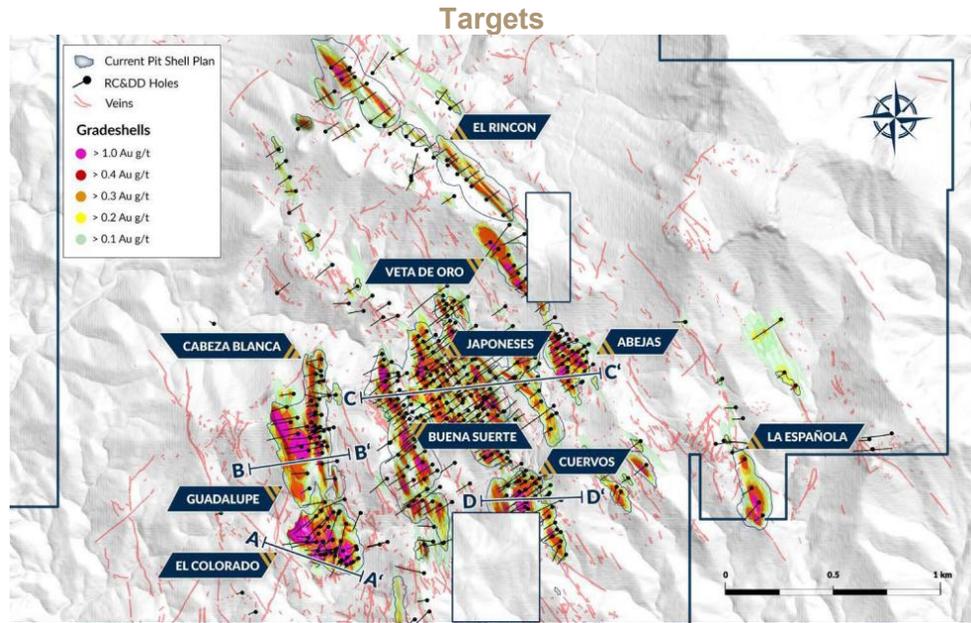
Resource Expansion Potential



Source: Company

Several additional targets remain to be explored

SGO is planning a 56-hole, 8,890 m resource expansion drill program in 2026



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 H1-2026**, though we note that delays are possible given the current backlog of applications. 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.

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

Permitting underway

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

Management's Projected Timelines



Source: Company

Financials

(in C\$) (FYE - Dec 31)	2024	2025 (9M)	Current Cash
Cash	\$214,084	\$191,485	~\$3,000,000
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	

\$3M in the treasury

Expecting \$2.10M
VAT refund this
quarter

Can raise up to
\$21M from in-the-
money options and
warrants

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	87,480,000	\$0.20	\$17,906,900
In-the-Money	87,480,000	\$0.20	\$17,906,900

Source: FRC / Company

FRC DCF Valuation

Given the resource update, and the PEA, we are raising our DCF valuation from \$0.70 to \$0.83/share

DCF Valuation	16,000 tpd
Operating Life (years)	10
Tonnage (Mt)	53.4
Avg Grade (gpt) - Au	0.37
Recovery Rate	72%
Annual AuEqProduction (oz)	46,034
Average Price of Au (US\$/oz)	\$3,500
Average Price of Ag (US\$/oz)	\$35
Exchange Rate (US\$:C\$)	1.37
Operating Cost (LOM) in US\$/t	\$16
Initial Capital Cost (US\$M)	\$83
Discount Rate	11.5%
After-Tax Net Asset Value (C\$)	\$289,624,056
Working Capital - Debt (C\$)	-\$1,379,811
Fair Value of Sonoro (C\$)	\$288,244,245
No. of Shares *	348,374,721
Fair Value per Share (C\$)	\$0.83

* calculated based on the treasury stock method

Our valuation remains highly sensitive to gold prices

Fair Value (\$)	C\$:US\$ - 1.37	Gold Price (US\$ / oz)				
		\$2,500	\$3,000	\$3,500	\$4,500	\$5,500
7.5%		\$0.30	\$0.70	\$1.11	\$1.93	\$2.75
10.0%		\$0.22	\$0.57	\$0.92	\$1.62	\$2.32
Discount Rate	11.5%	\$0.19	\$0.51	\$0.83	\$1.47	\$2.11
15.0%		\$0.12	\$0.38	\$0.64	\$1.17	\$1.69
17.5%		\$0.08	\$0.31	\$0.54	\$1.00	\$1.45

Source: FRC

We base our valuation solely on a DCF model, as few projects offer a similarly low-CAPEX, quick-to-production profile.

We are reiterating our BUY rating, and raising our fair value estimate from \$0.70 to \$0.83/share. The substantial resource growth and highly attractive PEA economics underscore significant upside potential, with the stock currently trading at a small fraction of its net present value. As Cerro Caliche nears permitting and production, and with only a portion of the property drilled, there remains considerable opportunity for further resource expansion and value creation.



Risks

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

*We are
maintaining our
risk rating of 5
(Highly
Speculative)*

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

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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The distribution of FRC's ratings are as follows: BUY (71%), HOLD (3%), SELL / SUSPEND (26%).

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