



MANAGEMENT DISCUSSIONS AND ANALYSIS  
FOR THE PERIOD ENDED October 31, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Nine Months Ended October 31, 2010

(Expressed in Canadian Dollars, Unless Otherwise Noted)

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This Management Discussion and Analysis ("MD&A") has been prepared as of December 30, 2010 and is a discussion and analysis of the results of operations and financial condition of Sonora Gold & Silver Corp ("Sonora") for the three months and nine months ended October 31, 2010 and should be read in conjunction with Sonora's unaudited financial statements and related notes for the three months and nine months ended October 31, 2010 and with Sonora's audited financial statements and related notes for the financial year ended January 31, 2010. The financial statements are prepared in accordance with generally accepted accounting principles in Canada ("Canadian GAAP"). References to the "2010 Period" and "2009 Period" relate to the nine months ended October 31, 2010 and 2009, respectively.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including the financial statements and Management Discussion and Analysis ("MD&A"), is complete and reliable.

Additional information about Sonora as filed with Canadian securities commissions, (including quarterly reviews,) is available under Sonora Gold & Silver Corp. profile on SEDAR. The reader is encouraged to review the Company's statutory filings on [www.sedar.com](http://www.sedar.com).

### FORWARD-LOOKING STATEMENTS

This Management Discussion and Analysis ("MD&A") together with the Company's financial statements for the period ended October 31, 2010 contains certain statements that may be deemed "forward-looking statements". All statements in this MD&A other than statements of historical fact, that address exploration activity or proposed exploration activity regarding its properties in Mexico and Tanzania, are forward-looking statements. Forward-looking statements in this document are statements that are not historical facts and are generally, but not always identified by the words "expect" "plans", "believes", "intends", "estimates", "anticipates", "explore" and similar expressions, are intended to identify forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results may differ materially from those in the forward-looking statements. The element of risk related to the assumptions taken includes the possibility that the price of gold, could decrease significantly which could restrict its ability to raise sufficient capital to continue development and the general ability to raise the necessary funds needed to advance the project. Other risks include sufficient results from exploration work to justify additional funding, and the willingness of the property owner to continue with the option agreement should the property tax matter not be settled.

Forward-looking statements used in the MD&A are subject to various risks and uncertainties, most of which are difficult to predict and generally beyond the control of Sonora Gold & Silver Corp. If risks or uncertainties materialize, or if underlying assumptions prove incorrect, the actual results may vary materially from those expected, estimated or projected. Given these uncertainties, the reader of the information included herein is cautioned not to place undue reliance on such forward-looking statements.



## OVERVIEW

Sonora is a Canadian mineral acquisition and exploration company based in Vancouver, British Columbia, Canada. Its common shares are listed on the TSX Venture Exchange ("TSX.V" or the "Exchange") as a Tier 2 issuer under the symbol "SOC". Sonora is exploring for commercially exploitable mineral deposits in various regions of North America and emerging mining regions of northeast Africa.

The Company was incorporated on November 23, 1983 under the name Southern Star Resources Ltd. After undergoing several earlier name changes, the company changed its name from Alda Industries Corporation to Crux Industries on July 14, 1999. The Company requested to be deemed inactive by the Exchange on March 19, 1996 to complete corporate restructuring. On August 12, 2003, the Company was moved to the NEX, a new and separate board of the TSX Venture Exchange for public companies that a designated "inactive". On March 9, 2004, the Company was reinstated for trading on NEX. At the September 13, 2005 Annual General Meeting ("AGM") the Company received approval from the shareholders to change its name from Crux Industries Inc. to Mont Blanc Resources Inc. Subsequently, after receiving approval from the TSX.V, the Company was transferred from NEX to the TSX.V, effective April 7, 2006.

On July 18th, 2008, the Company changed its name to Sonora Gold & Silver Corp. after receiving approval from the TSX Venture Exchange and shareholders on June 26, 2008 at the company's previous AGM. On May 21, 2009, the Company received shareholder approval for a name change and consolidation of the issued and outstanding shares of Sonora on a two (2) old for one (1) new basis, however it has not proceeded with the consolidation of shares to the date of this MD&A.

Sonora's recent operational focus has been primarily on the exploration of gold and silver mineral properties with the objective of identifying commercially exploitable mineralization, this has been a divergence from the company's previous focus in oil and gas exploration.

The Board of Directors of the Company resolved on November 26, 2010 to terminate its interest in the Los Pavitos Property and under the terms of the Option Agreement in effect, resolved to transfer the Los Pavitos Property back to Mocuzzarit. The Board decided to focus its attention on its properties in Tanzania where they have in recent months acquired both the Handeni and the Ngese properties as described below.

In July, 2010, the Company entered into an Exploration Development and Purchase Option Agreement with Abdalah Omary Kigoda of P.O. Box 80, Handeni, Tanga, Tanzania (the "ML Holder"), to acquire title to a mining license situated in The Handeni Tanga Mining District of United Republic of Tanzania, Africa. The Handeni Mining License, covers 7.02 hectares and is located in the Handeni region. On September 6, 2010, the ML Holder made application to the Commissioner for Minerals, Ministry of Energy and Minerals in Dar es Salaam for the conversion of the PML into a mining license ("Mining License"). The ML holder also assigned the PML and all rights and obligations under the Option Agreement to his son Abdallah Omar Kigoda. As part of this assignment, the Company agreed to issue 700,000 common shares to Abdallah Omar Kigoda, which was done in October 2010.



On September 9, 2010, the Company entered into an Exploration Development and Purchasing Option Agreement with Mojar One Company Limited ("the ML Holder") of Box 33023 Dar es Salaam, Tanzania through its wholly owned subsidiary DJ Mines Limited, a Company duly established in Tanzania. Mojar One Company Limited is the legal owner of Mining License No 380/2009 issued on July 30, 2009 covering an area of approximately 10 square kilometers located in the Ngese Area in Kilindi District, Tanzania. Under the terms and conditions of the Agreement, Mojar One Company Limited irrevocably granted to the Company the sole right to prospect and mine on the Mining Licence ("ML") area and granted to the Company the exclusive option to purchase the ML at the sole discretion of the Company.

The Company has, under the terms of the Option Agreement, paid Mojar One Company the \$5,000US payment plus an additional \$25,000US after initial due diligence on the property. In addition, the Company is obligated to make monthly installments of \$2,000US per month plus issue 300,000 common shares of Sonora which were issued in October at a price of \$0.48 per share for total consideration of \$144,000. Monthly payments commenced October 1, 2010. The Option Agreement is in effect for 12 months and the Company has the right to extend the option for up to four additional 12-month periods by giving notice in writing to the ML Holder plus paying \$5,000US in monthly installments. The Company has the option, at any time, of exercising the Option by paying the ML Holder the sum of \$1,300,000US. On payment of this amount, the Company will acquire ownership of the ML, and the ML Holder shall be entitled to a 2% net smelter return royalty.

The Company's business is managed by directors and officers with professional backgrounds. Management of the Company consists of independent financial, geological, corporate-regulatory, and mining professionals retained to advise and direct the Company on its exploration programs and overall enterprise development.

Mr. David George, director, resigned his position as a director of the Company on July 30, 2010 to devote full time to his consulting practice. Mr. George continues to assist the Company in its endeavors in Tanzania and provided valuable assistance in procuring the Handeni Mining License Exploration and Development Purchase Option. On September 22, 2010, Mr. Paul Matysek agreed to join the board of directors. On September 30, 2010 Mr. Ralph Claussner resigned as a director of the Company and the Company announced the appointment of Giulio T. Bonifacio and Joseph P. Giuffre as directors effective October 1, 2010.

#### SUMMARY OF QUARTERLY FINANCIAL RESULTS

Quarter Ending	October 31, 2010 Q3	July 31, 2010 Q2	April 30, 2010 Q1	January 31, 2010 Q4	October 31, 2009 Q3	July 31, 2009 Q2	April 30, 2009 Q1	January 31, 2009 Q4	October 31, 2008 Q3
Loss before discontinued operations and extraordinary items	(929,699)	(137,857)	(30,003)	(51,795)	(86,821)	(37,043)	(43,187)	(47,814)	(86,111)
Loss <u>per share</u> before discontinued operations and extraordinary items	(0.01)	(0.01)	((0.01)	-	(0.01)	-	-	(0.01)	(0.01)
Income (loss) for the period	(929,699)	(137,857)	(30,003)	(51,795)	(86,821)	(37,043)	(43,187)	(47,814)	(86,111)



Quarter Ending	October 31, 2010 Q3	July 31, 2010 Q2	April 30, 2010 Q1	January 31, 2010 Q4	October 31, 2009 Q3	July 31, 2009 Q2	April 30, 2009 Q1	January 31, 2009 Q4	October 31, 2008 Q3
Basic and diluted earnings (loss) per share	(0.01)	(0.01)	(0.01)	-	(0.01)	-	-	(0.01)	(0.01)

## RESULTS OF OPERATIONS

### ***Results of Operations for the three month period ended October 31, 2010 and October 31, 2009***

The Company had a net loss of \$929,699 for the three months ended October 31, 2010, as compared to a net loss of \$86,821 during the three month period ended October 31, 2009. The loss in the quarter ending October 31, 2010 was appreciably higher than previous quarters primarily as a result of stock-based compensation of \$771,587 in the most recent quarter resulting from the issuance of 1,800,000 in stock options to directors, officers, and consultants. There was no stock-based compensation expense in the quarter ended October 31, 2009 for stock compensation as no options were issued during that period.

During the quarter ended October 31, 2010, the Company also incurred finance charges of \$30,000 in regard to the execution of a promissory notes payable in the amount of \$150,000. The finance charge was paid in the form of 58,864 shares of common stock issued at a deemed value of \$0.51 per share.

Professional fees of \$7,111 were incurred in the quarter ended October 31, 2010 related to the acquisition of mining properties in Tanzania. In the quarter ended October 31, 2009, the Company incurred sundry legal costs of \$788.

During the three month period ended October 31, 2010, the Company incurred transfer agent and regulatory fees of \$22,150 which related to the issue of shares for the private placement, stock option exercises, and bonus shares paid related to the promissory notes. In the quarter ended October 31, 2009, there were no transactions or filings requiring regulatory approval.

Travel expense was also up significantly in the quarter ended October 31, 2010 with expenses of \$39,358 compared \$4,344 in the quarter ended October 31, 2009. The increase was the result of geological, consulting and management's travel costs related to the ultimate acquisition of the Option Agreements described above.

Overall, operating expenses in the quarter ended October 31, 2010 increased by \$832,878 to \$929,699 compared to \$86,821 in the quarter ended October 31, 2009.

### ***Result of Operations for the nine month period ended October 31, 2010 and October 31, 2009***

The Company incurred a net loss of \$1,097,559 for the nine month period ended October 31, 2010 compared to a loss of \$167,052 for the nine month period ending October 31, 2009. The main reason for the increase in expenses is the charge for stock-based compensation of \$848,929 in the nine month period ended October 31, 2010, and no comparative expense for the nine month period ending October 31, 2009. The increase in stock-based compensation expense is the result of options being issued in the quarter ended July 31, 2010 of 900,000 shares and a further option grant on September 22, 2010 and October 1, 2010 for an additional 1,800,000



options. Overall, expenses for the nine month period ended October 31, 2010 have increased \$930,507 over the nine month period ended October 31, 2009 and stock-based compensation represents \$848,929 of this increase.

There are two other areas which have increased slightly, transfer agent and regulatory fees, and travel expenses. For the nine month period ended October 31, 2010 regulatory fees amounted to \$40,394 versus \$17,187 for the previous 2009 Period, while travel expenses were \$46,824 versus \$4,344 for the previous 2009 Period. The regulatory fee increase is the result of a private placement conducted in September 2010. Travel expenses have increased because of various personnel travelling to Tanzania for the acquisition of the Handeni and Ngeze Option Agreements as described above.

Finance costs resulted from the issuance of bonus shares related to the promissory notes of \$150,000. In addition, consulting costs of \$17,000 for professional services is the other notable expense for the nine month period ended October 31, 2010 with no comparative expenses for the nine month period ended October 31, 2009.

The Company charges all exploration costs to operations in the period incurred until such time that there is a determination of the feasibility of advancing mining operations and a decision to proceed with development, in which case subsequent exploration costs and the costs incurred to develop a property will be capitalized. All direct costs related to the acquisition of resource property interests have been capitalized as an asset. On July 25, 2010, the Company acquired the option to acquire the Handeni property in Tanzania, Africa. The option payment on the Handeni property has been capitalized.

The Company executed an Exploration Development and Purchasing Option Agreement on July 24, 2010 for the option to acquire the Handeni Property and executed an addendum to this agreement on September 6, 2010.

On September 9, 2010, the Company executed the Exploration Development and Purchasing Option Agreement for the option to acquire the Ngeze Property in Tanzania. It is the intention of the Company to concentrate its exploration activities on these two properties in Tanzania.

## **MINERAL PROPERTY**

On September 11, 2007, the Company entered into an Option Agreement to acquire the Los Pavitos mining claims, which are located in the state of Sonora, Mexico and are comprised of approximately 10,000 hectares located 35 kilometers southeast of the city of Navajoa, Sonora. The property hosts similar age copper-bearing intrusives as observed at the Piedras Verdes mine located 30 kilometers to the northeast, which has been in production since October 2006. The Company did not acquire title to the property but simply acquired the right to explore for minerals. The property is owned by a citizen of Mexico and under the terms of the option agreement, Sonora is required to keep the property in good standing in all respects including the filing of work assessments and payment of taxes.

On November 26, 2010, the Directors by resolution, authorized management to terminate its interest in the Los Pavitos property in Mexico. Notice of this termination has been served on the property owner and on legal counsel acting for the property owner. The issue of property taxes has not been addressed and the Company is awaiting acknowledgement of the termination from the property owner. The cost of the property incurred to date will be written off.

The Company is in arrears regarding the payment of property taxes and to date, has not received any notice of default from the property owner. The ultimate responsibility for payment of taxes on mineral properties in Mexico rests with the property owner, not the Option Holder. Property taxes have not been paid and are accrued as a liability of the Company. This matter has been discussed with the landowner who has not expressed any concern over the property tax matter.

#### SUMMARY OF EXPENDITURES – MINERAL PROPERTIES 2010

The Company has incurred the following expenditures on its properties for the nine month period ended October 31, 2010 and for the acquisition of both the Handeni and the Ngese Options:

	Ngese US\$	Handeni US\$	Los Pavitos US\$	October 31, 2010 Total US\$
Acquisition costs	174,973	416,642	514,675	1,106,290
Impairment	--	--	--	--
Balance	174,973	416,642	514,675	1,106,290
Exploration costs	--	--	60,290	60,290
Impairment	--	--	--	--
Balance	174,973	416,642	574,965	1,166,580

#### DESCRIPTION OF MINERAL PROPERTIES AND CURRENT ACTIVITIES

On July 24, 2010, the Company entered into an Exploration Development and Purchase Option Agreement (the "Option"), to acquire title to a mining license situated in the Handeni Tanga Mining District of United Republic of Tanzania, Africa. The initial consideration for the option was \$20,150. The initial term of the Option is twelve (12) months from the date of signing of the agreement. The Company may, prior to the expiry of twelve months from the date of signing of the agreement, extend the Option for up to two further twelve month periods and then one further six month period by making a payment of \$45,000US at the beginning of each new option period. The Company may exercise the option by making certain additional payments at which time it will acquire the property, subject to a royalty interest in favour of the current owner. The Handeni Mining License, covers 7.02 hectares and is located in the Handeni region. On September 6, 2010, the Company executed an Addendum to the July 24, 2010 agreement. The effect of the Addendum was for the ML Holder in Tanzania to assign his rights and obligations under the PML and Option Agreement to his son Abdallah Omar Kigoda. As part of this Addendum, the Company prior to October 30, 2010 issued 700,000 shares of common stock to Abdallah Omar Kigoda.

On September 9, 2010, the Company entered into an Exploration Development and Purchasing Option Agreement with Mojar One Company Limited ("the ML Holder") of Box 33023 Dar es Salaam, Tanzania through its wholly owned subsidiary DJ Mines Limited, a Company duly established in Tanzania. Mojar One Company Limited is the legal owner of Mining License No 380/2009 issued on July 30, 2009 covering an area of approximately 10 square kilometers located in the Ngese Area in Kilindi District, Tanzania.

Under terms and conditions of the Agreement, Mojar One Company Limited irrevocably granted to the Company the sole right to prospect and mine on the Mining Licence ("ML") area and granted to the Company



the exclusive option to purchase the ML at the sole discretion of the Company.

The initial term of the Option shall be 12 months from date of signing and the Company shall have the right to extend the Option for up to four further twelve-month periods by notice in writing to the ML Holder and further monthly installments of \$5,000US paid on the first of each month.

The Company may at any time exercise the Option by paying the ML Holder the sum of \$1,300,000US. Upon payment of the Option the Company shall be entitled to ownership of the ML subject to payment in favor of the ML Holder of 2% net smelter return royalty.

### **LIQUIDITY AND CAPITAL RESOURCES**

At October 31, 2010, the Company had \$440,980 in cash and cash equivalents compared to \$81,954 as at October 31, 2009 and \$52,855 at January 31, 2010. On June 30, 2010, the Company completed a private placement with two investors for gross proceeds of \$250,000. The private placement financing consisted of 2,500,000 Units, priced at \$0.10 per unit comprised of one common share and a half share purchase warrant. On October 13, 2010, the Company completed a private placement for gross proceeds of \$1,250,000. The private placement financing consisted of 5,000,000 units at \$0.25 per unit. The private placement consisted of one share and 1/2 warrant, whole warrant exercisable at \$0.50 for two years.

The Company also entered into promissory notes payable for an aggregate \$150,000 for a one year term with interest at 12%. The notes can be repaid at any time without penalty provided accrued interest to date of repayment is paid. The notes were issued by three directors of the Company and included a bonus payment of \$30,000 which was paid through the issuance of 58,824 common shares issued at a deemed value of \$0.51 per share.

The Company has accounts payable of \$39,428 which represents the only debt outstanding in the Company, aside from the promissory notes. The Company continues to maintain strong fiscal management as it continues its search for other resource opportunities.

### **OFF-BALANCE SHEET ARRANGEMENTS**

During the period ended October 31, 2010, and the year ended January 31, 2010, there are no off-balance sheet transactions. The Company has not entered into any specialized financial arrangements to minimize its investment risk, currency risk or commodity risk.

### **TRANSACTIONS WITH RELATED PARTIES**

During the nine months ended October 31, 2010 and 2009, the Company was incurred the following related party transactions:

- (a) The amount of \$13,500 (2009- \$4,500) was paid to the Chief Financial Officer of the Company for management fees.
- (b) The amount of \$36,000 (2009 - \$22,500) was paid to the President of the Company for management fees. The Company also reimbursed the President of the Company for sundry office expenses incurred.

All of the above transactions have been in the normal course of operations and, in management's opinion, undertaken with the same terms and conditions as transactions with unrelated parties.

## **OTHER MD&A INFORMATION**

### *Outstanding Share Data*

As at October 31, 2010, there were 34,301,172 common shares issued and outstanding. In addition to this, there were stock options outstanding to purchase a total of 3,154,000 common shares and 3,750,000 share purchase warrants outstanding with a two year term, for a total of 41,205,172 common shares outstanding on a fully diluted basis.

## **INTERNAL CONTROL OVER FINANCIAL REPORTING**

Management is responsible for the design of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with accounting principles generally accepted in Canada.

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the unaudited interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited interim financial statements; and (ii) the unaudited interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109) this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (CFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- 1) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- 2) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with the issuer's GAAP.

The Issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quantity,



reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

There have been no significant changes in the company's disclosure controls and processes during the nine months ended October 31, 2010.

## **RISK FACTORS AND UNCERTAINTIES RELATING TO THE COMPANY'S BUSINESS**

In conducting its business, Sonora Gold & Silver Corp faces a number of risks and uncertainties related to the mineral exploration industry. Some of these risks factors include risks associated with land title, exploration and development, government and environmental regulations, permits and licenses, competition, fluctuating metal prices, the requirement and ability to raise additional capital through future financings and price volatility of publicly traded securities

## **NEW AND FUTURE ACCOUNTING PRONOUNCEMENTS**

### *Business Combinations, Non-controlling Interest and Consolidated Financial Statements*

In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations", 1601 "Consolidated Financial Statements" and 1602 "Non-controlling Interests" which replace CICA Handbook Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after March 1, 2011. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial settlements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning February 1, 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently.

### *International Financial reporting Standards*

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that, in addition to the above new accounting standards, will significantly affect financial reporting requirements for Canadian companies. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. All interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011 will have to be in accordance with IFRS policy. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended January 31, 2011, and will require the Company to determine opening balances as of February 1, 2010.

The Company has begun assessing the adoption of IFRS in 2011, and based on its current financial position and activities, it has initially determined that some standards could have significant impacts on the Company's financial reporting, including the following:

- (i) The IFRS standards on impairment could require property write-downs sooner than under

current standards, and the Company will have to reassess its policy; and

- (ii) Under IFRS, the Company will be required to record its non-employee stock-based compensation at the fair value of the services received, rather than using a pricing model. This could result in significant differences.

After a review of the Company's financial statements and the IFRS standards that will come into effect, no other significant IFRS standards applicable to Company have been identified, although ongoing development of new IFRS standards could have effects as they evolve.

The transition date of February 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended January 31, 2011. To date no other significant IFRS standards applicable to the Company have been identified.

Company personnel have attended IFRS seminars over the past year and the Company will prepare and file Canadian GAAP annual and quarterly financial statements, and include quantitative disclosure of the IFRS conversion plan and anticipated impact of the conversion in all 2011 quarterly MD&A's. More specifically, from May 1, 2011 and onwards the Company will prepare and file IFRS quarterly and annual financial statements fully compliant with detailed IFRS disclosures and reconciliations. In addition the Company will prepare IFRS compliant comparative annual and quarterly financial statements and prepare parallel accounting under IFRS and GAAP for differences identified.

### **Disclosure of Internal Controls**

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the unaudited interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which is made, as of the date of and for the periods presented by the unaudited interim financial statements; and (ii) the unaudited interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (CFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- 1) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

- 2) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis GD&) and ICFR as defined in NI52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

There have been no significant changes in the Company's disclosure controls and processes during the nine months ended October 31, 2010.

#### **FINANCIAL AND OTHER INSTRUMENTS**

The Company's financial assets and liabilities consist of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities and current and future income or surface tax liabilities, some of which are denominated in Canadian dollars, US dollars or Mexican pesos. The Company is exposed to financial gains or losses as a result of foreign exchange movements against the US dollar.

The Company's cash and cash equivalents may be invested in short-term liquid deposits which may be pledged as collateral. As of October 31, 2010 the Company has pledged a Guaranteed Investment Certificate ("GIC") as collateral for the Company's credit card. The amount of the GIC is \$11,500.

#### **RISKS AND UNCERTAINTIES**

Companies involved in the mineral exploration industry are faced with many risk factors. The following selected risk factors are those management views as the most germane to the Company at this stage in the Company's growth. While it is not possible to eliminate all the factors inherent in the mineral exploration business, the Company, through ongoing assessment, strives to mitigate these risks to ensure the protection of its assets.

##### *Exploration and Development Risk*

Resource exploration and development is a highly speculative business and involves a high degree of risk and few properties explored are ultimately developed into producing mines. There is no assurance that any mineral resources identified and defined can be commercially mined. Sonora attempts to mitigate these risks by conducting exploration programs and studies using qualified contractors and personnel who will make professional recommendations based upon the findings of these studies.

##### *Competitive Risk*

The Company's business is intensely competitive, and the Company competes with other mineral exploration companies, many of which have greater resources and experience. Competition in the precious and base metals

mining industry is primarily for mineral rich properties which can be developed and produced economically; the technical expertise to find, develop, and produce such properties; the labor to operate such properties; and the capital for the purpose of financing development of such properties. Many competitors not only explore for and mine precious and base metals, but conduct refining marketing on a world-wide basis and many of these companies have much greater financial and technical resources than the Company. Such competition may result in the Company being unable to acquire other desired properties, recruit or retain qualified employees or acquire the capital necessary to fund its operations and develop its properties. The Company's inability to compete with other mining companies for these mineral deposits could have a material adverse effect on the Company's result of operations and business.

#### *Resource/Reserve Calculation Risk*

There is a degree of uncertainty attributable to the calculation of mineral resources and mineral reserves and corresponding grades. Until recoverable minerals are actually mined and processed, quality of mineral resources and mineral reserves and grades must be considered as estimates only. In addition, the quantity of mineral resources or reserves and grades may vary depending upon the prices of the individual commodities contained. Any material change in quantity of mineral resources or reserves, grade, or recovery ratio may affect the economic viability of the Company's project. In addition, there can be no assurances that recoveries in small-scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production. The Company attempts to mitigate these risks by conducting resource evaluations and studies using qualified contractors and personnel who will make professional recommendations based upon the findings of these evaluations and studies.

#### *Financing Risk*

Sonora has limited financial resources and relies upon the issuance of share capital to raise funds. The Company's management is aware that the availability of equity funds at favorable terms is not certain, so the financial requirements of Sonora's operations are reviewed at least quarterly to allow for timely changes in capital deployment. Fluctuations in global equity markets can have a direct effect on the ability of exploration companies, including Sonora, to finance project acquisition and development through the equity markets. The Company has been successful in the past in obtaining financing through the placement of equity, but a failure to obtain additional financing on a timely basis could cause Sonora to postpone exploration or development plans, or forfeit rights in some or all of the properties it has option agreements on to carry out exploration. There can be no assurance that continual fluctuations in price will not occur.

#### *Fluctuating Metal Prices*

Factors beyond the control of Sonora have a direct effect on global metal prices, which have fluctuated widely, particularly in recent years. Consequently, the economic viability of any of Sonora's exploration projects and Sonora's ability to finance the development of its projects cannot be accurately predicted and may be adversely affected by fluctuations in metal prices.

#### *Country Risk*



The Company has conducted exploration in Sonora, Mexico and has just executed two option agreements to conduct exploration on properties located in Tanzania, Africa. Mexico and Tanzania are developing countries and obtaining, financing, finding or hiring qualified people or obtaining necessary services for the Company's operations in Mexico and Tanzania may be difficult.

The acquisition of the right to exploit mineral properties is a detailed and time-consuming process. Although the Company is satisfied it has taken reasonable measures to acquire unencumbered rights to explore on and exploit its mineral reserves on the Company's mining claims, no assurance can be given that such claims are not subject to prior unregistered agreements or interests or to undetected or other claims or interests which could be material and adverse to the Company.

#### *Business Cycle Risk*

General market conditions and the price of precious and base metals will have an impact on the Company's ability to raise financing in the future to continue the exploration of its properties and further the Company's long term plan. Commodities prices are generally regarded to behave cyclically, however gold has reached a significant high in recent months. There can be no assurance that these conditions will remain over the long-term. The Company can be favorably or adversely affected by a change in cyclical market direction. Any changes in general market conditions are beyond the control of the Company.



## CORPORATE DATA

### HEAD OFFICE

Suite 2300 – 1066 West Hastings Street  
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Tel: 604.780.8708  
Email: ken@sonoragoldcorp.com  
Website: www.sonoragoldcorp.com

### REGISTERED OFFICE & SOLICITOR

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Telephone: 604-692-4907  
Facsimile: 604-692-4900

### REGISTRAR AND TRANSFER AGENT

Computershare Trust Company of Canada  
3<sup>rd</sup> Floor, 510 Burrard Street  
Vancouver, BC V6C 3B9

### AUDITORS

Saturna Group LLP  
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Vancouver, BC V6E 3X2

### DIRECTORS & OFFICERS

Ken Churchill, President & CEO, Director  
Robert Dinning C.A. CFO  
Michael Resendes, Director  
Paul Matysek, Director  
Giulio T. Bonifacio, Director  
Joseph P. Giuffre, Director

### CAPITALIZATION

Authorized: 100,000,000  
Issued: 34,301,172  
Options: 3,154,000  
Warrants: 3,750,000  
Fully Diluted: 41,205,172

### LISTING

TSX Venture Exchange: SOC  
CUSIP: 835651