



**SONORO ENERGY LTD.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL  
STATEMENTS (UNAUDITED)**

**As at and for the three and nine months ended  
September 30, 2020**

**SONORO ENERGY LTD.**  
**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)**

<i>As at</i> <i>(Canadian dollars)</i>	notes	September 30, 2020	December 31, 2019
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents		123,079	180,243
Accounts receivable	6	677	5,435
		<b>123,756</b>	<b>185,678</b>
<b>Non-Current</b>			
Prepays		33,859	27,733
Property and equipment	7	36,736	58,325
Exploration and evaluation	8	1,893,463	1,893,463
<b>Total Assets</b>		<b>2,087,814</b>	<b>2,165,199</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	9	2,355,313	2,124,462
Current portion of lease liability	10	29,401	13,644
Other liabilities	16	106,932	-
		<b>2,491,646</b>	<b>2,138,106</b>
<b>Non-Current</b>			
Long-term debt	11	300,691	275,992
Convertible debenture	11	1,429,324	1,272,452
Canada Emergency Business Account (CEBA)	11	40,000	-
Lease liability	10	28,214	48,969
<b>Total Liabilities</b>		<b>4,289,875</b>	<b>3,735,519</b>
<b>SHAREHOLDERS' DEFICIENCY</b>			
Share capital	12	73,519,768	73,222,952
Convertible debenture	11	357,409	357,409
Warrants	12	827,872	880,941
Contributed surplus		11,785,339	11,619,755
Accumulated other comprehensive income/(loss)		327,663	275,414
Accumulated deficit		(89,020,112)	(87,926,791)
<b>Total Shareholders' Deficit</b>		<b>(2,202,061)</b>	<b>(1,570,320)</b>
<b>Total Liabilities and Shareholders' Deficit</b>		<b>2,087,814</b>	<b>2,165,199</b>

*Nature of Business and Going Concern (Note 1)*  
*Contingencies and Commitments (Note 14)*

*See accompanying notes to the Condensed Consolidated Interim Financial Statements.*

ON BEHALF OF THE BOARD OF DIRECTORS:

*"signed"*  
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 Richard Wadsworth, Director

*"signed"*  
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 Chris Atkinson, Director

**SONORO ENERGY LTD.  
CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS  
(UNAUDITED)**

<i>(Canadian dollars)</i>	Notes	For the three months ended		For the nine months ended	
		September 30, 2020	September 30, 2019 <sup>(2g)</sup>	September 30, 2020	September 30, 2019 <sup>(2g)</sup>
<b>Expenses</b>					
General and administrative	5	179,004	133,949	649,061	557,974
Interest expense	10,11	113,029	-	276,075	-
Depreciation of property, plant, and equipment	7	4,678	-	15,114	-
Share-based compensation	12	91,000	3,922	166,747	65,544
		<b>387,711</b>	137,871	<b>1,106,997</b>	623,518
Foreign exchange (income) loss		(20,293)	1,266	3,639	1,027
Other income	5	(5,465)	(15,464)	(17,315)	(48,682)
<b>Net loss from continuing operations</b>		<b>(361,953)</b>	(123,673)	<b>(1,093,321)</b>	(575,863)
<b>Income from discontinued operations</b>		-	94,565	-	94,565
<b>Net loss for the period</b>		<b>(361,953)</b>	(29,108)	<b>(1,093,321)</b>	(481,298)
<b>Other Comprehensive Loss</b>					
Exchange differences on translation of foreign operations		148,858	(52,569)	42,411	29,410
<b>Total comprehensive loss</b>		<b>(213,095)</b>	(81,677)	<b>(1,050,910)</b>	(451,888)
<b>Per Share Information</b>					
Continuing operations -basic and diluted		<b>\$(0.003)</b>	\$(0.002)	<b>\$(0.010)</b>	\$(0.007)
Discontinued operations - basic and diluted		<b>\$-</b>	\$0.001	<b>\$-</b>	\$0.001
Net loss per share - basic and diluted		<b>\$(0.003)</b>	\$(0.000)	<b>\$(0.010)</b>	\$(0.006)
Weighted average number of common shares outstanding		<b>109,229,230</b>	81,172,992	<b>108,184,096</b>	83,641,638

See accompanying notes to the Condensed Consolidated Interim Financial Statements.

**SONORO ENERGY LTD.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)**

<i>Canadian Dollars</i>	<b>Note</b>	<b>Common Shares Number</b>	<b>Common Shares Amount</b>	<b>Convertible Debentures</b>	<b>Warrants</b>	<b>Contributed Surplus</b>	<b>Accumulated Other Comprehensive Income/(loss)</b>	<b>Accumulated Deficit</b>	<b>Deficit Total</b>
Balance at December 31, 2018		74,288,320	71,400,086	-	1,372,025	11,328,867	210,914	(86,549,558)	(2,237,666)
Impact of change in accounting policy		-	-	-	-	-	-	(11,396)	(11,396)
Balance at January 1, 2019		74,288,320	71,400,086	-	1,372,025	11,328,867	210,914	(86,560,954)	(2,249,062)
Private Placement (net of issuance costs)	12	10,400,000	203,588	-	108,412	-	-	-	312,000
Convertible debentures (net of issuance costs)	11	-	-	357,409	-	-	-	-	357,409
Warrants exercised	12	19,940,909	1,619,278	-	(493,496)	-	-	-	1,125,782
Warrants expired		-	-	-	(106,000)	106,000	-	-	-
Share based compensation	12	-	-	-	-	184,888	-	-	184,888
Net loss from discontinued operations		-	-	-	-	-	-	(315,029)	(315,029)
Net loss from continuing operations		-	-	-	-	-	-	(1,050,808)	(1,050,808)
Currency translation adjustment		-	-	-	-	-	64,500	-	64,500
Balance at December 31, 2019		104,629,229	73,222,952	357,409	880,941	11,619,755	275,414	(87,926,791)	(1,570,320)
<b>Warrants exercised</b>	<b>12</b>	<b>4,583,334</b>	<b>294,736</b>	<b>-</b>	<b>(53,069)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>241,667</b>
<b>Options exercised</b>	<b>12</b>	<b>16,667</b>	<b>2,080</b>	<b>-</b>	<b>-</b>	<b>(1,163)</b>	<b>-</b>	<b>-</b>	<b>917</b>
<b>Share based compensation</b>	<b>12</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>166,747</b>	<b>-</b>	<b>-</b>	<b>166,747</b>
<b>Net loss</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,093,321)</b>	<b>(1,093,321)</b>
<b>Currency translation adjustment</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>52,249</b>	<b>-</b>	<b>52,249</b>
<b>Balance at September 30, 2020</b>		<b>109,229,230</b>	<b>73,519,768</b>	<b>357,409</b>	<b>827,872</b>	<b>11,785,339</b>	<b>327,663</b>	<b>(89,020,112)</b>	<b>(2,202,061)</b>

See accompanying notes to the Condensed Consolidated Interim Financial Statements.

**SONORO ENERGY LTD.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

		Three Months Ended September 30		Nine months Ended September 30	
	Notes	2020	2019	2020	2019
<b>Operating Activities</b>					
Net loss from continuing operations		(361,953)	(123,674)	(1,093,321)	(575,863)
Items not affecting cash and cash equivalents:			-		-
Share based compensation	12	91,000	3,922	166,747	65,544
Depreciation of property Plant and Equipment		4,678	-	15,114	-
Interest expense		113,029	-	276,075	-
Unrealized foreign exchange (gains) loss		(20,295)	(51,598)	3,832	29,085
		(173,541)	(171,350)	(631,553)	(481,234)
Net change in non-cash working capital related to operations	15	132,314	64,904	293,060	24,111
<b>Cash flows used in continuing operating activities</b>		<b>(41,227)</b>	<b>(106,446)</b>	<b>(338,493)</b>	<b>(457,123)</b>
<b>Cash flow used in discontinued operations</b>		-	(2,834)	-	(2,834)
<b>Investing Activities</b>					
Property and equipment - government grants	7	6,475	-	6,475	-
<b>Cash flows from investing activities</b>		<b>6,475</b>	-	<b>6,475</b>	-
<b>Financing Activities</b>					
Proceeds from the issuance of shares (net of issuance costs)	12	-	-	-	312,000
Proceeds from warrant exercises	12	-	193,979	133,330	263,789
Proceeds from option exercises	12	-	-	917	-
Lease liabilities settled		(7,777)	-	(4,999)	-
Proceeds from issuance of long-term debt	11	6,429	-	19,042	-
Proceeds of COVID loan		-	-	40,000	-
Interest expense		(39,920)	-	(119,204)	-
Net change in non-cash working capital related to financing	15	139,505	-	203,943	-
<b>Cash flows from financing activities</b>		<b>98,237</b>	<b>193,979</b>	<b>273,029</b>	<b>575,789</b>
Increase/(decrease) in cash and cash equivalents		63,485	84,699	(58,989)	115,832
Cash and cash equivalents, beginning of period		58,074	57,524	180,243	26,366
Impact of foreign exchange on cash balances		1,520	302	1,825	327
<b>Cash and cash equivalents, end of period</b>		<b>123,079</b>	<b>142,525</b>	<b>123,079</b>	<b>142,525</b>

See accompanying notes to the Condensed Consolidated Interim Financial Statements.

**Notes to the Condensed Consolidated Interim Financial Statements**  
**As at and for the Three and Nine Months Ended September 30, 2020**  
*Canadian Dollars*

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**1. Nature of Business and Going Concern****a) Nature of business**

Sonoro Energy Ltd. ("Sonoro" or "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 600, 520 – 5th Avenue SW Calgary, Alberta, Canada. The Common Shares trade on the TSX Venture Exchange under the symbol SNV.

The business of the Company, either directly or through its wholly owned subsidiaries, 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.

**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 nine ended September 30, 2020, the Company had no revenues, negative working capital of \$2,367,890 (December 31, 2019 – \$1,952,428), negative cash flows from continuing operating activities of \$338,493 (Year ended 2019 – \$731,746), a loss from continuing operations of \$1,093,321 (Year ended December 31, 2019 - \$1,050,808) and an accumulated deficit of \$89,020,112, (December 31, 2019 - \$87,926,791).

While these consolidated financial statements have been prepared on the assumption that the Company is a going concern, the above material uncertainties may 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 condensed consolidated interim financial statements (the "Interim Financial Statements") have been prepared in accordance with International Accounting Standard ("IAS") 34 – Interim Financial Reporting.

The Interim Financial Statements should be read in conjunction with the audited annual consolidated financial statements of Sonoro as at and for the years ended December 31, 2019 and 2018 and the notes thereto (the

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**SONORO ENERGY LTD.**

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**Notes to the Condensed Consolidated Interim Financial Statements**  
**As at and for the Three and Nine Months Ended September 30, 2020**  
*Canadian Dollars*

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“Annual Financial Statements”). The Interim Financial Statements have been prepared on a basis consistent with the accounting, estimation and valuation policies described in the Annual Financial Statements.

The Interim Financial Statements were approved and authorized for issue by the Audit Committee of the Board of Directors of Sonoro on November 11, 2020.

**b) Subsidiaries**

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

<b>Subsidiary Name</b>	<b>Jurisdiction</b>	<b>Ownership</b>	<b>Functional Currency</b>
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
Sonic Environmental Solutions Corp. (“Sonic Corp.”)	California, USA	100.0%	USD

**c) Basis of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries (collectively referred to as “Sonoro Group of Companies”). Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The financial statements of the subsidiaries are prepared for the same period as the parent company, using consistent accounting policies. The Company has consolidated the assets, liabilities, revenues, and expenses of its subsidiaries after the elimination of inter-company transactions.

**d) Basis of measurement**

These consolidated financial statements have been prepared on a going concern basis and a historical cost convention except for share-based payment transactions which are measured at fair value.

**e) Foreign currency translation*****Functional and presentation currency***

The financial statements of each entity in the Sonoro Group of Companies are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in Canadian dollars, which is Sonoro Energy Ltd.'s functional currency.

The financial statements of entities that have a different functional currency are translated into Canadian dollars as follows: assets and liabilities translated at the closing rate at the date of the statement of financial position, and income and expenses translated at the average rate of the period (which is considered a reasonable approximation to actual rates). All resulting exchange differences are recognized in other comprehensive income

**Notes to the Condensed Consolidated Interim Financial Statements**  
**As at and for the Three and Nine Months Ended September 30, 2020**  
*Canadian Dollars*

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(loss) and accumulated in a separate component of equity referred to as accumulated other comprehensive income (loss).

When a foreign operation is disposed of, the cumulative amount of the exchange differences relating to that foreign operation accumulated in a separate component of equity is reclassified from equity to profit or loss in the statement of operations.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in the statement of operations.

**f) Critical accounting estimates, judgements, and assumptions**

The preparation of Interim Financial Statements in conformity with International Financial Reporting Standards ("IFRS") requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies are outlined in the Annual Financial Statements.

On January 30, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) outbreak a Public Health Emergency of International Concern and, on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. These measures have caused and will continue to cause significant disruption to business operations and a significant increase in economic uncertainty, with reduced demand for commodities leading to volatile prices and currency exchange rates, and a decline in long-term interest rates. The Company's operations are particularly sensitive to a reduction in the demand for, and prices of, crude oil, natural gas and natural gas liquids which are closely linked to the Company's financial performance. In addition to the impact on commodity prices and commodity sales from production amounts, COVID-19 has created many uncertainties in the crude oil and natural gas industry with respect to increased counterparty credit risk and valuation of long-lived petroleum and natural gas assets. The potential direct and indirect impacts of the economic downturn have been considered in management's estimates, and assumptions at period end have been reflected in our results.

The COVID-19 pandemic is an evolving situation that will continue to have widespread implications for our business environment, operations and financial condition. Management cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact our financial results in 2020.

Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

**g) Reclassification**

Certain comparative figures have been reclassified to conform to the current year presentation. There has been no impact on the results of operations.

**3. Significant Accounting Policies**

**Notes to the Condensed Consolidated Interim Financial Statements**  
**As at and for the Three and Nine Months Ended September 30, 2020**  
*Canadian Dollars*

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The Company's significant accounting policies under IFRS are presented in Note 3 to the Annual Financial Statements. Certain information and disclosures normally required to be included in the notes to the Annual Financial Statements prepared in accordance with IFRS have been condensed or omitted in the Interim Financial Statement.

**Government grants**

Government grants are recognized when there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as an expense reduction in the period in which the costs are incurred. Where the grant relates to an asset, it is recognized as a reduction to the net book value of the related asset and then subsequently in net loss over the expected useful life of the related asset through lower charges to depletion, depreciation and impairment. During the three months ended September 30, 2020, the Company received an interest free loan of \$40,000 through the Canada Emergency Business Account (CEBA). Repaying the balance of the loan on or before December 31, 2022 will result in loan forgiveness of 25 percent (up to \$10,000). As at September 30, 2020 the loan has not been repaid, therefore the government grant of \$10,000 has not been recognized in income.

**4. Financial Instruments and Risk Management****a) Financial instruments**

The carrying value and fair value of the Company's financial instruments as at September 30, 2020 are as follows:

	<b>Carrying Value</b>	<b>Fair Value</b>
Cash and cash equivalents	<b>123,079</b>	123,079
Account payables and accrued liabilities	<b>2,355,313</b>	2,355,313
Long-term Loan	<b>300,691</b>	300,691
Convertible debenture	<b>1,429,324</b>	1,429,324

There were no transfers between level 1, 2 and 3 inputs during the year.

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 are discussed below:

**b) Risk Management*****Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Company's financial assets and liabilities are not exposed to significant interest rate risk due to either being short-term in nature or not bearing any interest, or the interest rate is fixed.

***Credit risk***

Credit risk is the risk that one party to a financial instrument will fail to fulfill an obligation and cause the other party to incur a financial loss. The Company evaluates the collectability of amounts receivable and records an expected credit loss which reduces receivables to the amount management reasonably believes will be collected.

The maximum exposure to credit risk is represented by the carrying amount of cash and cash equivalents and accounts receivable in the statement of financial position. Cash balances are maintained with reputable banking institutions. All receivables are current as at September 30, 2020.

**Notes to the Condensed Consolidated Interim Financial Statements**  
**As at and for the Three and Nine Months Ended September 30, 2020**  
*Canadian Dollars****Foreign exchange risk***

Foreign exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Such movements could materially impact the reported results of the Company. Currency risk arises when future commercial transactions and recognized assets and liabilities of the Company or its foreign operations are denominated in a currency that is not the functional currency of the Company. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Canadian Dollar (CAD), Euro, Indonesian Rupiah (IDR) and United States Dollar (USD). The Company does not use currency derivative instruments to manage the Company's exposure to foreign currency fluctuations.

As at September 30, the following balances are denominated in foreign currencies:

		<b>September 30, 2020</b>	December 31, 2019
Cash and cash equivalents	IDR	<b>1,012</b>	609
Cash and cash equivalents	USD	<b>86,680</b>	50,297
Trade and other payables	IDR	<b>1,822,960</b>	1,767,104
Trade and other payables	USD	<b>13,714</b>	15,821
Trade and other payables	EUR	<b>75,789</b>	80,849
Long-term debt	IDR	<b>22,929</b>	21,245
Long-term debt	USD	<b>277,762</b>	254,747

***Liquidity risk***

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company ensures that it has sufficient capital to meet short-term financial obligations when they become due. The Company prepares cash flow forecasts to ensure it has sufficient funds to fulfill its obligations. At September 30, 2020, there existed negative working capital of \$2,367,890 (December 31, 2019 – \$1,952,428). The Company is looking to finance future exploration and remedy the negative working capital through equity raises. There is no assurance that this will be completed. Additional information regarding liquidity risk is disclosed in Note 1 – Nature of Business and Going Concern.

***Capital risk management***

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration for, appraisal of, and development and production of oil and gas resources in Indonesia and to maintain flexible capital structure for its projects for the benefit of its stakeholders. In the management of capital, the Company includes the components of shareholders' equity as well as cash and cash equivalents, accounts receivables and current liabilities.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, enter into joint venture arrangements, acquire or dispose of assets or adjust the amount of cash. Management reviews the capital structure on a regular basis to ensure that the above-noted objectives are met. The Company has no external covenants. There were no changes to the Company's approach to capital management during the period ended September 30, 2020. The Company is not subject to any external capital requirements.

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**SONORO ENERGY LTD.**

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**Notes to the Condensed Consolidated Interim Financial Statements**  
**As at and for the Three and Nine Months Ended September 30, 2020**  
*Canadian Dollars*

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**5. General and Administrative and Other Income**

General and administrative expenses are comprised of the following:

	For the three months ended		For the nine months ended	
	September 30, 2020	September 30, 2019(2g)	September 30, 2020	September 30, 2019(2g)
Employee salaries and benefits	59,822	12,995	200,614	136,121
Travel and accommodation	35	766	5,529	5,961
Professional, legal and advisory	44,701	57,012	135,124	122,817
Office and administration	14,246	26,728	52,756	83,582
Jakarta office and administration	60,200	36,448	255,038	209,493
<b>Total expenses</b>	<b>179,004</b>	<b>133,949</b>	<b>649,061</b>	<b>557,974</b>

Employee salaries and benefits are comprised of personnel in head office. Professional fees include legal, accounting, investor relations and board fees.

Other income is comprised of the following:

	For the three months ended		For the nine months ended	
	September 30, 2020	September 30, 2019(2g)	September 30, 2020	September 30, 2019(2g)
Rental revenue	5,465	15,464	17,315	48,682
<b>Other income</b>	<b>5,465</b>	<b>15,464</b>	<b>17,315</b>	<b>48,682</b>

**6. Accounts Receivable**

Accounts receivable consist of Goods and Services Tax ("GST") recoverable by the Company and its subsidiaries on expenditures made. All amounts are current and are expected to be recovered subsequent to quarter end.

**7. Property and Equipment**

A reconciliation of the changes in the carrying amount of property, plant and equipment is as follows:

<b>Cost</b>	
December 31, 2019	318,692
Government grant	(6,475)
<b>September 30, 2020</b>	<b>312,217</b>
<b>Accumulated depreciation, depletion, and amortization</b>	
December 31, 2019	260,367
Depletion, depreciation, and amortization	15,114
<b>September 30, 2020</b>	<b>275,481</b>
<b>Net book value</b>	
December 31, 2019	58,325
<b>September 30, 2020</b>	<b>36,736</b>

## SONORO ENERGY LTD.

### Notes to the Condensed Consolidated Interim Financial Statements As at and for the Three and Nine Months Ended September 30, 2020 Canadian Dollars

The company received rent relief under the Canada Emergency Commercial Rent Assistance (CECRA) program. Which was partially applied to the leased assets.

#### 8. Exploration and Evaluation

Exploration and evaluation costs relating to the Selat Panjang Production Sharing Contract ("PSC") are as follows:

<b>Cost</b>	
December 31, 2019	1,893,463
<b>September 30, 2020</b>	<b>1,893,463</b>

The PSC was signed on October 14, 2019 and has a 20-year term with an initial signature bonus of US\$5 million and a five-year work program commitment of US\$74 million. Sonoro holds a 25% interest in the PSC with an option to acquire an additional 24% after completion of project milestones.

#### 9. Accounts Payable and Accrued Liabilities

As at September 30, 2020, the Company has total accounts payable and accrued liabilities of \$2,355,313 (December 31, 2019 - \$2,124,462). Such costs relate mainly to the drilling activities in 2017 in West Sulawesi, accrued salaries owing and standard accounts payable.

#### 10. Lease Liabilities

The changes in lease liabilities are as follows:

	<b>For the nine months ended September 30, 2020</b>	For the year-ended December 31, 2019
Balance, beginning of period	<b>62,613</b>	-
Impact of change in accounting policy	-	40,221
Liabilities incurred	<b>2,779</b>	65,355
Liabilities settled	<b>(7,777)</b>	(42,963)
<b>Balance, end of period</b>	<b>57,615</b>	62,613
Current portion	<b>29,401</b>	13,644
Long-term portion	<b>28,214</b>	48,969
<b>Lease liabilities</b>	<b>57,615</b>	62,613

The Company co-signed (50% commitment) an office lease for a 36-month term commencing January 1, 2020. The majority of the Company's lease liabilities have been reduced by subleasing arrangements. The Company's share of gross annual rent (excluding operating costs) is payable as follows: \$8,876 in the fourth quarter of 2020 and \$26,628 in 2021 and \$26,628 in 2022.

#### 11. Long-Term Debt and Convertible Debenture

Sonoro Energy Ltd., through its wholly owned subsidiary, Zamatra Bakau Straits Ltd. BVI ("Zamatra") executed a Loan Agreement on October 19, 2019 with PT Menara Global Energi ("Menara"), a company incorporated in the Republic of Indonesia. Under the terms of the Loan Agreement, Zamatra may borrow up to US\$4 million from Menara at an interest rate of 8% for US dollar borrowings and 16% for IDR borrowings. Within the Loan Agreement, Zamatra via Sonoro Energy Ltd as the Borrower, issued a convertible debenture for CAD\$1,615,382, convertible into Sonoro Energy Ltd. Common shares at CAD\$0.085 per share. At the time of issuance (October 10, 2019), the convertible debenture represented approximately 19.9% ownership position in Sonoro. TSXV

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requirements do not allow for share issuance or potential share issuance if converted, representing above 20% ownership in a company without shareholder approval.

The changes in long-term debt are as follows:

	<b>September 30, 2020</b>	December 31, 2019
Balance, beginning of the period	<b>275,992</b>	-
Initial proceeds of long-term debt	-	275,122
Interest expense	<b>19,042</b>	5,016
Effects of unrealized foreign exchange gain on translation	<b>5,657</b>	(4,146)
<b>Balance, end of the period</b>	<b>300,691</b>	275,992

As at September 30, 2020, the Company had the following outstanding long-term debt:

	Interest rate	Maturity	<b>September 30, 2020</b>	December 31, 2019
USD denominated debt	8.0%	Oct-21	<b>277,762</b>	254,747
IDR denominated debt	16.0%	Oct-21	<b>22,929</b>	21,245
<b>Long-term debt</b>			<b>300,691</b>	275,992

	<b>September 30, 2020</b>	December 31, 2019
Current portion	-	-
Long-term portion	<b>300,691</b>	275,992
<b>Long-term debt</b>	<b>300,691</b>	275,992

The changes in convertible debenture are as follows:

	<b>September 30, 2020</b>	December 31, 2019
Balance, beginning of the period	<b>1,272,452</b>	-
Initial proceeds from debt	-	1,615,382
Debt issue costs paid in cash	-	(18,728)
Transfer of conversion component to equity	-	(357,409)
Amortization of deferred financing costs	<b>5,451</b>	1,817
Accretion on convertible debentures	<b>151,421</b>	31,390
<b>Balance, end of the period</b>	<b>1,429,324</b>	1,272,452

Convertible debenture bifurcated into equity and debt components:

	Maturity	<b>September 30, 2020</b>	December 31, 2019
Debt component	Oct-21	<b>1,429,324</b>	1,272,452
Equity component	Oct-21	<b>357,409</b>	357,409

**Canada Emergency Business Account (CEBA)**

During the second quarter of 2020, the Company received an interest free loan of \$40,000 through the Canada Emergency Business Account (CEBA). CEBA provides interest-free loans of up to \$40,000 to small businesses and not-for-profits, to help cover their operating costs during a period where their revenues have been temporarily

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reduced as a result of the Covid-19 pandemic. Repaying the balance of the loan on or before December 31, 2022 will result in loan forgiveness of 25 percent (up to \$10,000).

**12. 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**

As at September 30, 2020 Sonoro Energy has 109,229,230 Common Shares outstanding.

**(iii) Share-based compensation**

The Board of Directors may grant options to directors, officers, employees or consultants. Options granted must be exercised no later than five years from date of grant or such lesser period as determined by the Board of Directors. The exercise price of an option is not less than the closing price on the TSX-V on the last trading day preceding the grant date. The maximum aggregate number of shares that may be reserved for issuance under the Company's stock option plan is 10 percent of the number of common shares outstanding. Options vest one-third immediately, one-third after 12 months and one-third after 24 months.

Share based compensation expense is determined using the fair value method. The fair value of options granted is measured the date of the grant and is determined using the Black-Scholes option pricing model.

A summary of the Company's stock option transactions is presented below:

	September 30, 2020		December 31, 2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
<b>Options outstanding, beginning of period</b>	<b>7,967,500</b>	<b>0.134</b>	4,925,000	0.184
Granted	2,800,000	0.060	3,355,000	0.070
Forfeited	-	-	(312,500)	0.235
Exercised	(16,667)	0.055	-	-
<b>Options outstanding, end of period</b>	<b>10,750,833</b>	<b>0.115</b>	7,967,500	0.134

The share options outstanding and exercisable as at September 30, 2020:

Grant date	Number of Options outstanding	Exercise price	Expiry date	Number of Options exercisable
June 20, 2017	2,187,500	0.320	June 20, 2022	2,187,500
May 1, 2018	2,408,333	0.055	June 27, 2023	1,600,000
November 8, 2019	3,355,000	0.070	November 7, 2024	1,118,333
September 30, 2020	2,800,000	0.060	October 1, 2025	933,333
	<b>10,750,833</b>	<b>0.115</b>		<b>5,839,166</b>

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#### Share Purchase Warrants

On January 23, 2020, the Company amended the term of the ten cent warrants from the March 26, 2018 financing from March 26, 2020 to December 30, 2020.

On February 6, 2020, the Company's five-cent warrants with an expiration of March 20, 2021 triggered an acceleration clause whereby the warrants expire within 30 days of February 6, 2020. All 4,333,334 five-cent warrants were exercised resulting in gross proceeds of \$215,667.

The issuances of the share purchase warrants are summarized as follows:

	September 30, 2020		December 31, 2019	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
<b>Warrants, beginning of period</b>	<b>30,790,581</b>	<b>\$ 0.093</b>	44,175,614	\$ 0.134
Issued March 29, 2019	-	-	10,400,000	0.050
Exercised	<b>(4,583,334)</b>	<b>0.053</b>	(19,940,909)	0.056
Expired	-	-	(3,844,124)	0.050
<b>Warrants, end of period</b>	<b>26,207,247</b>	<b>0.100</b>	30,790,581	\$ 0.093

The share purchase warrants outstanding and exercisable as at September 30, 2020:

	Number of Share Purchase Warrants outstanding	Exercise price	Expiry date	Number of Share Purchase Warrants exercisable
March 26, 2018	26,207,247	\$0.100	December 30, 2020	26,207,247
	26,207,247	\$0.100		26,207,247

#### 13 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 the CEO, CFO, executive officers and senior managers.

During the nine months ended September 30, 2020 key management personnel compensation and director fees of \$344,774 were paid or accrued compared to \$341,195 in the same period of 2019.

As at September 30, 2020, salaries and fees amounting to \$760,267 (Dec. 31, 2019 - \$584,537) 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

#### 14 Contingencies and Commitments

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

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**15 Supplemental cash flow information**

Non-cash working capital components:

	<b>For the three months ended</b>		<b>For the nine months ended</b>	
	<b>September</b>	September	<b>September</b>	September
	<b>30,</b>	30,	<b>30,</b>	30,
	<b>2020</b>	2019(2g)	<b>2020</b>	2019(2g)
Net change in non-cash working capital related to operations:				
Accounts receivable	<b>1,686</b>	(1,368)	<b>4,757</b>	(315)
Prepaid expenses	<b>2,493</b>	1,875	<b>(6,126)</b>	(3,375)
Accounts payable and accrued liabilities	<b>42,299</b>	65,200	<b>339,184</b>	27,332
Other current liabilities	<b>106,932</b>	-	<b>106,932</b>	-
Effects of foreign currency	<b>118,409</b>	(803)	<b>52,256</b>	469
Total expenses	<b>271,819</b>	64,904	<b>497,003</b>	24,111

**16 Subsequent event**

Subsequent to quarter-end, on October 7, 2020, the company issued 5,147,921 shares on exercise of 7.5-cent warrants for gross proceeds of \$386,094 under the incentive warrant exercise program announced on September 7, 2020. The program was open for one month to holders of the 10 cent warrants previously issued by the Corporation and whereby warrant holders were offered the right to purchase shares at 7.5-cents for the 30-day incentive exercise period. All warrants not exercised will revert back to the original terms and conditions of the 10 cent warrants. In addition to the exercise of the incentive warrants, 5,147,921 new 7.5 cent warrants were issued to holders who exercised.