

# **SONORO ENERGY LTD.**

## **CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**For the nine months ended September 30, 2019 and 2018**

**(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 Loss and Comprehensive Loss***For the nine months ended September 30, 2019 and 2018**Canadian Dollars*

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
<b>Expenses</b>				
General and administrative	\$ 118,485	\$ 194,914	\$ 509,291	\$ 1,455,063
Stock based compensation	3,922	33,921	65,544	203,483
	<u>122,407</u>	<u>228,835</u>	<u>574,835</u>	<u>1,658,546</u>
Foreign exchange loss (gain)	1,266	4,822	1,027	(1,220)
<b>Loss from continuing operations</b>	<b>\$ 123,673</b>	<b>233,657</b>	<b>\$ 575,863</b>	<b>1,657,326</b>
<b>Income from discontinued operations</b>	<b>(94,565)</b>	<b>-</b>	<b>(94,565)</b>	<b>-</b>
<b>Net loss for the period</b>	<b>29,108</b>	<b>233,657</b>	<b>481,297</b>	<b>1,657,326</b>
Currency translation adjustments	52,569	(86,958)	(29,410)	(105,386)
<b>Total comprehensive loss</b>	<b>\$ 81,677</b>	<b>146,699</b>	<b>\$ 451,888</b>	<b>1,551,940</b>
<b>Per Share Information</b>				
Net loss per share – basic and diluted	\$ 0.00	\$ 0.00	\$ (0.01)	\$ (0.03)
Weighted average number of common shares outstanding	81,172,992	74,288,320	83,641,638	59,501,731
<b>Nature of Business and Going Concern</b> (Note 1)				

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

*For the period ended September 30,  
Canadian Dollars*

	<b>September 30 2019</b>	<b>December 31 2018</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 142,525	\$ 26,366
Accounts receivable and prepaid expenses	<u>2,616</u>	<u>2,301</u>
	<b>145,141</b>	<b>28,667</b>
<b>Non-Current</b>		
Prepayments and other	<b>26,769</b>	23,394
<b>TOTAL ASSETS</b>	<b><u>\$ 171,910</u></b>	<b><u>\$ 52,061</u></b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 1,835,616	\$ 1,855,212
Asset retirement obligation	<u>\$ -</u>	<u>\$ 50,000</u>
	<b><u>1,835,616</u></b>	<b><u>1,905,212</u></b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	6 72,048,772	71,400,086
Warrants	1,299,127	1,372,025
Contributed surplus	11,394,411	11,328,867
Accumulated other comprehensive income/(loss)	255,420	226,010
Accumulated deficit	<u>(86,661,436)</u>	<u>(86,180,139)</u>
	<b><u>(1,663,706)</u></b>	<b><u>(1,853,151)</u></b>
	<b><u>\$ 171,910</u></b>	<b><u>\$ 52,061</u></b>

*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 Changes in Shareholder's Equity

Canadian Dollars

	Note	Common Shares		Warrants	Contributed Surplus	Accumulated Other	Accumulated Deficit	Total
		Number	Amount			Comprehensive Income/(loss) Foreign Currency Translation		
<b>Balance at December 31, 2017</b>		<b>44,328,616</b>	<b>70,669,378</b>	<b>461,797</b>	<b>\$ 11,100,200</b>	<b>\$ 284,269</b>	<b>\$ (84,030,787)</b>	<b>\$ (1,515,144)</b>
Private Placement (net of issuance costs)		29,032,039	538,298	917,106				1,455,404
Warrants exercised		927,665	192,410	(6,878)				185,532
Share based compensation		-	-	-	228,667	-	-	228,667
Loss and comprehensive loss for the year						(58,259)	(2,149,352)	(2,207,611)
<b>Balance December 31, 2018</b>		<b>74,288,320</b>	<b>\$ 71,400,086</b>	<b>1,372,025</b>	<b>\$ 11,328,867</b>	<b>\$ 226,010</b>	<b>\$ (86,180,139)</b>	<b>\$ (1,853,152)</b>
Private Placement (net of issuance costs)		10,400,000	202,000	110,000				312,000
Warrants exercised		5,275,771	446,687	(182,898)				263,789
Share based compensation		-	-	-	65,544			65,544
Net income from discontinued operations							94,565	94,565
Net loss from continuing operations							(575,863)	(575,863)
Currency translation adjustment						29,410		29,410
<b>Balance at September 30, 2019</b>		<b>89,964,091</b>	<b>\$ 72,048,773</b>	<b>1,299,127</b>	<b>11,394,411</b>	<b>255,420</b>	<b>(86,661,436)</b>	<b>(1,663,706)</b>

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

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

*For the nine months ended September 30, 2019 and 2018*  
*Canadian Dollars*

	<b>Nine Months Ended September 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>Operating Activities</b>		
Net loss from continuing operations	\$ (575,863)	\$ (1,657,326)
Items not affecting cash and cash equivalents:		
Share based compensation	65,544	203,483
Unrealized foreign exchange (gains) loss	29,085	95,142
	<u>(481,234)</u>	<u>(1,358,701)</u>
Change in non-cash working capital related to continuing operations	24,111	(244,248)
<b>Continuing operations</b>	<b><u>(457,123)</u></b>	<b><u>(1,602,949)</u></b>
Discontinued operations	(2,834)	-
<b>Investing Activities</b>		
Expenditures on exploration and evaluation	-	-
<b>Cash flows from/(used in) investing activities</b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Financing Activities</b>		
Proceeds from the issuance of shares (net of issuance costs)	6 312,000	1,451,602
Proceeds from warrant exercises	263,789	185,532
<b>Cash flows from financing activities</b>	<b><u>575,789</u></b>	<b><u>1,637,134</u></b>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>115,832</b>	<b>34,185</b>
Cash and cash equivalents, beginning of period	26,366	89,874
Impact of foreign exchange on cash balances	327	(1,220)
<b>Cash and cash equivalents, end of period</b>	<b><u>\$ 142,525</u></b>	<b><u>\$ 122,839</u></b>

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

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# SONORO ENERGY LTD.

## Notes to the Condensed Consolidated Interim Financial Statements As at and for the nine months ended September 30, 2019 and 2018

(unaudited)

Canadian Dollars

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### 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 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 subsidiaries of the Company and the Company's ownership interest in those subsidiaries:

Subsidiary Name	Jurisdiction	Ownership	Functional Currency
Sonoro Energy International Holdings B.V. ("SEIHBV")	The Netherlands	100.0%	USD
Stockbridge Oil and Gas Ltd B.V.I.	British Virgin Islands	100.0%	USD
Zamatra Bakau Straits Ltd. B.V.I.	British Virgin Islands	100.0%	USD
Stockbridge Budong Budong B.V.	The Netherlands	100.0%	IDR
PetroSonic Energy Systems Inc. ("PetroSonic Energy")	Delaware, USA	100.0%	USD
Sonic Environmental Solutions Corp. ("Sonic Corp.")	California, USA	100.0%	USD

#### b) Going Concern

These consolidated 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. 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 period ended September 30, 2019, the Company had no revenues, negative working capital of \$1,518,565 (December 31, 2018 – \$1,824,484), negative cash flows from operations of \$481,234 (September 30, 2018 – \$1,358,701), a loss from operations of \$451,888 (September 30, 2018 - \$1,551,940) and an accumulated deficit of \$86,661,436 (December 31, 2018 - \$86,180,139).

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# **SONORO ENERGY LTD.**

## **Notes to the Condensed Consolidated Interim Financial Statements As at and for the nine months ended September 30, 2019 and 2018**

(unaudited)

*Canadian Dollars*

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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.

These consolidated financial statements do not reflect the adjustments, of which some could be material, to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption determined to be inappropriate.

### **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 28, 2019.

#### **b) Changes in Accounting Policies**

There were no new or amended accounting standards or interpretations issued during the three months ended September 30, 2019 that are applicable to the Company. A description of 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, 2018.

### **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, 2019. A description of risks can be found in the notes to the audited annual consolidated financial statements for the year ended December 31, 2018.

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## SONORO ENERGY LTD.

### Notes to the Condensed Consolidated Interim Financial Statements As at and for the nine months ended September 30, 2019 and 2018

(unaudited)

Canadian Dollars

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#### 4. General & administrative

General and administrative expenses for the three months ended September 30, 2019 and 2018 are comprised of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Employee salaries and benefits	\$12,995	\$61,130	\$136,121	\$246,007
Contractors and consultants	-	-	-	638,271
Travel and accommodation	766	8,103	5,961	30,053
Professional, legal and advisory	57,012	8,894	122,817	183,709
Office and administration	11,263	23,267	34,899	80,033
Jakarta office and administration	36,448	93,520	209,493	276,990
Total expenses	\$118,485	\$194,914	\$509,292	\$1,455,062

#### 5. Exploration and evaluation assets

##### *Indonesia*

The Company drilled a well during the last half of 2017 on the 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. An impairment of \$5.7 million was recorded as at December 31, 2017. The Company does not attribute any value to its Exploration and Evaluation assets on the balance sheet for Budong Budong.

#### 6. Share capital

##### (i) Authorized

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

On March 26, 2018 the Company announced the closing of a non-brokered private placement for total gross proceeds of \$1,455,404. The Company sold 29,032,039 units (a "Unit") at a price of \$0.05 per Unit where each Unit consists of one common share (a "Common Share") of the Company and 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 \$0.10 per Common Share.

On March 29, 2019 the Company announced the closing of a non-brokered private placement for total gross proceeds of \$312,000. The Company sold 10,400,000 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 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.

In 2019, 2,275,771 warrants were exercised into common shares by shareholders.

As at September 30, 2019, Sonoro Energy Ltd. has 89,964,091 Common Shares outstanding, 47,872,461 warrants outstanding, and the Common Shares trade on the TSX Venture Exchange under the symbol SNV.

## SONORO ENERGY LTD.

### Notes to the Condensed Consolidated Interim Financial Statements As at and for the nine months ended September 30, 2019 and 2018

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#### 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.

Key management personnel are persons responsible for planning, directing and controlling activities of an entity and include executive and related personnel

During the period ended September 30, 2019, key management personnel compensation and director fees of \$113,528 were paid or accrued, compared with \$114,069 for the comparable period in 2018.

In 2018, an Executive Officer in Indonesia injected capital of US\$25,000 (March 31, 2018 – Nil) in the form of an interest free loan to the Corporation. Funds were used to maintain the office and administrative costs in Jakarta. The amount was paid back in March 2019 with common shares in the equity offering.

#### 8. Contingencies and commitments

The Company co-signed (50% commitment) an office lease for a 36-month term commencing March 1, 2017. The majority of the Corporation's lease obligations have been reduced by subleasing arrangements. Gross rent is equal to \$10,088 per month (net \$5,044 per month) plus operating costs. The net rent payable by Sonoro is \$1,700 per month.

Jakarta Lease. The Company is on a month to month lease in Jakarta for approximately US\$2,800 a month.

The Company is not aware of any material provisions or other contingent liabilities as at September 30, 2019.

#### 9. Supplemental cash flow information

Non-cash working capital components:

	Nine Months Ended	
	September 2019	September 2018
Net change in non-cash working capital related to operations:		
Accounts receivable	(315)	17,040
Prepaid expenses	(3,375)	3,517
Accounts payable and accrued liabilities	27,332	(264,806)
Effects of foreign currency	469	-
	<b>24,111</b>	<b>(244,248)</b>