



(An Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2022 and 2021  
(Expressed in Canadian Dollars)  
(Unaudited)

**Notice to Reader**

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

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

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

**SONORO GOLD CORP.**

(An Exploration Stage Company)

Condensed interim consolidated statements of financial position

(Expressed in Canadian Dollars) (Unaudited)

As at	Note		June 30, 2022	December 31, 2021
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	4	\$	1,279,288	\$ 1,761,106
Receivables			336,605	29,109
Prepaid expenses			167,201	149,147
			1,783,094	1,939,362
<b>Non-current assets</b>				
Right of use asset	5		56,967	81,381
VAT receivables			1,607,712	1,396,476
Exploration and evaluation assets	6		3,862,237	3,144,441
<b>Total Assets</b>		\$	7,310,010	\$ 6,561,660
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities	7	\$	1,063,111	\$ 247,814
Due to related parties	8		26,033	47,658
Loans payable	9		301,133	152,885
Lease liability	5		50,211	47,405
			1,440,488	495,762
<b>Non-Current Liability</b>				
Lease liability	5		7,605	34,301
<b>Total Liabilities</b>			1,448,093	530,063
<b>Shareholders' Equity</b>				
Share capital	10		25,484,745	22,847,577
Share-based payment reserve	10		1,901,019	1,891,019
Share subscriptions receivable	10		313,524	-
Deficit			(21,837,371)	(18,706,999)
			5,861,917	6,031,597
		\$	7,310,010	\$ 6,561,660

Approved on behalf of the Board:

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

Stephen Kenwood, Director

Ken MacLeod, Director

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

**SONORO GOLD CORP.**

(Formerly Sonoro Metals Corp.)

(An Exploration Stage Company)

Condensed interim consolidated statements of comprehensive loss

(Expressed in Canadian Dollars) (Unaudited)

		Three Months Ended		Six Months Ended	
		June 30		June 30	
	Note	2022	2021	2022	2021
		\$	\$	\$	\$
<b>Expenses</b>					
Consulting fees	8	294,132	222,483	505,931	407,687
Depreciation		12,207	-	24,414	-
Exploration expenditures	6	1,129,841	1,029,538	1,818,736	2,326,592
Legal and audit		48,917	43,969	73,272	60,514
Office and administration		23,175	72,063	102,067	125,720
Share-based payments	8,10	-	326,100	-	409,000
Transfer agent and filing fees		33,791	38,909	52,877	63,695
Travel and promotion		386,294	192,197	572,070	463,939
		(1,928,357)	(1,925,259)	(3,149,367)	(3,857,147)
<b>Other income (expense)</b>					
Interest income		740	1,109	1,438	2,072
Foreign exchange gain (loss)		66,405	6,821	64,164	(45,598)
Interest expense	9	(65,827)	3,042	(71,592)	(2,958)
Other income		24,985	-	24,985	-
		26,303	10,972	18,995	(46,484)
<b>Loss and total comprehensive loss for the period</b>		(1,902,054)	(1,914,287)	(3,130,372)	(3,903,631)
<b>Basic and diluted loss and comprehensive loss per common share</b>		(0.01)	(0.02)	(0.03)	(0.04)
<b>Weighted average number of common shares outstanding, basic and diluted</b>		139,310,260	96,474,245	119,260,260	90,903,633

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

**SONORO GOLD CORP.**

(Formerly Sonoro Metals Corp.)

(An Exploration Stage Company)

Condensed interim consolidated statements of comprehensive loss

(Expressed in Canadian Dollars) (Unaudited)

	Note	Share Capital		Share-Based Payment Reserve	Subscription Receivable	Deficit	Shareholders' Equity
		Shares	Amount				
Balance, December 31, 2020		85,077,285	\$ 16,837,074	\$ 1,462,819	\$ (40,500)	\$ (12,833,017)	\$ 5,426,376
Private placement, net of issuance costs	10	17,293,308	3,045,772				3,045,772
Subscription cancelled		(70,000)			10,500		10,500
Subscription received	10	-	-		30,000		30,000
Fair value of finders' warrants			(16,300)	16,300			-
Share-based payments	8, 10	-	-	409,000	-	-	409,000
Net loss for the period		-	-	-	-	(3,903,631)	(3,903,631)
Balance, March 31, 2021		102,300,593	\$ 19,866,547	\$ 1,888,119	\$ -	\$ (16,736,648)	\$ 5,018,018
Balance, December 31, 2021		119,260,260	\$ 22,847,577	\$ 1,891,019	\$ -	\$ (18,706,999)	\$ 6,031,597
Private placement, net of issuance costs	10	20,050,000	2,647,168		313,524		2,960,692
Fair value of finders' warrants	10		(10,000)	10,000			-
Net loss for the period		-	-	-	-	(3,130,372)	(3,130,372)
Balance, June 30, 2022		139,310,260	\$ 25,484,745	\$ 1,901,019	\$ 313,524	\$ (21,837,371)	\$ 5,861,917

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

**SONORO GOLD CORP.**

(Formerly Sonoro Metals Corp.)

(An Exploration Stage Company)

Condensed interim consolidated statements of comprehensive loss

(Expressed in Canadian Dollars) (Unaudited)

For the six months ended June 30	2022	2021
<b>Operating Activities</b>		
Net loss	\$ (3,130,372)	\$ (3,903,631)
Items not involving cash		
Depreciation	24,414	-
Share-based payments	-	409,000
Interest expense	3,332	-
Changes in non-cash working capital		
VAT receivables	(211,236)	(328,233)
Receivables	6,028	14,944
Prepaid expenses	(18,054)	32,403
Accounts payable and accrued liabilities	815,296	55,047
Due to related parties	(21,625)	(9,253)
<b>Cash Used in Operating Activities</b>	<b>(2,532,216)</b>	<b>(3,729,723)</b>
<b>Investing Activities</b>		
Expenditures on exploration and evaluation assets	(717,795)	(472,496)
<b>Cash Used in Investing Activities</b>	<b>(717,795)</b>	<b>(472,496)</b>
<b>Financing Activities</b>		
Lease payments	(27,222)	-
Proceeds from subscriptions received	2,647,168	3,045,772
Subscriptions received	-	30,000
Loans payable – related parties	948,248	300,000
Loans repaid – related parties	(800,000)	(323,978)
<b>Cash Provided by Financing Activities</b>	<b>2,768,194</b>	<b>3,051,794</b>
<b>Outflow of Cash and Cash Equivalents</b>	<b>(481,817)</b>	<b>(1,150,425)</b>
<b>Cash and Cash Equivalents, Beginning of Period</b>	<b>1,761,106</b>	<b>2,310,411</b>
<b>Cash and Cash Equivalents, End of Period</b>	<b>\$ 1,279,288</b>	<b>\$ 1,159,986</b>
<b>Supplemental Disclosure with Respect to Cash Flows</b>		
Interest received	\$ 1,438	\$ 1,109
Interest paid/accrued	\$ 71,592	\$ 2,958

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

## **SONORO GOLD CORP.**

(An Exploration Stage Company)

Notes to the condensed interim consolidated financial statements

For the six months ended June 30, 2022 and 2021

(Expressed in Canadian Dollars) (Unaudited)

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### **1. NATURE OF OPERATIONS AND GOING CONCERN**

Sonoro Gold Corp., formerly Sonoro Metals Corp. (“Sonoro” or the “Company”) was incorporated in Ontario on November 30, 1944 under the *Company Act* of Ontario. On January 15, 2007, the Company was issued a Certificate of Continuation by the Province of British Columbia. The Company’s principal business activity is the acquisition, exploration and development of exploration and evaluation assets. The Company is a publicly-traded company listed on the TSX Venture Exchange (“TSX-V”) under the symbol “SGO”.

The head office, registered address and records office of the Company are located at suite 1290 – 625 Howe Street, Vancouver, British Columbia, Canada, V6C 2T6.

The Company has no source of revenue and has significant cash requirements to meet its administrative overhead and to finance mineral property acquisitions and future exploration. The Company does not generate cash flow from operations to adequately fund its activities and has therefore relied principally upon the issuance of securities for financing. The Company will be required to and intends to continue relying upon the issuance of securities to finance its future activities, but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company. The Company incurred a net loss of \$3,130,372 during the six months ended June 30, 2022 (2021 - \$3,903,631) and has an accumulated deficit of \$21,837,371 (December 31, 2021 - \$18,706,999) as at June 30, 2022. As at June 30, 2022, the Company had a working capital of \$342,606 (working capital on December 31, 2021 - \$1,443,600) available to meet its liabilities as they become due. Although these condensed interim consolidated financial statements do not include any adjustments that may result from the inability to secure future financing, or to the recoverability of assets and classification of assets and liabilities, such a situation would have a material adverse effect on the Company’s business, results of operations and financial condition. These matters indicate the existence of material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern.

On March 11, 2020, the World Health Organization declared the outbreak of the novel coronavirus, COVID-19, a global pandemic. This has impacted the global economy with restrictions on travel and mobility being imposed by numerous countries to help reduce new infections. These countries include locations where the Company operates. The Company is committed to providing safe and healthy work environments for its employees, contractors and the communities in which it operates. The Company initiated an on-going exploration program in September 2018 on its Cerro Caliche project in Sonora State, Mexico. The Company has developed a comprehensive mobilization protocol for the continuation of field activities and is observing social distancing and other protective measures in accordance with such protocols.

The Board of Directors approved these consolidated financial statements for issue on August 26, 2022.

### **2. BASIS OF PREPARATION AND CONSOLIDATION**

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as applicable to interim financial reports including International Accounting Standard 34 - Interim Financial Reporting. Therefore, these condensed interim consolidated financial statements do not include all the information and note disclosures required by IFRS for annual financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2021 (“Annual Financial Statements”), which have been prepared in accordance with IFRS.

## **SONORO GOLD CORP.**

(An Exploration Stage Company)

Notes to the condensed interim consolidated financial statements

For the six months ended June 30, 2022 and 2021

(Expressed in Canadian Dollars) (Unaudited)

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### **2. BASIS OF PREPARATION (Continued)**

The accounting policies applied in preparation of these condensed interim consolidated financial statements are the same as those applied in the most recent annual consolidated financial statements and were consistently applied to all the periods presented with the exception of IFRS 16 discussed below.

These condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All dollar amounts presented are in Canadian dollars, the Company's functional currency, unless otherwise specified.

These consolidated financial statements include the accounts of the Company and its wholly owned integrated subsidiaries, Cap Capital Corp. ("Cap Capital"), Minera Mar de Plata, S.A. de C.V. ("MMP"), Oronos Gold Corp. ("Oronos"), and Minera Breco, S.A. de C.V. ("Breco"). A subsidiary is an entity in which the Company has control, where control requires exposure or rights to variable returns and the ability to affect those returns through power over the investee. All significant intercompany transactions and balances have been eliminated upon consolidation.

#### **Accounting policies**

These interim condensed consolidated financial statements follow the same accounting policies and methods of their application as the December 31, 2021 annual audited consolidated financial statements.

#### **Key sources of estimation uncertainty and critical accounting judgement**

In preparing these condensed interim consolidated financial statements, management has made judgements and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expense. Actual amounts incurred by the Company may differ from these values. The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Annual Financial Statements.

### **3. CAPITAL MANAGEMENT**

The Company's primary objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to be able to identify and continue with the exploration activities on its exploration and evaluation assets. The Company defines capital that it manages as shareholders' equity.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue shares from treasury, which is the Company's primary source of funds. The Company does not use other sources of financing that require fixed payments of interest and principal due to lack of cash flow from current operations and is not subject to any externally imposed capital requirements.

There have been no changes to the Company's approach to capital management during the six months ended June 30, 2022.

### **4. FINANCIAL INSTRUMENTS**

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



## SONORO GOLD CORP.

(An Exploration Stage Company)

Notes to the condensed interim consolidated financial statements

For the six months ended June 30, 2022 and 2021

(Expressed in Canadian Dollars) (Unaudited)

### 4. FINANCIAL INSTRUMENTS (Continued)

#### Fair value

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

#### Credit risk

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

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

	June 30, 2022	December 31, 2021
Cash and cash equivalents held at major Canadian financial institutions	\$ 1,256,729	\$ 1,735,713
Cash held at major Mexican financial institutions	22,559	25,393
Total cash and cash equivalents	\$ 1,279,729	\$ 1,761,106

#### Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company had working capital at June 30, 2022 in the amount of \$342,606 (working capital on December 31, 2021 – \$1,443,600).

#### 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 June 30, 2022 and December 31, 2021.

##### (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.

## SONORO GOLD CORP.

(An Exploration Stage Company)

Notes to the condensed interim consolidated financial statements

For the six months ended June 30, 2022 and 2021

(Expressed in Canadian Dollars) (Unaudited)

### 4. FINANCIAL INSTRUMENTS (Continued)

#### Market risk (Continued)

##### (b) Foreign currency risk (continued)

As at June 30, 2022 and December 31, 2021, 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:

	June 30, 2022	
	MXN	USD
Cash	\$ 158,459	\$ 1,770
VAT receivable	24,894,681	-
Prepaid expenses	17,660	-
Accounts payable and accrued liabilities	(2,407,473)	(692,603)
Loans	(4,706,678)	-
Total	17,956,649	(690,833)
Canadian dollar equivalent	\$ 1,148,866	\$ (890,207)

	December 31, 2021	
	MXN	USD
Cash	\$ 182,680	\$ 19,346
VAT receivable	22,473,104	-
Prepaid expenses	17,660	-
Accounts payable and accrued liabilities	(1,876,552)	-
Loans	(46,468)	-
Total	20,750,454	19,346
Canadian dollar equivalent	\$ 1,288,396	\$ 24,527

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 six months ended June 30, 2022 by approximately \$39,000 (December 31, 2021 - \$141,000).

##### (c) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to significant other price risk.

### 5. RIGHT OF USE ASSET AND LEASE LIABILITY

On December 1, 2021, the Company entered a lease agreement for an office premise which expires on August 30, 2023. The lease liability and right of use asset was measured as the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate. The weighted average incremental borrowing rate applied to the lease liability was 9.9% per annum. The lease term remaining as at December 31, 2021 is approximately 1.09 years.

**SONORO GOLD CORP.**

(An Exploration Stage Company)

Notes to the condensed interim consolidated financial statements

For the six months ended June 30, 2022 and 2021

(Expressed in Canadian Dollars) (Unaudited)

**5. RIGHT OF USE ASSET AND LEASE LIABILITY (Continued)**

The details of the lease liability and right of use asset recognized at inception is as follows:

	\$
Operating lease commitment on December 1, 2021	92,652
Effect of discounting	(7,202)
<b>Lease liability and right of use asset recognized on December 1, 2021</b>	<b>85,450</b>

***Right of Use Asset***

The following is the continuity of the cost and accumulated depreciation of the right of use asset as at and for the six months ended June 30, 2022:

<b>Cost</b>	\$
Balance, January 1, 2021	-
Additions	85,450
Balance, December 31, 2021	85,450
Additions	-
Balance, June 30, 2022	85,450

<b>Accumulated depreciation</b>	
Balance, January 1, 2021	-
Depreciation	4,069
Balance, December 31, 2021	4,069
Depreciation	24,414
Balance, June 30, 2022	28,483

Carrying amount as at June 30, 2022	56,967
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***Lease liability***

The following is the continuity of lease liabilities as at and for the year ended December 31, 2021:

<b>Cost</b>	\$
Balance, January 1, 2021	-
Additions	85,450
Lease payments	(4,412)
Interest expense on lease payments	668
Balance, December 31, 2021	81,706
Additions	-
Lease payments	(27,222)
Interest expense on lease payments	3,332
Balance, June 30, 2022	57,816
Less: current portion	(50,211)
Lease liability – noncurrent	7,605

**SONORO GOLD CORP.**

(An Exploration Stage Company)

Notes to the condensed interim consolidated financial statements

For the six months ended June 30, 2022 and 2021

(Expressed in Canadian Dollars) (Unaudited)

**6. EXPLORATION AND EVALUATION ASSETS**

	Cerro Caliche	San Marcial	Total
December 31, 2020	1,984,038	0	1,984,038
Acquisition costs	806,754	-	806,754
December 31, 2021	2,790,792	353,649	3,144,441
Acquisition costs	717,795	-	717,795
June 30, 2022	\$ 3,508,588	\$ 353,649	\$ 3,862,237

During the six months ended June 30, 2022, the Company incurred the following exploration expenditures:

	Cerro Caliche
Field expenses	\$ 100,694
Drilling	630,837
Geological fees	353,512
Assays	338,681
Engineering services	154,436
Permitting	26,198
Consulting	38,059
Lease payment	61,354
Administration	77,120
Concession taxes	37,901
	\$ 1,818,792

During the six months ended June 30, 2021, the Company incurred the following exploration expenditures:

	Cerro Caliche	San Marcial	Total
Field expenses	\$ 328,361	\$ -	\$ 328,361
Drilling	756,782	-	756,782
Geological fees	348,104	-	348,104
Assays	427,770	-	427,770
Technical reports	33,081	-	33,081
Consulting	34,755	-	34,755
Laboratory	284,952	-	284,952
Lease payment	59,170	-	59,170
Administration	4,541	-	4,541
Travel expenses	1,559	-	1,559
Concession taxes	16,157	7,387	23,544
Geological data	23,973	-	23,973
	\$ 2,319,205	7,387	\$ 2,326,592

## SONORO GOLD CORP.

(An Exploration Stage Company)

Notes to the condensed interim consolidated financial statements

For the six months ended June 30, 2022 and 2021

(Expressed in Canadian Dollars) (Unaudited)

### 6. EXPLORATION AND EVALUATION ASSETS (continued)

#### (a) Cerro Caliche Property

On January 23, 2018, the Company through its wholly owned Mexican subsidiary, MMP, entered into an option agreement with a resident of Sonora, Mexico (the "Cerro Caliche Vendor"), to acquire a 100% interest in the Cerro Caliche Group of Concessions ("Cerro Caliche") located in the municipality of Cucurpe, in northern Sonora State, Mexico.

To exercise the option, the Company must make payments of US\$2,982,000 payable in instalments as follows:

December 19, 2017 deposit	US\$10,000 (paid)
January 23, 2018 (on signing)	US\$117,000* (paid)
January 23, 2019	US\$200,000 (paid)
December 13, 2019	US\$30,000 (paid)
January 13, 2020	US\$135,000 (paid)
April 3, 2020	US\$20,000 (paid)
April 30, 2020	US\$120,000 (paid)
July 23, 2020	US\$200,000 (paid)
January 23, 2021	US\$200,000 (paid)
July 23, 2021	US\$250,000 (paid)
January 23, 2022	US\$250,000 (paid)
July 23, 2022	US\$300,000 (Note 13)
January 23, 2023	US\$300,000
July 23, 2023	US\$400,000
January 23, 2024	US\$450,000

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

Following exercise of the option, the Cerro Caliche Vendor will be entitled to a 2% net smelter returns royalty ("NSR") ("Cerro Caliche NSR") from the proceeds of the sale of minerals from the Cerro Caliche project. The Company may purchase the Cerro Caliche NSR at any time for US\$1,000,000 for each one percent.

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

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

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(An Exploration Stage Company)

Notes to the condensed interim consolidated financial statements

For the six months ended June 30, 2022 and 2021

(Expressed in Canadian Dollars) (Unaudited)

### 6. EXPLORATION AND EVALUATION ASSETS (continued)

#### (a) Cerro Caliche Property (Continued)

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

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

Following exercise of the option, the Rosario Vendor will be entitled to a 2% NSR ("Rosario NSR") from the proceeds of the sale of minerals from the Rosario project. The Company may purchase the Rosario NSR at any time for US\$1,000,000 for each one percent.

On May 29, 2018, the Company entered into an option agreement to acquire a 100% interest in the Tres Amigos concession in Sonoro, Mexico. The Tres Amigos concessions are contiguous to the Company's Cerro Caliche concessions. To exercise the option the Company must make payments totaling US\$130,000, which is payable in nine equal instalments over 48 months from the date of signing, as follows:

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

In April 2022, the Company acquired the 100% interest in the Tres Amigos concession by making the final US\$14,444 payment due on May 2, 2022 and secured 100% title to the concession through execution of an "Assignment of Title to Mining Concession Agreement."

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

During the year ended December 31, 2019, the Company paid the remaining balance of US\$50,000 (\$66,094) and completed the acquisition of the El Colorado concessions.

On October 5, 2018, the Company entered into an option agreement to acquire a 100% interest in the Cabeza Blanca concession, located within the perimeter of the Cerro Caliche concessions. To exercise the option the Company must make payments totaling US\$175,000 in staged payments over two years from the date of signing and by issuing 250,000 common shares (issued - \$45,000).

## SONORO GOLD CORP.

(An Exploration Stage Company)

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For the six months ended June 30, 2022 and 2021

(Expressed in Canadian Dollars) (Unaudited)

### 6. EXPLORATION AND EVALUATION ASSETS (continued)

#### (a) Cerro Caliche Property (Continued)

The staged payments were due as follows:

On signing	US\$ 5,000 (paid)
November 5, 2019	US\$20,000 (paid)
January 5, 2019	US\$10,000 (paid)
October 5, 2019	US\$70,000 (paid)
October 5, 2020	US\$70,000 (paid)

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

In June 2018, the Company entered into a surface access agreement with the owners of El Cerro Prieto Ranch, which has ownership of the surface rights to the Cerro Caliche concession. In Mexico, mineral concessions do not grant the rights over the surface where they are located, the concession holder must negotiate directly for the use of land with the owners of the surface rights.

Under the Sonoro agreement with El Cerro Prieto Ranch, the Company has access to the land for mineral exploration and development for a period of seven years at an annual fee of US\$48,000.

#### (b) San Marcial Property

On July 8, 2014, the Company completed the acquisition of Breco, a private Mexican company that holds the San Marcial project in Sonora, Mexico. The Company acquired all of the issued and outstanding shares of Breco by paying \$40,000 cash and issuing 50,000 common shares with a market value of \$16,000. The acquisition of Breco was deemed to be the acquisition of an asset.

As a result of the acquisition of Breco, Sonoro assumes the original option agreement obligation with the original optionors of the San Marcial property. Future-stage cash payments to an aggregate of \$60,000 over two years and share issuances to an aggregate of 150,000 shares over three years to maintain interest in the underlying San Marcial property option agreement will be made at Sonoro's discretion to the vendors of Breco as follows:

	Cash	Shares
First anniversary date	\$30,000	50,000
Second anniversary date	30,000	50,000
Third anniversary date	nil	50,000
	\$60,000	150,000

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

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

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### 6. EXPLORATION AND EVALUATION ASSETS (continued)

#### (c) Realization of assets

The Company's investment in and expenditures on exploration and evaluation assets comprise a significant portion of the Company's assets. Realization of the Company's investment in the assets is dependent on establishing legal ownership of the property interest, on the attainment of successful commercial production or from the proceeds of its disposal. The recoverability of the amounts shown for the exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of the exploration and evaluation assets, and upon future profitable production or proceeds from the disposition thereof.

#### (d) Title to mineral properties

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history of many exploration and evaluation assets. Although the Company has taken steps to ensure title to the exploration and evaluation assets in which it has an interest, in accordance with industry standards for the current stage of exploration of such assets, these procedures may not guarantee the Company's title. Asset title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

#### (e) Environmental matters

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its exploration and evaluation assets. The Company conducts its exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current assets that may result in a material liability to the Company.

Environmental legislation is becoming increasingly stringent and the costs of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the exploration and evaluation assets, the potential for production on these assets may be diminished or negated.

### 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	June 30, 2022	December 31, 2021
Trade payables	\$ 1,006,439	\$ 87,760
Accrued liabilities	56,720	160,054
Total	\$ 1,063,111	\$ 247,814

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



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### 8. RELATED PARTY TRANSACTIONS

#### Compensation of key management

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

	For the six months ended June 30,	
	2022	2021
Consulting fees	\$ 314,514	\$ 136,900
Share-based payments	-	7,750
	\$ 314,514	\$ 144,650

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

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

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

At June 30, 2022, \$26,033 (December 31, 2021 - \$47,658) is owing to related parties without interest and is payable on demand.

### 9. LOANS PAYABLE

During the six months ended June 30, 2022, the Company issued promissory notes to related parties and a third party in the amount of \$948,248 with 10% interest and loan fee ranging from 0% to 7% (December 31, 2021 - \$700,000 with 10% interest, of which \$400,000 had an additional 7% one-time loan fee payable). The Company repaid \$800,000 (December 31, 2021 - \$550,000) of the promissory notes and paid \$33,808 of interest (December 31, 2021 - \$42,465). As at June 30, 2022, the balance owing was \$301,133 (December 31, 2021 - \$152,885), payable on demand.

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### 10. SHARE CAPITAL AND RESERVES

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued

- i. In June 2022, the Company closed a non-brokered private placement offering of 20,050,000 units at \$0.15 per unit for proceeds of \$3,007,500. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share for a period of two years from the closing date at an exercise price of \$0.225 per share.

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

- At the election of the finder, either a cash finder's fee or units equal to 7% of the gross proceeds raised from subscribers introduced to the Company by the finder; and
- Such number of non-transferable finder's warrants equal to 7% of the gross proceeds raised from subscribers introduced to the Company by the finder. Each finder's warrant entitles the finder to purchase one common share in the capital of the Company at a price of \$0.225 for a period of two years following the closing of the offering.

In total, the Company paid \$36,599 in finders' fees and 243,997 in non-transferable finders' warrants. The fair value of the finder's warrants was \$10,000 which has been recorded as share-based payment reserve.

- ii. In December 2021, the Company closed a non-brokered private placement offering of 16,666,667 units at \$0.18 per unit for proceeds of \$3,000,000. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share for a period of two years from the closing date at an exercise price of \$0.30 per share.

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

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

In total, the Company paid \$47,420 in finders' fees and 263,447 in non-transferable finders' warrants. The fair value of the finder's warrants was \$22,700 which has been recorded as share-based payment reserve.

- iii. In August 2021, 200,000 options with an exercise price of \$0.16 were exercised for gross proceeds of \$32,000.
- iv. In August 2021, 93,000 warrants with an exercise price of \$0.30 were exercised for gross proceeds of \$27,900.
- v. In April 2021, the Company closed a non-brokered private placement offering of 17,283,586 units at \$0.18 per unit for proceeds of \$3,111,046. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share for a period of two years from the closing date at an exercise price of \$0.30 per share.

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### 10. SHARE CAPITAL AND RESERVES (Continued)

#### b. Issued

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

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

In total, the Company paid \$81,573 in finders' fees and issued 9,722 common shares with a fair value of \$1,750 and 177,644 in non-transferable finders' warrants. The fair value of the finder's warrants was \$16,300 which has been recorded as share-based payment reserve.

#### (c) Stock options

Pursuant to the policies of the TSX-V, under the Company's stock option plan, options to purchase common shares are granted to directors, employees and consultants at exercise prices determined by reference to the market value on the date of grant for a maximum term of five years. The Board of Directors may grant options for the purchase of up to a total of 10% of the outstanding shares at the time of the option grant less the aggregate number of existing options and number of common shares subject to issuance under outstanding rights that have been issued under any other share compensation arrangement. Options granted under the plan may vest over a period of time at the discretion of the Board of Directors.

A summary of the Company's outstanding and exercisable stock options is as follows:

	June 30, 2022		December 31, 2021	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of year	9,850,000	\$ 0.26	7,565,000	\$ 7,565,000
Granted	-	-	2,635,000	0
Expired	-	-	(150,000)	0
Exercised*	-	-	(200,000)	0
Balance, end of year	9,850,000	\$ 0.26	9,850,000	\$ 9,850,000

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

On May 18, 2021, the Company granted stock options to officers, directors and consultants to purchase up to 2,000,000 common shares at an exercise price of \$0.30 until May 18, 2023. The fair value of \$307,000 was included in net loss for the year ended December 31, 2021.

On June 3, 2021, the Company granted stock options to a consultant to purchase up to 100,000 common shares at an exercise price of \$0.30 until June 3, 2023. The fair value of \$18,500 was included in net loss for the year ended December 31, 2021.

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**10. SHARE CAPITAL AND RESERVES (Continued)**

## (c) Stock options (continued)

The fair value of stock options and warrants are estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	June 30, 2022		March 31, 2021	
	Options	Warrants	Options	Warrants
Risk-free interest rate	n/a	n/a	0.38%	n/a
Expected dividend yield	n/a	n/a	0.00	n/a
Expected stock price volatility	n/a	n/a	126.74%	n/a
Expected life in years	n/a	n/a	3.00	n/a
Weighted average fair value	n/a	n/a	\$0.16	n/a

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

Expiry Date	Exercise Price	March 31, 2022	December 31, 2021
July 28, 2022	\$ 0.12	200,000	200,000
May 31, 2023	\$ 0.15	200,000	200,000
January 10, 2023	\$ 0.15	2,140,000	2,140,000
August 26, 2023	\$ 0.30	4,125,000	4,125,000
September 4, 2023	\$ 0.30	550,000	550,000
January 25, 2024	\$ 0.30	535,000	535,000
May 18, 2023	\$ 0.30	2,000,000	2,000,000
June 3, 2023	\$ 0.30	100,000	100,000
		9,850,000	9,850,000

The weighted average remaining contractual life for the outstanding options at June 30, 2022 is 1.21 (December 31, 2021 – 1.46) years.

## (d) Warrants

The Company's warrant activity for the six months ended June 30, 2022 is as follows:

	Number of Financing Warrants	Number of Finders Warrants	Weighted Average Exercise Price \$
December 31, 2020	36,363,638	2,372,959	0.30
Issued	33,950,253	441,091	0.30
Exercised	-	(93,000)	0.30
December 31, 2021	70,313,891	2,721,050	0.30
Issued	20,050,000	243,997	0.23
June 30, 2022	90,363,891	2,965,047	0.30

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### 10. SHARE CAPITAL AND RESERVES (Continued)

(d) Warrants (continued)

The following summarizes information on the number of warrants outstanding:

Expiry Date	Exercise Price	June 30, 2022	December 31, 2021
August 12, 2023	\$ 0.30	38,643,597	38,643,597
April 20, 2023	\$ 0.30	17,461,230	17,461,230
December 20, 2023	\$ 0.30	16,930,114	16,930,114
June 30, 2024	\$0.225	20,293,997	-
		93,328,938	73,034,941

### 11. SEGMENTED INFORMATION

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

As at June 30, 2022:

	<u>Exploration and Evaluation Assets</u>	<u>VAT receivable</u>	<u>Total</u>
Mexico	\$ 3,841,450	\$ 1,522,499	\$ 5,363,949

As at December 31, 2021:

	<u>Exploration and Development Assets</u>	<u>VAT receivable</u>	<u>Total</u>
Mexico	\$ 3,144,441	\$ 1,396,476	\$ 4,540,917

### 12. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

In September 2021, the Company entered into a commercial property lease commencing on December 1, 2021 and ending on August 30, 2023 for a monthly rent of \$4,537 (Note 5).

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

### 13. EVENTS AFTER THE REPORTING PERIOD

In July 2022, the Company made the US\$300,000 payment for the Cerro Caliche group of concessions which was due on July 23, 2022. (Note 6)