

SONORO ENERGY LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months ended September 30, 2018 and 2017

(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.

SONORO ENERGY LTD.
Consolidated Statements of Comprehensive Loss

For the three and nine months ended September 30, 2018 and 2017
Canadian Dollars

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Expenses				
General and administrative	4 \$ (194,914)	\$ (391,491)	\$ (1,455,063)	\$ (1,081,250)
Stock based compensation	\$ (33,921)	(154,371)	(203,483)	(154,371)
Operating loss	\$ (228,835)	\$ (545,862)	(1,658,546)	(1,235,621)
Foreign exchange (loss) gain	\$ (4,822)	-	1,220	-
Net loss for the period	\$ (233,657)	\$ (545,862)	\$ (1,657,326)	(1,235,621)
Other Comprehensive Loss				
Exchange differences on translation of foreign operations	\$ 86,958	(34,568)	105,386	(54,893)
Total comprehensive loss for the year	\$ (146,699)	\$ (580,430)	\$ (1,551,940)	(1,290,513)
Per Share Information				
Net loss per share – basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.03)	\$ (0.01)
Weighted average number of common shares outstanding	6 74,288,320	177,314,463	59,501,731	97,314,465
Nature of Business and Going Concern (Note 1)				

ON BEHALF OF THE BOARD:

Richard Wadsworth , Director

Chris Atkinson , Director

SONORO ENERGY LTD.
Consolidated Statements of Financial Position

Canadian Dollars

		September 30	December 31,
		2018	2017
ASSETS			
Current			
Cash and cash equivalents		\$ 122,839	\$ 89,874
Accounts receivable		3,015	20,055
Prepayments and other		24,644	28,161
		<u>150,498</u>	<u>138,090</u>
Exploration and evaluation assets	5	-	-
		<u>\$ 150,498</u>	<u>\$ 138,090</u>
LIABILITIES			
Current			
Accounts payable and accrued liabilities		\$ 1,338,428	\$ 1,603,234
Asset retirement obligation		\$ 50,000	\$ 50,000
		<u>1,388,428</u>	<u>1,653,234</u>
SHAREHOLDERS' EQUITY			
Share capital	6	72,021,868	70,669,377
Warrants		746,441	461,797
Contributed surplus		11,303,683	11,100,200
Accumulated other comprehensive income/(loss)		378,191	284,269
Accumulated deficit		<u>(85,688,113)</u>	<u>(84,030,787)</u>
		<u>(1,237,930)</u>	<u>(1,515,144)</u>
		<u>\$ 150,498</u>	<u>\$ 138,090</u>

Nature of Business and Going Concern (Note 1)

Contingencies and Commitments (Note 8)

SONORO ENERGY LTD.
Consolidated Statements of Changes in Equity

Canadian Dollars

	Note	Common Shares		Warrants	Contributed Surplus	Accumulated Other Comprehensive Income/(loss)	Accumulated Deficit	Total
		Number	Amount			Foreign Currency Translation		
Balance at December 31, 2016		57,314,466	67,708,529	-	\$ 10,791,458	\$ -	\$ (76,460,698)	\$ 2,039,289
Private Placement (net of issuance costs)		119,999,997	2,960,849	461,797				3,422,646
Share based compensation		-	-	-	308,742	-	-	308,742
Loss and comprehensive loss for the period		-	-	-	-	284,269	(7,570,089)	(7,285,820)
Balance December 31, 2017		44,328,616	\$ 70,669,378	461,797	\$ 11,100,200	\$ 284,269	\$ (84,030,787)	\$ (1,515,144)
Private Placement (net of issuance costs)		29,032,039	1,166,958	284,644				1,451,602
Warrants exercised		927,665	185,532					185,532
Share based compensation		-	-		203,483			203,483
Loss and comprehensive loss for the year						93,922	(1,657,326)	(1,563,404)
Balance at September 30, 2018		74,288,320	\$ 72,021,868	746,441	11,303,683	378,191	(85,688,113)	(1,237,931)

Nature of Business and Going Concern (Note 1)

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, 2018 and 2017

Canadian Dollars

	2018	2017
Operating Activities		
Net loss for the year	\$ (1,657,326)	\$ (1,235,621)
Items not affecting cash and cash equivalents:		
Share based compensation	203,483	154,371
Unrealized foreign exchange loss	95,142	-
	<u>(1,358,701)</u>	<u>(1,081,250)</u>
Net change in non-cash working capital related to operations	<u>(244,248)</u>	<u>(472,740)</u>
Cash flows used in operating activities	<u>(1,602,949)</u>	<u>(1,553,990)</u>
Investing Activities		
Expenditures on exploration and evaluation		(1,023,320)
Net change in non-cash working capital related to investing	-	-
Cash flows from/(used in) investing activities	<u>-</u>	<u>(1,023,320)</u>
Financing Activities		
Proceeds from the issuance of shares (net of issuance costs)	6 1,451,602	3,422,646
Proceeds from warrant exercises	6 185,532	-
Cash flows from financing activities	<u>1,637,134</u>	<u>3,422,646</u>
Increase/(decrease) in cash and cash equivalents	34,185	845,336
Cash and cash equivalents, beginning of year	89,874	105,092
Impact of foreign exchange on cash balances	(1,220)	(54,893)
Cash and cash equivalents, end of period	<u>\$ 122,839</u>	<u>\$ 895,535</u>

Nature of Business and Going Concern (Note 1)

SONORO ENERGY LTD.

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the nine months ended September 30, 2018 and 2017

(unaudited)

Canadian Dollars

1. Nature of business and going concern

a) Nature of Business

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 3rd 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. ("SEIH BV")	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%
PetroSonic Energy Systems Inc. ("PetroSonic Energy")	Delaware, USA	100.0%
Sonic Environmental Solutions Corp. ("Sonic Corp.")	California, USA	100.0%

b) Going Concern

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.

The ability of the Company to continue as a going concern is dependent on the Company obtaining additional sources of capital to explore, appraise and develop its oil and gas resource assets, continuing to receive support and cooperation from its creditors, achieving profitable operations in Indonesia through the discovery of oil and gas resources, maintaining production sharing contracts in good standing and no significant adverse legal, political and security developments in Indonesia. The Company is in discussion with the Indonesian Ministry of Energy to renew the Budong Budong Production Sharing contract. 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.

For the year period ended September 30, 2018, the Company had no revenues, negative working capital of \$1,237,930 (December 31, 2017 – \$1,515,144), negative cash flows from operations of

SONORO ENERGY LTD.

Notes to the Condensed Consolidated Interim Financial Statements As at and for the nine months ended September 30, 2018 and 2017

(unaudited)

Canadian Dollars

\$1,358,701 (September 30, 2017 – 1,081,250), a loss from operations of \$1,551,940 (September 30, 2017 - \$1,290,513) and an accumulated deficit of \$85,688,113 (December 31, 2017 - \$84,030,787).

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 commitments regarding 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.

2. Basis of preparation

a) Statement of compliance

These consolidated annual financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). As part of this preparation, management is required to make estimates and assumptions under IFRS. These estimates and assumptions affect the reported amounts of assets and liabilities, disclosure of contingent amounts and the reported amounts of revenues and expenses. Actual results could differ from these estimates. Refer to use of judgments and estimates below for further discussion.

These consolidated financial statements were authorized for issuance by the Board of Directors as of November 22, 2018.

b) Summary of Significant Accounting Policies

New standards and interpretations adopted on January 1, 2018

IFRS 9: Financial Instruments

On January 1, 2018, the Company adopted IFRS 9 "Financial Instruments", which includes a principle-based approach for classification and measurement of financial assets and forward-looking 'expected credit loss' model. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI"); or fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. The classification and measurement of financial instruments under IFRS 9 did not have a material impact on the Company's consolidated financial statements.

Impairment of financial assets under IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. The new impairment model applies to financial assets measured at amortized cost, and contract assets and debt investments at FVOCI. Under IFRS 9, credit losses are recognized earlier than under IAS 39. The application of the expected credit loss model to financial assets classified as amortized cost did not result in a material adjustment on transition.

IFRS 9 was applied retrospectively in accordance with transition requirements with no impact to opening retained earnings or comparative periods. Cash and cash equivalents, and trade and other receivables continue to be measured at amortized cost and are now classified as "amortized cost".

SONORO ENERGY LTD.

Notes to the Condensed Consolidated Interim Financial Statements As at and for the nine months ended September 30, 2018 and 2017

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The Company's financial liabilities previously classified as "other financial liabilities" being trade and other payables and accrued liabilities continue to be measured at amortized cost and are now classified as "amortized cost". The Company has not designated any financial instruments as FVOCI or FVTPL, nor does the Company use hedge accounting.

IFRS 15: Revenue from Contracts with Customers

The Company adopted IFRS 15 "Revenue from Contracts with Customers" effective January 1, 2018, which establishes a comprehensive framework for determining whether, how much, and when revenue from contracts with customers is recognized. The Company adopted IFRS 15 using the modified retrospective approach to contracts that were not completed at the date of initial application. Under this transitional provision, the cumulative effect of initially applying IFRS 15 is recognized on the date of initial application as an adjustment to retained earnings. No adjustment to retained earnings was required upon adoption of IFRS 15. The adoption of IFRS 15 did not materially impact the timing or measurement of revenue.

In addition, as a result of this adoption, the Company has revised the description of its accounting policy for revenue recognition. Revenue from contracts with customers is recognized when or as the Company satisfies a performance obligation by transferring a promised good or service to a customer. The amount of revenue recognized is based on the agreed transaction price with any variability in transaction price recognized in the same period. The costs associated with the delivery, including transportation, are recognized in the same period in which the related revenue is earned and recorded.

IFRS16: Leases

On January 1, 2019, the Company will be required to adopt IFRS 16 "Leases" to replace the existing guidance of IAS 17 "Leases". The standard establishes principles and disclosures related to the amount, timing and uncertainty of cash flows arising from a lease.

The company does not expect any material impact from the adoption of these three standards discussed above.

A description of other accounting standards and interpretations that 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, 2017.

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, 2018. A description of risks can be found in the notes to the audited annual consolidated financial statements for the year ended December 31, 2017.

SONORO ENERGY LTD.

Notes to the Condensed Consolidated Interim Financial Statements As at and for the nine months ended September 30, 2018 and 2017

(unaudited)

Canadian Dollars

4. General & administrative

General and administrative expenses for the nine months ended September 30, 2018 and 2017 are comprised of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Employee salaries and benefits	61,130	37,134	246,007	83,133
Contractors and consultants	-	189,477	638,271	421,149
Travel and accommodation	8,103	7,087	30,053	17,826
Professional, legal and advisory	8,894	74,425	183,709	425,573
Office and administration	23,267	49,233	80,033	106,713
Other gain	-	291	-	(101,191)
Jakarta office and administration	93,520	33,844	276,990	128,047
	194,914	391,491	1,455,063	1,081,250

5. Exploration and evaluation assets

Indonesia

The Company drilled a well during the last half of 2017 on its Budong Budong property in West Sulawesi. Costs for the well were initially capitalized to the exploration and evaluation assets on the statement of financial position subject to a review for impairment indicators.

Given the status of the PSC at Budong Budong the Company has impaired the exploration and evaluations to zero. The Company is currently in discussions with the Ministry of Energy of Indonesia to clarify its good standing of the PSC. Should this discussion be concluded successfully, the Company will reverse the impairment to an equivalent amount.

An impairment of \$5.7 million was recorded in part based on the January 15, 2018 expiry of the Budong Budong PSC and this event confirming a condition that existed at December 31, 2017.

SONORO ENERGY LTD.

Notes to the Condensed Consolidated Interim Financial Statements As at and for the nine months ended September 30, 2018 and 2017

(unaudited)

Canadian Dollars

6. 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

Balance: December 31, 2016	57,314,466
April/May 2017 Private Placement	119,999,997
Balance: December 31 2017	177,314,463
January 2018 Share Consolidation 4:1 **	44,328,616
Q1 2018 Warrants exercised	927,665
March 2018 Private Placement	29,032,039
Balance: September 30, 2018	74,288,320
<i>** As required by TSXV</i>	

On January 12, 2018, the Company consolidated its common shares at a ratio of 1 common share for each 4 common shares held as per the TSXV bulletin

7. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

During the period ended September 30, 2018, key management personnel compensation and director fees of \$85,120 were paid or accrued, compared with \$110,120 for the comparable period in 2017.

As at September 30, 2018, salaries and fees amounting to \$181,950 (September 30, 2017 - \$64,655) were owing to directors or officers, with respect to salaries, benefits and consulting fees. These amounts are non-interest bearing, have no specific terms of repayment and are included in accrued liabilities.

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 is payable as follows: \$30,624 in 2018 (3 months), \$121,056 in 2019 and \$20,176 in 2020.
- b. The Company has signed a lease in Jakarta until December 30, 2018. Monthly rent is approximately \$2,800.

SONORO ENERGY LTD.**Notes to the Condensed Consolidated Interim Financial Statements****As at and for the nine months ended September 30, 2018 and 2017**

(unaudited)

Canadian Dollars

9. Supplemental cash flow information

Non-cash working capital components:

	For the nine months ended	
	September 30,	
	2018	2017
	\$	\$
Net change in non-cash working capital related to operations:		
Accounts receivable	17,040	(32,463)
Prepaid expenses	3,517	(35,037)
Accounts payable and accrued liabilities	(264,806)	(405,240)
	(244,248)	(472,740)