

# **SONORO ENERGY LTD.**

## **CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**For the nine months ended September 30, 2017 and 2016**

**(unaudited)**

### **NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4.3 (3) (a), if an auditor has not performed a review of the financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying condensed interim financial statements of Sonoro Energy Ltd. have been prepared by and are the responsibility of the Company's management and approved by the Board of Directors of the Company. The Company's independent auditor has not performed a review of these condensed financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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**SONORO ENERGY LTD.****Condensed Consolidated Interim Financial Statements  
As at and for the nine months ended September 30, 2017 and 2016**

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**SONORO ENERGY LTD.**  
**Consolidated Statements of Comprehensive Loss**

For the three and nine months ended September 30, 2017 and 2016  
Canadian Dollars

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
<b>Expenses</b>				
General and administrative	4 \$ (545,862)	\$ (526,180)	\$ (1,235,621)	\$ (843,842)
Depreciation of property, plant and equipment	-	(189,332)		(255,491)
<b>Operating loss</b>	<b>\$ (545,862)</b>	<b>\$ (715,512)</b>	<b>(1,235,621)</b>	<b>(1,099,333)</b>
Net finance income (loss)	-	3,182	-	7,062
<b>Net loss for the period</b>	<b>\$ (545,862)</b>	<b>(712,330)</b>	<b>\$ (1,235,621)</b>	<b>(1,092,271)</b>
<b>Other Comprehensive Loss</b>				
Exchange differences on translation of foreign operations	(34,568)	-	(54,893)	-
<b>Total comprehensive loss for the period</b>	<b>\$ (580,430)</b>	<b>\$ (712,330)</b>	<b>\$ (1,290,514)</b>	<b>(1,092,271)</b>
<b>Net Loss Attributable to:</b>				
Shareholders of Sonoro Energy Ltd.	(545,862)	(712,330)	(1,235,621)	(1,092,271)
	<b>\$ (545,862)</b>	<b>\$ (712,330)</b>	<b>\$ (1,235,621)</b>	<b>(1,092,271)</b>
<b>Total Comprehensive Loss Attributable to:</b>				
Shareholders of Sonoro Energy Ltd.	(580,430)	(712,330)	(1,290,514)	(1,092,271)
	<b>\$ (580,430)</b>	<b>\$ (712,330)</b>	<b>\$ (1,290,514)</b>	<b>\$ (1,092,271)</b>
<b>Per Share Information</b>				
Net loss per share – basic and diluted	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.04)
Weighted average number of common shares outstanding (basic and diluted)	7 177,314,463	57,314,466	97,314,465	28,146,859
<b>Nature of Business and Going Concern (Note 2)</b>				

ON BEHALF OF THE BOARD:

Richard Wadsworth, Director

David Robinson, Director

**SONORO ENERGY LTD.**  
**Consolidated Statements of Financial Position**

*Canadian Dollars*

		<b>September 30, 2017</b>	December 31, 2016
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents		\$ 895,535	\$ 105,092
Accounts receivable		38,581	6,118
Prepayments and other		48,149	13,112
		<u>982,265</u>	<u>124,322</u>
<b>Property, plant and equipment</b>			16,038
<b>Exploration and evaluation assets</b>	6	<u>3,521,320</u>	<u>2,498,000</u>
		<u>\$ 4,503,585</u>	<u>\$ 2,638,360</u>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		\$ 177,793	\$ 599,071
		<u>177,793</u>	<u>599,071</u>
<b>SHAREHOLDERS' EQUITY</b>			
<b>Share capital</b>	7	71,131,175	67,708,529
<b>Contributed surplus</b>		10,791,458	10,791,458
<b>Share based payment reserve</b>		154,371	-
<b>Accumulated other comprehensive income/(loss)</b>		(54,893)	-
<b>Accumulated deficit</b>		<u>(77,696,319)</u>	<u>(76,460,698)</u>
		<u>4,325,792</u>	<u>2,039,289</u>
		<u>4,503,585</u>	<u>\$ 2,638,360</u>

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

**SONORO ENERGY LTD.**  
**Consolidated Statements of Changes in Equity**

Canadian Dollars

	Note	Common Shares		Share Based Payment Reserve	Contributed Surplus	Accumulated Other Comprehensive Income/(loss)		Accumulated Deficit	Total
		Number	Amount			Foreign Currency Translation			
<b>Balance at December 31, 2015</b>		<b>56,413,243</b>	<b>\$ 63,749,872</b>	<b>-</b>	<b>\$ 10,791,458</b>	<b>\$ 228,818</b>	<b>\$ (75,227,640)</b>	<b>\$ (457,492)</b>	
Private Placement		241,731,400	1,208,657	-	-	-	-	1,208,657	
Acquisition of Stockbridge		250,000,000	2,500,000	-	-	-	-	2,500,000	
Acquisition of option		25,000,000	250,000	-	-	-	-	250,000	
Effect of share consolidation		(515,830,177)	-	-	-	-	-	-	
Foreign Exchange gain on disposition		-	-	-	-	(228,818)	-	(228,818)	
<b>Loss and comprehensive loss for the period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,233,058)</b>	<b>(1,233,058)</b>	
<b>Balance at December 31, 2016</b>		<b>57,314,466</b>	<b>\$ 67,708,529</b>	<b>-</b>	<b>\$ 10,791,458</b>	<b>\$ -</b>	<b>\$ (76,460,698)</b>	<b>\$ 2,039,289</b>	
Private Placement (net of issue costs)		119,999,997	3,422,646	-	-	-	-	3,422,646	
Share based compensation		-	-	154,371	-	-	-	154,371	
<b>Loss and comprehensive loss for the period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(54,893)</b>	<b>(1,235,621)</b>	<b>(1,290,514)</b>	
<b>Balance at September 30, 2017</b>		<b>177,314,463</b>	<b>\$ 71,131,175</b>	<b>154,371</b>	<b>\$ 10,791,458</b>	<b>\$ (54,893)</b>	<b>\$ (77,696,319)</b>	<b>\$ 4,325,792</b>	

Nature of Business and Going Concern (Note 2)

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

**SONORO ENERGY LTD.**  
**Consolidated Statements of Cash Flow**

For the nine months ended September 30, 2017 and 2016

Canadian Dollars

	2017	2016
<b>Operating Activities</b>		
Net loss for the period	\$ (1,235,621)	\$ (1,092,271)
Items not affecting cash and cash equivalents:		
Depreciation of property, plant and equipment	5 -	255,491
Share based compensation	154,371	
Finder fee shares, non cash	-	3,000
Foreign exchange	-	(7,062)
	<u>(1,081,250)</u>	<u>(840,842)</u>
Net change in non-cash working capital related to operations	<u>(472,740)</u>	<u>(140,313)</u>
<b>Cash flows used in operating activities</b>	<u>(1,553,990)</u>	<u>(981,155)</u>
<b>Investing Activities</b>		
Cash acquired on acquisition		2,000
Expenditures on exploration and evaluation	(1,023,320)	
Net change in non-cash working capital related to investing	-	-
<b>Cash flows from/(used in) investing activities</b>	<u>(1,023,320)</u>	<u>2,000</u>
<b>Financing Activities</b>		
Proceeds from the issuance of shares	7 3,422,646	1,205,657
<b>Cash flows from financing activities</b>	<u>3,422,646</u>	<u>1,205,657</u>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>845,336</b>	<b>226,502</b>
Cash and cash equivalents, beginning of year	105,092	11,171
Impact of foreign exchange on cash balances	(54,893)	4,381
<b>Cash and cash equivalents, end of period</b>	<u>\$ 895,535</u>	<u>\$ 242,054</u>

**Nature of Business and Going Concern** (Note 2)

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# SONORO ENERGY LTD.

## Notes to the Condensed Consolidated Interim Financial Statements As at and for the three months ended September 30, 2017 and 2016

(unaudited)

Canadian Dollars

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### 1. Corporate Information

Sonoro Energy Ltd. ("the Company") was incorporated February 4, 2000 in British Columbia, Canada and commenced trading on the TSX Venture Exchange ("the TSX-V") on November 29, 2000. Effective August 7, 2013, the Company was continued from British Columbia to Alberta with the registered office at 4300, 888 3<sup>rd</sup> Street S.W. Calgary, Alberta, Canada T2P 5C5. The Company's corporate office is located at Suite 900, 520 – 5th Avenue SW Calgary, Alberta, Canada.

The business of the Company consists of the exploration for, appraisal of and development and production of oil and gas resources, focused in South East Asia. The Company operates in jurisdictions that may be subject to changes in government practices and policies.

The following sets out the active subsidiaries of the Company and the Company's ownership interest in those subsidiaries:

Subsidiary Name	Jurisdiction	Ownership
Sonoro Energy International Holdings B.V. ("SEIHBV")	The Netherlands	100.0%
Stockbridge Oil and Gas Ltd B.V.I.	British Virgin Islands	100.0%
Stockbridge Capital B.V.I.	British Virgin Islands	100.0%
Stockbridge Cambodia Ltd. B.V.I.	British Virgin Islands	50.0%
Stockbridge Budong Budong B.V.	The Netherlands	100.0%
TIGRIS Energy Services B.V. ("TESBV")	The Netherlands	100.0%
PetroSonic Energy Systems Inc. ("PetroSonic Energy")	Delaware, USA	100.0%
Sonic Environmental Solutions Corp. ("Sonic Corp.")	California, USA	100.0%

### 2. Basis of preparation

#### a) Statement of compliance

These consolidated unaudited interim financial statements have been prepared following the same accounting policies the Company adopted in its audited annual consolidated financial statements for the year ended December 31, 2016. These financial statements should be read in conjunction with the Company's 2016 annual consolidated financial statements and in consideration of the additional disclosures included herein.

These unaudited consolidated interim financial statements were authorized for issuance by the Board of Directors on November 23, 2017.

There have been no changes in the Company's assessment of risk from the use of financial instruments or in the financial risk management policies of the Company since December 31, 2016.

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## **SONORO ENERGY LTD.**

### **Notes to the Condensed Consolidated Interim Financial Statements As at and for the three months ended September 30, 2017 and 2016**

(unaudited)

*Canadian Dollars*

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The accounting policies applied in these consolidated financial statements are based on and are in compliance with International Financial Reporting Standards (IFRS) effective for the nine months ended September 30, 2017.

#### **b) Going concern assumption**

These financial statements have been prepared using International Financial Reporting Standards applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due.

Oil and gas operations are subject to extensive controls and regulations imposed by various levels of government that may be amended from time to time. The Company expects to incur expenditures in the future to explore, appraise and develop its oil and gas assets, subject to government approvals. The Company's Budong Budong Production Sharing Contract ("PSC") in Indonesia has an amended term expiration of January 15, 2018. The Company's ability to continue as a going concern is dependent on obtaining additional financing necessary to explore, appraise and develop its oil and gas resource assets and generate profitable operations from the discovery of oil and gas resources in the future without significant adverse developments from potential country or regulatory risks.

For the nine months ended September 30, 2017, the Company had no revenues, working capital of \$804,472 (December 31, 2016: (\$474,749)), negative cash flows from operations of \$1,553,990 (2016 - \$981,155), a loss from operations of \$1,235,621 (2016 - \$1,099,333) and an accumulated deficit and other comprehensive income of \$77,696,319 (December 31, 2016 - \$76,460,698).

While these consolidated financial statements have been prepared on the assumption that the Company is a going concern, the above material uncertainties cast significant doubt on this assumption and accordingly, the appropriateness of the use of the accounting principles applicable to a going concern. Additionally, in order to meet its future expenditures to develop the Company's exploration and, appraisal programs, the Company will need to raise additional funds. The Company will continue to evaluate various strategic alternatives, including but not limited to, farm-out, additional equity financing, mergers, acquisitions, alternative financings, and/or liquidation of its assets and reduction of costs to enable the Company to meet its short term obligations and to provide resources for sustainable future growth and development.

The ability of the Company to continue as a going concern is dependent on the Company obtaining additional sources of capital, continuing to receive support and cooperation from its creditors, achieving profitable operations in Indonesia, and no significant adverse legal, political and security developments in Indonesia. Management of the Company continues to evaluate possible industry partnerships, equity and debt financing and regulatory approvals, but there is no assurance that these initiatives will be successful.

#### **c) Changes in Accounting Policies**

There were no new or amended accounting standards or interpretations issued during the nine months ended September 30, 2017 that are applicable to the Company. A description of accounting standards and interpretations what will be adopted by the Company in future periods can be found in the notes to the audited annual consolidated financial statements for the year ended December 31, 2016.

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## SONORO ENERGY LTD.

### Notes to the Condensed Consolidated Interim Financial Statements As at and for the three months ended September 30, 2017 and 2016

(unaudited)

Canadian Dollars

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#### 3. Financial risk management

The Company manages its exposure to financial risks by operating in a manner that minimizes its exposure to the extent practical. The main financial risks affecting the Company have not changed during the nine months ended September 30, 2017. A description of risks can be found in the notes to the audited annual consolidated financial statements for the year ended December 31, 2016.

#### 4. General & administrative

General and administrative expenses for the three months ended September 30, 2017 and 2016 are comprised of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Employee salaries and benefits	37,134	155,996	83,133	306,297
Contractors and consultants	189,477	60,024	421,149	86,333
Travel and accommodation	7,087	6,498	17,826	25,494
Professional, legal and advisory	74,425	64,274	425,573	213,129
Office and administration	49,233	62,017	106,713	128,719
Share based compensation	154,371	-	154,371	-
Other gain	291	-	(101,191)	(151,428)
Jakarta office and admin	33,844	177,371	128,047	235,298
	<u>545,862</u>	<u>526,180</u>	<u>1,235,621</u>	<u>843,842</u>

#### 5. Property, plant and equipment

The carrying value of office assets on September 30, 2017 was Nil and for the year-ended December 31, 2016 was \$16,038. The Company assessed the value of this equipment in quarter one of 2017 and determined that it would write down the value to zero due to the realizable or market value of such assets.

#### 6. Exploration and evaluation assets

##### *Indonesia*

On March 7, 2016 the Company entered into a share purchase agreement (the "SPA") among Stockbridge Oil and Gas Ltd ("Stockbridge") and the shareholders of Stockbridge (the "Stockbridge Shareholders") to purchase all of the issued and outstanding shares of Stockbridge (the "Stockbridge Shares"). The SPA closed in the second quarter of 2016.

Stockbridge is a private British Virgin Island Corporation which indirectly wholly owns Stockbridge Budong-Budong BV, a Netherlands corporation, whose sole holding is a Production Sharing Contract ("PSC") for oil and gas exploration and production rights covering 1,094 square km onshore, located in the Budong Budong sub-district in the province of West Sulawesi, Indonesia.

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## **SONORO ENERGY LTD.**

### **Notes to the Condensed Consolidated Interim Financial Statements As at and for the three months ended September 30, 2017 and 2016**

(unaudited)

*Canadian Dollars*

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The Company acquired Stockbridge in exchange for the issuance of 25,000,000 shares valued at \$0.10/per share. As a part of the acquisition, the Company recorded \$2,000 in cash, \$2,498,000 related to the PSC (as exploration and evaluation assets) and liabilities of \$34,821 (general and administrative expenses).

#### ***Iraq***

In December 2016, the Company announced that it sold 100% of its share holdings in Sonoro Energy Iraq B.V. which held the Salah ad Din Asphalt License Agreement, which had been in Force Majeure since July 2014. Blue Sky Energy Ltd has acquired this interest for future consideration of \$4mm based on reaching certain production milestones. No contingent future consideration payments have been accounted for in these financial statements.

## **7. Share capital**

### **(i) Authorized**

The authorized share capital of the Company consists of unlimited common shares without par value.

### **(ii) Issued and outstanding common share activity**

On April 28, 2016 Sonoro issued 4,800,000 common shares (post consolidation) at a price of \$0.05 per share for gross proceeds of CAD\$240,000.

On June 7, 2016 Sonoro issued 19,373,140 common shares (post consolidation) at a price of \$0.05 per share for gross proceeds of CAD\$965,657

On June 7, 2016 Sonoro issued 27,500,000 common shares (post consolidation) in connection with the Stockbridge acquisition (25,000,000) and Option Agreement (2,500,000).

On September 12, 2016 the Company consolidated its shares on a ten for one basis. The total number of common shares outstanding post consolidation was 57,314,466.

On May 19, 2017 Sonoro completed a non-brokered private placement for total gross proceeds of CAD\$3,600,000. The financing was completed in two tranches, the first tranche for \$2,698,640 (April 27, 2017) and second tranche for \$901,360 (May 20, 2017).

In total, the Company sold 119,999,997 units (a "Unit") at a price of \$0.03 per Unit, where each Unit consists of one common share (a "Common Share") of the Company and one half of one common share purchase warrant (a "Warrant") of the Company, where each whole Warrant entitles the holder to purchase one Common Share within two years at a price of \$0.05 per Common Share.

The offering is made pursuant to a waiver granted by the TSX Venture Exchange ("TSX-V") which permits the Company to offer the Units at a price below the TSX-V's \$0.05 minimum pricing requirement pursuant to the TSX Venture bulletin dated April 7, 2014. The Company has undertaken to the TSX-V to conduct a consolidation of the Company's Common Shares within six months of the Closing Date in accordance with the requirements of the TSX-V.

The Company paid finders' fees in connection with the closing of both the first and second tranches in the aggregate amount of \$131,339 plus 4,284,945 Warrants, where each Warrant entitles the

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## SONORO ENERGY LTD.

### Notes to the Condensed Consolidated Interim Financial Statements As at and for the three months ended September 30, 2017 and 2016

(unaudited)

Canadian Dollars

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holder to purchase one Common Share by April 27, 2019 for the first tranche and by May 20, 2019 for the second tranche at \$0.05 per Common Share.

The Company has 177,314,463 common shares outstanding as at September 30, 2017.

On June 20, 2017 the Company issued 11.8 million stock options to management, employees and directors at an exercise price of 8 cents and with a five year maturity.

#### 8. Contingencies and commitments

- a. The Company co-signed (50% commitment) an office lease for a 36-month term commencing March 1, 2017. Gross rent is equal to \$10,088 per month (net \$5,044 per month) plus operating costs.

The gross annual rent of \$100,879 is payable through 2017, \$121,056 in 2018, \$121,056 in 2019 and \$20,176 in 2020.

- b. Under the Company's Budong-Budong PSC, the Company has completed all of the firm commitments. The Budong-Budong PSC has been extended to January 15, 2018 .
- c. The Company has executed an office lease in Jakarta for a term ended March 1, 2018. Monthly rent is approximately \$3,000.

#### 9. Supplemental cash flow information

Non-cash working capital components:

	For the nine months ended September 30,	
	2017	2016
	\$	\$
Net change in non-cash working capital related to operations:		
Accounts receivable	(32,463)	(255)
Prepaid expenses	(35,037)	5,007
Write down of PPE	16,038	-
Accounts payable and accrued liabilities	(421,278)	(144,885)
	<u>(472,740)</u>	<u>(140,133)</u>