



(An Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2023

(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, 2023	December 31, 2022
<b>Assets</b>			
<b>Current assets</b>			
Cash	4	\$ 43,847	\$ 87,545
Receivables		26,527	21,557
Prepaid expenses		391,044	283,249
Deferred financing cost	9	296,733	175,553
		758,151	567,904
<b>Non-current assets</b>			
Right of use asset	5	95,070	32,553
Exploration and evaluation assets	6	4,651,594	4,248,949
<b>Total Assets</b>		\$ 5,504,815	\$ 4,849,406
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	7	\$ 1,916,507	\$ 1,381,491
Due to related parties	8	173,049	109,324
Loans payable	9	2,376,854	1,083,908
Lease liability	5	28,413	32,718
		4,494,823	2,607,441
<b>Non-current liability</b>			
Lease liability	5	64,136	-
<b>Total Liabilities</b>		4,558,959	2,607,441
<b>Shareholders' equity</b>			
Share capital	10	27,981,946	26,283,908
Share-based payment reserve	10	2,005,737	2,005,737
Share subscriptions receivable	10	(1,729,147)	(433,523)
Deficit		(27,312,680)	(25,614,157)
		945,856	2,241,965
		\$ 5,504,815	\$ 4,849,406

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.**

(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	2023	2022	2023	2022
		\$	\$	\$	\$
<b>Expenses</b>					
Consulting fees	8	175,150	294,132	387,800	505,931
Depreciation		30,835	12,207	61,670	24,414
Exploration expenditures	6	254,289	1,129,841	379,031	1,818,736
Legal and audit		43,042	48,917	54,293	73,272
Office and administration		52,518	23,175	83,564	102,067
Transfer agent and filing fees		8,585	33,791	18,844	52,877
Travel and promotion		153,422	386,294	367,120	572,070
		(717,841)	(1,928,357)	(1,352,322)	(3,149,367)
<b>Other income (expense)</b>					
Interest income		740	740	1,471	1,438
Foreign exchange gain (loss)		(15,992)	66,405	31,112	64,164
Interest expense	9	(42,560)	(65,827)	(69,796)	(71,592)
Provision for uncollectable VAT	2	(76,049)	-	(308,989)	-
Other income		-	24,985	-	24,985
		(133,861)	26,303	(346,202)	18,995
<b>Loss and total comprehensive loss for the period</b>					
		(851,702)	(1,902,054)	(1,698,524)	(3,130,372)
<b>Basic and diluted loss and comprehensive loss per common share</b>					
		(0.01)	(0.01)	(0.01)	(0.03)
<b>Weighted average number of common shares outstanding, basic and diluted</b>					
		160,470,992	139,310,260	144,410,219	119,260,260

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

**SONORO GOLD 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, 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		-	-	-	-	(3,130,428)	(3,130,428)
Balance, June 30, 2022		139,310,260	\$ 25,484,745	\$ 1,901,019	\$ 313,524	\$ (21,837,427)	\$ 5,861,861
Balance, December 31, 2022		143,470,992	\$ 26,283,907	\$ 2,005,737	\$ (433,523)	\$ (25,614,156)	\$ 2,241,965
Private placement, net of issuance costs	10	17,000,000	1,698,039	-	(1,295,624)		402,415
Net loss for the period		-	-	-		(1,698,524)	(1,698,524)
Balance, June 30, 2023		160,470,992	\$ 27,981,946	\$ 2,005,737	\$ (1,729,147)	\$ (27,312,680)	\$ 945,856

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**SONORO GOLD CORP.**

(An Exploration Stage Company)

Condensed interim consolidated statements of comprehensive loss  
(Expressed in Canadian Dollars) (Unaudited)

For the six months ended June 30	2023	2022
<b>Operating Activities</b>		
Net loss	\$ (1,698,524)	\$ (3,130,372)
Items not involving cash		
Depreciation	61,670	24,414
Interest expense	2,686	3,332
Changes in non-cash working capital		
VAT receivables	-	(211,236)
Receivables	(4,970)	6,028
Prepaid expenses	(107,796)	(18,054)
Accounts payable and accrued liabilities	535,018	815,296
Due to related parties	63,725	(21,625)
<b>Cash Used in Operating Activities</b>	<b>(1,148,190)</b>	<b>(2,532,216)</b>
<b>Investing Activities</b>		
Expenditures on exploration and evaluation assets	(402,646)	(717,795)
<b>Cash Used in Investing Activities</b>	<b>(402,646)</b>	<b>(717,795)</b>
<b>Financing Activities</b>		
Lease payments	(67,042)	(27,222)
Proceeds from subscriptions received	402,415	2,647,168
Financing costs	(121,180)	-
Loans payable – related parties	1,292,946	948,248
Loans repaid – related parties	-	(800,000)
<b>Cash Provided by Financing Activities</b>	<b>1,507,139</b>	<b>2,768,194</b>
<b>Outflow of Cash and Cash Equivalents</b>	<b>(43,698)</b>	<b>(481,817)</b>
<b>Cash and Cash Equivalents, Beginning of Period</b>	<b>87,545</b>	<b>1,761,106</b>
<b>Cash and Cash Equivalents, End of Period</b>	<b>\$ 43,847</b>	<b>\$ 1,279,288</b>
<b>Supplemental Disclosure with Respect to Cash Flows</b>		
Interest received	\$ 1,471	\$ 1,438
Interest paid/accrued	\$ 69,796	\$ 71,592

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, 2023

(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 300 – 2489 Bellevue Avenue, West Vancouver, British Columbia, Canada, V7V 1E1.

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 \$1,698,524 during the six months ended June 30, 2023 (2022 - \$3,130,372) and has an accumulated deficit of \$27,312,680 as at June 30, 2023 (December 31, 2022 - \$25,614,156). As at June 30, 2023, the Company had a working capital deficiency of \$3,729,461 (December 31, 2022 - \$2,039,537). 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.

The Company’s business financial condition and results of operations may be further negatively affected by economic and other consequences from Russia’s military action against Ukraine and the sanctions imposed in response to that action in late February 2022. While the Company expects any direct impacts, of the pandemic and the war in the Ukraine, to the business to be limited, the indirect impacts on the economy and on the mining industry and other industries in general could negatively affect the business and may make it more difficult for it to raise equity or debt financing. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about on its business, results of operations, financial position and cash flows in the future.

The Board of Directors approved these consolidated financial statements for issue on August 29, 2023.

### **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, 2022 (“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, 2023

(Expressed in Canadian Dollars) (Unaudited)

### 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, 2022 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.

#### Value Added Tax ("VAT")

The VAT receivables are generated on the purchase of supplies and services relating to exploration activities and are receivable from the Mexican government. The recovery of VAT involves a complex application process and the timing of collection of VAT receivables is uncertain. Management's assumptions regarding the recoverability of VAT receivable at the end of each reporting period is made using all relevant facts available, including past collectability, the development of VAT policies and the general economic environment of the country to determine if a write-down of the VAT is required. Collection of the amount receivable depends on processing and payment of the claims by the Mexican federal government, which historically has been very slow. While the Company is still pursuing collection, with the delay in processing and collection and no acknowledgement by the Mexican tax authorities regarding the collection of this balance, management determined that an allowance should be provided on the existing VAT receivable, as such, not VAT receivable has been recorded in the Financial Statements. The timing and amount of VAT ultimately collectable could be materially different from the amount recorded in these consolidated financial statements.

A summary of the changes in VAT for the six months ended June 30, 2023 and the year ended December 31, 2022 are as follows:

VAT receivable	\$
Balance, December 31, 2021	1,396,476
Additions	535,704
Balance, December 31, 2022	1,932,180
Additions	308,989
Balance, June 30, 2023	2,241,169



## SONORO GOLD CORP.

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Notes to the condensed interim consolidated financial statements

For the six months ended June 30, 2023

(Expressed in Canadian Dollars) (Unaudited)

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### 2. BASIS OF PREPARATION (Continued)

Value Added Tax ("VAT") (Continued)

#### **Provision for uncollected VAT**

Balance, January 1, 2021 and December 31, 2022	-
Additions	(1,932,180)
Balance, December 31, 2022	(1,932,180)
Additions	(308,989)
Balance, June 30, 2023	(2,241,169)
Carrying amount as at June 30, 2023	-

### 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, 2023.

### 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.

#### **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.

## SONORO GOLD CORP.

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For the six months ended June 30, 2023

(Expressed in Canadian Dollars) (Unaudited)

### 4. FINANCIAL INSTRUMENTS (Continued)

#### 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, 2023	December 31, 2022
Cash held at major Canadian financial institutions	\$ 28,753	\$ 76,710
Cash held at major Mexican financial institutions	15,094	10,835
Total cash	\$ 43,847	\$ 87,545

#### 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 deficiency at June 30, 2023 in the amount of \$3,729,461 (December 31, 2022 – \$2,039,537).

#### 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, 2023 and December 31, 2022.

##### (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, 2023

(Expressed in Canadian Dollars) (Unaudited)

### 4. FINANCIAL INSTRUMENTS (Continued)

#### Market risk (Continued)

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

As at June 30, 2023 and December 31, 2022, 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:

<b>June 30, 2023</b>		
	MXN	USD
Cash	\$ 128,324	\$ 403
VAT receivable	28,777,391	-
Prepaid expenses	17,660	-
Accounts payable and accrued liabilities	(5,390,802)	-
Loans	(17,944,032)	-
Total	5,588,540	403
Canadian dollar equivalent	\$ 432,329	\$ 534

  

<b>December 31, 2022</b>		
	MXN	USD
Cash	\$ 155,072	\$ 12,446
Accounts payable and accrued liabilities	(4,375,347)	(343,589)
Loans	(7,683,038)	-
Total	(11,903,313)	(331,143)
Canadian dollar equivalent	\$ (827,161)	\$ (448,500)

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, 2023 by approximately \$48,000 (December 31, 2022 - \$94,000).

##### (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 June 30, 2023 is approximately 0.34 years.

**SONORO GOLD CORP.**

(An Exploration Stage Company)

Notes to the condensed interim consolidated financial statements

For the six months ended June 30, 2023

(Expressed in Canadian Dollars) (Unaudited)

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

On February 1, 2023, the Company entered a second lease agreement for an office premise which expires on January 31, 2025. 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 June 30, 2023 is approximately 1.84 years.

The details of the lease liability and right of use assets recognized at inception are as follows:

**First Office Lease**

	\$
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>

**Second Office Lease**

	\$
Operating lease commitment on February 1, 2023	144,000
Effect of discounting	(19,813)
<b>Lease liability and right of use asset recognized on February 1, 2023</b>	<b>124,187</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, 2023:

<b>Cost</b>	\$
Balance, January 1, 2021	-
Additions	85,450
Balance, December 31, 2022	85,450
Additions	124,187
Balance, June 30, 2023	209,637
<b>Accumulated depreciation</b>	
Balance, January 1, 2021	-
Depreciation	4,069
Balance, December 31, 2021	4,069
Depreciation	48,828
Balance, December 31, 2022	52,897
Depreciation	61,670
Balance, June 30, 2023	114,567
Carrying amount as at June 30, 2023	95,070
Carrying amount as at December 31, 2022	32,553

**SONORO GOLD CORP.**

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Notes to the condensed interim consolidated financial statements

For the six months ended June 30, 2023

(Expressed in Canadian Dollars) (Unaudited)

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

The following is the continuity of lease liabilities as at and for the year ended December 31, 2022:

<b>Cost</b>	<b>\$</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	(54,445)
Interest expense on lease payments	5,457
Balance, December 31, 2022	32,718
Additions	124,187
Lease payments	(67,042)
Interest expense on lease payments	2,686
Balance, June 30, 2023	92,549
Less: current portion	(28,413)
Lease liability – noncurrent	64,136

**SONORO GOLD CORP.**

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Notes to the condensed interim consolidated financial statements

For the six months ended June 30, 2023

(Expressed in Canadian Dollars) (Unaudited)

**6. EXPLORATION AND EVALUATION ASSETS**

	Cerro Caliche	San Marcial	Total
December 31, 2021	2,790,792	0	3,144,441
Acquisition costs	1,104,508	-	1,104,508
Disposition of mineral properties	-	-	-
December 31, 2022	3,895,300	353,649	4,248,949
Acquisition costs	402,645	-	402,645
Disposition of mineral properties	-	-	-
June 30, 2023	\$ 4,297,945	\$ 353,649	\$ 4,651,594

During the six months ended June 30, 2023, the Company incurred the following exploration expenditures:

	Cerro Caliche	San Marcial	Total
Field expenses	\$ 81,231	\$ -	\$ 81,231
Drilling	(133,762)	-	(133,762)
Geological fees	206,333	-	206,333
Consulting	161,191	-	161,191
Administration	41,173	-	41,173
Concession taxes	14,271	8,594	22,865
	\$ 370,437	\$ 8,594	\$379,031

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

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### 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 (paid)
January 23, 2023	US\$300,000 (paid)
July 23, 2023	US\$400,000 (Note 13)
January 23, 2024	US\$450,000

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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For the six months ended June 30, 2023

(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)
May 31, 2023	US\$375,000 (Note 13)
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 March 13, 2023, MMP entered into an amendment agreement with the Rosario Vendor to pay the US\$375,000 amount due on March 14, 2023 on May 31, 2023.

#### (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, 2023	December 31, 2022
Trade payables	\$ 1,739,823	\$ 1,256,662
Accrued liabilities	176,684	124,829
Total	\$ 1,916,507	\$ 1,381,491

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,	
	2023	2022
Consulting fees	\$ 268,634	\$ 314,514

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

In January 2023, 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, 2023. 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 36 months of the officer’s then-current annual fees, within five business days from the date of the termination notice.

In January 2023, the Board of Directors reapproved the compensation plan for an officer of the Company for a three-year term starting from May 1, 2023. 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 24 months of the officer’s then-current annual fees within five business days from the date of the termination notice.

At June 30, 2023, \$173,049 (2022 - \$109,324) is owing to related parties, including management, directors and companies controlled by management, without interest and is payable on demand and is included in accounts payable and accrued liabilities.

At June 30, 2023, \$573,000 (2022 - \$523,000) of loans payable is owing to related parties these loans bear interest at a rate of 10% per annum and have varying repayment dates (Note 9). In connection with these loans, \$32,760 (2022 - \$23,125) is accrued as interest and loan fees and is included in accounts payable and accrued liabilities.

### 9. LOANS PAYABLE

During the six months ended June 30, 2023, the Company issued promissory notes to related parties and a third party in the amount of \$1,292,946 with 10% interest and loan fee of 7% (2022 - \$1,731,023 with 10% interest and loan fee ranging from 0% to 7%). The Company repaid \$nil (2022 - \$800,000) of the promissory notes and paid or accrued \$50,804 of interest (2022 - \$136,416). As at June 30, 2023, the balance owing was \$2,376,854 (2021 - \$1,083,908), payable on or before the completion of project financing for the development of the Cerro Caliche mining operation, which is anticipated to close in 2023.

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### 10. SHARE CAPITAL AND RESERVES

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued

- i. In June 2023, the Company closed a non-brokered private placement offering of 17,000,000 units at \$0.10 per unit for proceeds of \$1,700,000. 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 \$0.15 per share.

In connection with this private placement, \$1,295,624 is unpaid and is included in subscriptions receivable. The subscribers from which this amount are owed also have amounts accrued in accounts payable and accrued liabilities which may be settled on a net basis, pending regulatory approval.

In connection with the offering, the Company the Company paid \$959 in finders' fees and 9,590 in non-transferable finders' warrants. The fair value of the finder's warrants was immaterial and nothing has been recorded as share-based payment reserve.

- ii. In October 2022, the Company closed a non-brokered private placement of 4,160,732 units (the "Unit") at \$0.15 per unit for aggregate gross proceeds of \$624,110 (the "Offering"). Each Unit consists 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 this private placement, \$120,000 is unpaid and is included in subscriptions receivable. The subscribers from which this amount are owed also have amounts accrued in accounts payable and accrued liabilities which may be settled on a net basis, pending regulatory approval.

In connection with the Offering, the Company entered into finder's fee agreement with GloRes Securities Inc. ("Finder") pursuant to which the Company paid to the Finder:

- A cash finder's fee equal to 7% of the gross proceeds raised from subscribers introduced to the Company by the Finder; and
- Non-transferable finder's warrants equal in number 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 \$3,500 in Finder's fees and issued 23,333 in non-transferable Finder's Warrants. The fair value of the finder's warrants was \$700 which has been recorded as share-based payment reserve.

- iii. 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 this private placement, \$313,523 is unpaid and is included in subscriptions receivable. The subscribers from which this amount are owed also have amounts accrued in accounts payable and accrued liabilities which may be settled on a net basis, pending regulatory approval.

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

#### (b) Issued (Continued)

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 \$77,061 in finders' fees and 247,997 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.

#### (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, 2023			December 31, 2022	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	
Balance, January 1, 2023	9,650,000	\$ 0.26	9,850,000	\$ 0.26	7,565,000
Expired	(4,440,000)	(0.22)	(200,000)	(0.12)	(150,000)
Balance, June 30, 2023	5,210,000	\$ 0.30	9,650,000	\$ 0.26	9,850,000

No stock options were granted during the six months ended June 30, 2023 and during the year ended December 31, 2022.

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

Expiry Date	Exercise Price	March 31, 2023	December 31, 2022
January 10, 2023	\$ 0.15	-	2,140,000
May 18, 2023	\$ 0.30	-	2,000,000
May 31, 2023	\$ 0.15	-	200,000
June 3, 2023	\$ 0.30	-	100,000
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
		5,210,000	9,650,000

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

## (c) Stock options (Continued)

The weighted average remaining contractual life for the outstanding options at June 30, 2023 is 0.20 (December 31, 2022 – 0.47) years.

## (d) Warrants

The Company's warrant activity for the six months ended June 30, 2023 is as follows:

	Number of Financing Warrants	Number of Finders Warrants	Weighted Average Exercise Price \$
December 31, 2021	70,313,891	2,721,050	0.30
Issued	24,210,732	271,330	0.23
December 31, 2022	94,524,623	2,992,380	0.28
Expired	(17,283,586)	(177,644)	0.30
Issued	17,000,000	9,590	0.15
June 30, 2023	94,241,037	2,824,326	

The following summarizes information on the number of warrants outstanding:

Expiry Date	Exercise Price	June 30, 2023	December 31, 2022
April 20, 2023	\$ 0.30	-	17,461,230
August 12, 2023	\$ 0.30	38,643,597	38,643,597
December 20, 2023	\$ 0.30	16,930,114	16,930,114
June 30, 2024	\$ 0.23	20,293,997	20,293,997
October 19, 2024	\$ 0.23	4,184,065	4,184,065
June 20, 2025	\$ 0.15	17,009,590	-
		97,061,363	97,513,003

Subsequent to the six months ended June 30, 2023, 38,643,597 warrants expired unexercised.

**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, 2023:

<u>Exploration and Evaluation Assets</u>	
Mexico	\$ 4,651,594

As at December 31, 2022:

<u>Exploration and Development Assets</u>	
Mexico	\$ 4,248,949

## **SONORO GOLD CORP.**

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### **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 \$4,412 (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)

In January 2023, the Company entered into a commercial property lease commencing on February 1, 2023 and ending on January 31, 2025 for a monthly rent of \$4,067. The Company is trying to sublease the existing commercial property lease, which ends on August 30, 2023 (Note 5).

### **13. SUBSEQUENT EVENTS**

1. In August 2023, 38,643,597 warrants expired unexercised.
2. In August 2023, the Company closed the second tranche of its previously announced \$3,000,000 non-brokered private placement by issuing 3,007,920 units (the "Units") at a price of \$0.10 per Unit, for gross proceeds of \$300,792. 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 \$0.15 per share.
3. In August 2023, MMP entered into an amendment agreement with the Rosario Vendor to pay the US\$375,000 amount due on May 31, 2023 by September 30, 2023. MMP also agreed to make a one-time interest payment of USD\$16,000 in conjunction with the final payment of USD\$550,000 due upon or prior to March 14, 2024.
4. The company is currently negotiating the terms of the payment that was due to the Cerro Caliche vendor on July 23, 2023.