

Sonoro Gold Corp. Alert to Clients

On Monday June 6th Sonoro Gold Corp (TSX.V: SGO CAD \$0.16) announced a non-brokered private placement consisting of up to 13,500,000 units at CAD\$0.15 per Unit, for gross proceeds of up to CAD\$2,025,000.

Each warrant consists of one Sonoro common share and one share purchase warrant entitling the holder to purchase an additional share at \$0.225 for a period of two years.



Sonoro's Cerro Caliche is in its Final Phase prior to the Mine's Construction

Sonoro is developing a 15,000 tonnes per day open pit heap leach mining operation at Cerro Caliche to exploit the near surface oxide gold mineralization and is on track to begin late next year, producing at an initial annual rate of 47,000 oz/Au while expanding the operation. To minimize dilution the company's strategy is to use cash flow from gold production to fund the exploration of the project's extensive areas of gold enrichment covering an area of approximately 12 square Km. To date, roughly 25% of its potential gold zones have been drilled.

On May 9th, Sonoro announced it had updated its Preliminary Economic Assessment (PEA) which demonstrates significantly improved the economics for its planned heap leach mining operation. The update was completed to ensure the company is ideally positioned as it advances talks with lenders regarding the project's debt financing. Highlights are that the start-up capital costs have been reduced from USD \$32 to \$26 million and the after tax net present value discounted at 5% (NPV) is 40% higher at USD \$53 million and Pretax NPV is now USD \$84.4 million. The project's Internal Rate of Return was increased to a very robust (pretax) 74.9%. Both ASIC and cash costs per ounce of gold were reduced slightly to a respective USD \$1,206 and USD \$1,333. A gold price of USD \$1,750 was used for the calculations.

The First of two Key Applications has been made

A few days prior to the PEA results announcement Sonoro also announced that it had submitted the Environmental Impact Statement for the Cerro Caliche. It is a very significant development because it is an essential requirement before a company can commence building and operating a mine. In addition to an approved environmental impact statement, a change of land use permit is also required and once received the company can begin construction.

This makes it quite clear that Sonoro is a long ways through the mine development process. The next step is to complete and file a Change of Land Use Application with SEMARNAT and upon the receipt of both approvals Sonoro will be in a position to secure the project debt financing - although we expect it will already have been arranged it in advance - subject to receipt of the two approvals. We understand the application is essentially complete, but to file the application, a deal needs to be made with the landowner for the surface rights and this usually requires a substantial payment. Our associates in Canada tell us that this is what a portion of the raise is for.

To give an idea what the significance of receiving this permit and what it can mean to a company's shares we refer back to Minera Alamos whose shares began a \$0.10 to \$0.78 share price rise when it received the same change of land use permit which allowed it to begin building its now in operation Santana mine in Sonora State, Mexico. Now that applying and getting this permit is on the horizon for Sonoro, the case for owning its shares becomes more compelling.



The Pace of Development should now Accelerate going forward

As this process advances Sonoro will also be in a position to begin the detailed engineering required for actual construction work. We understand the same China-based company to be a front runner to do the EPC work. With the deal with the property owner about to be funded, Sonoro is expected to make its application for the change of use permit which once received, opens the door to securing the debt financing and immediately commencing with the mine's construction. In other words Sonoro is very close to building its mine.

So what does this mean?

According to the PEA the mine will begin at a run-rate of 47,000 ounces in the first year. We expect the number of ounces to increase and the cash cost to decline as the higher-grade gold areas outlined in the last campaign are factored into the mine plan. For now, using the cash cost of USD \$1,206 and the current \$1,840 gold price, the operation should generate a net cash flow of almost USD \$30 million or CAD \$37 million per year. Consider that Sonoro's market capitalization (post financing) is around CAD \$16 million or less than half of what its PEA indicated annual cash flow is. This does not account for our expectation that it will ultimately define a 1.5 to 2 million oz/Au resource - more than triple what it has now.

The Cerro Caliche is going to be much larger than its current PEA indicates

Sonoro plans to keep expanding the Cerro Caliche's resource, gold grade and mine-life and expects to expand the current resource to around 2 million oz/Au. The latest 7,000m campaign has produced some of the project's best gold intercept and are not included in the current AuEq resource. It is clear that they have consistently expanded the gold mineralization around the pit shells which are used in the PEA. The drilling also outlined new high-grade gold vein systems which in some cases are also near the existing pit shells - an ideal combination of high-grade gold mineralization which can be exploited by simply enlarging already planned mining pits.

For a mining development, which like its neighbors, is designed to profitably mine 0.4 gram Au material results such as 10.67m averaging 9.018 g/t Au; and 9.14m averaging 9.58 g/t Au; including a 1.52m vein averaging 38.3 g/t Au are in baseball terms like hitting it out of the park. Sonoro appears well on its way to increasing the size, grade and mine life. No further drilling is planned only accelerating the process of becoming a gold producer. The company is expected to update the Cerro Caliche's gold resource by August and we think it's reasonable to expect a material increase in the current 435,000 oz AuEq resource; just as its average gold grade should increase and both form the basis of a longer mine life, lower cash and AISC costs.

Investing with Management

Most of our clients know the distinguished resumes of Sonoro's Management which has collectively either discovered, or developed and subsequently operated as mines, more than a dozen copper or gold deposits in the region. They comprise a diverse group of mining sector experts who already have sizable stakes in Sonoro Gold, and critically, these seasoned executives are investing their own money in Sonoro's financing. We have been advised that management and company insiders have already subscribed for half of the financing. It is not often that experts we trust and respect give us the opportunity to invest with them and we think it is an opportunity that our dear friends and clients are well advised to consider.

Important Notice

Please always do your own research. For example the internet can be a powerful tool. You can easily check insider sales or purchases via yahoo finance or use search engines to learn about a company, its principals or markets. Do this and invest in only what you understand. As always it is essential as an investor that you should individually make your own judgments as to the appropriateness of any securities including those discussed herein. No statement or opinion or matter herein is either directly or indirectly an offer or solicitation to buy or sell any of the securities mentioned. The information contained herein is from sources believed reliable but we do not guarantee its accuracy. Please assume the authors and all employees of Equity Research may and often do buy and sell the securities mentioned herein and that this publication is for information purposes only.

Equity Research

Eugen Huber Strasse 53, 8048 Zurich

Tel: 41 44 225 7000

martin@ifg.ch

About the editor:

An Economist by training (Kaderschule, Zurich) Martin Hochshorner is a Zurich, Switzerland based business man and former banker and financial advisor with an extensive background in mine finance and venture capital.