



SONORO ENERGY LTD.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021

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

<i>(Canadian dollars)</i>	notes	As at September 30, 2021	As at December 31, 2020
ASSETS			
Current			
Cash and cash equivalents		124,047	106,683
Accounts receivable	6	29,215	808
		153,262	107,491
Non-Current			
Prepays		26,257	40,203
Property and equipment	7	24,498	38,533
Exploration and evaluation	8,15	-	1,893,463
Total Assets		204,017	2,079,690
LIABILITIES			
Current			
Accounts payable and accrued liabilities	9	2,201,441	2,304,428
Current portion of lease liability	10	25,273	23,984
Current portion of long-term debt	11	326,481	294,632
Current portion of convertible debenture	11	1,609,428	1,450,205
		4,162,623	4,073,249
Non-Current			
Canada Emergency Business Account (CEBA)	11	30,444	25,863
Lease liability	10	2,942	25,718
Total Liabilities		4,196,009	4,124,830
SHAREHOLDERS' DEFICIENCY			
Share capital	12	74,258,710	74,030,253
Convertible debenture	11	357,409	357,409
Warrants	12	843,728	703,480
Contributed surplus		11,969,476	11,827,248
Accumulated other comprehensive income/(loss)		349,168	307,457
Accumulated deficit		(91,770,483)	(89,270,987)
Total Shareholders' Deficit		(3,991,992)	(2,045,140)
Total Liabilities and Shareholders' Deficit		204,017	2,079,690

Nature of Business and Going Concern (Note 1)

Subsequent Event (Note 15)

See accompanying notes to the Consolidated Financial Statements.

ON BEHALF OF THE BOARD OF DIRECTORS:

"signed"

 Richard Wadsworth, Director

"signed"

 Bill Marpe, Director

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

<i>(Canadian dollars)</i>	Notes	Three Months Ended September 30,		Nine months Ended September 30,	
		2021	2020	2021	2020
Expenses					
General and administrative	5	22,937	179,004	162,989	649,061
Interest expense	10,11	96,307	113,029	277,323	276,075
Depreciation of property, plant, and equipment	7	4,679	4,678	14,035	15,114
Share-based compensation	12	44,401	91,000	152,681	166,747
		168,324	387,711	607,028	1,106,997
Impairment	8,15	1,893,463	-	1,893,463	-
Foreign exchange income		15,184	(20,293)	14,000	3,639
Other income	5	(4,897)	(5,465)	(14,994)	(17,315)
Net loss for the period		(2,072,074)	(361,953)	(2,499,497)	(1,093,321)
Other Comprehensive Loss					
Exchange differences on translation of foreign operations		(77,744)	148,858	9,710	42,411
Total comprehensive loss		(2,149,818)	(213,095)	(2,489,787)	(1,050,910)
Per Share Information					
Net loss per share - basic and diluted		\$(0.017)	\$(0.003)	\$(0.021)	\$(0.010)
Weighted average number of common shares outstanding		121,527,151	109,229,230	117,611,400	108,197,296

See accompanying notes to the Consolidated Financial Statements.

**SONORO ENERGY LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT**

<i>(Canadian Dollars)</i>	Note	Common Shares Number	Common Shares Amount	Convertible Debentures	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income/(loss)	Accumulated Deficit	Deficit Total
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)
Warrants exercised	12	9,731,255	805,221	-	(177,461)	-	-	-	627,760
Options exercised	12	16,667	2,080	-	-	(1,163)	-	-	917
Share based compensation	12	-	-	-	-	208,656	-	-	208,656
Net loss		-	-	-	-	-	-	(1,344,196)	(1,344,196)
Currency translation adjustment		-	-	-	-	-	32,043	-	32,043
Balance at December 31, 2020		114,377,151	74,030,253	357,409	703,480	11,827,248	307,457	(89,270,987)	(2,045,140)
Private placement		7,000,000	209,752	-	140,248	-	-	-	350,000
Options exercised		150,000	18,705	-	-	(10,453)	-	-	8,252
Share based compensation		-	-	-	-	152,681	-	-	152,681
Net loss from continuing operations		-	-	-	-	-	-	(2,499,496)	(2,499,496)
Currency translation adjustment		-	-	-	-	-	41,711	-	41,711
Balance at September 30, 2021		121,527,151	74,258,710	357,409	843,728	11,969,476	349,168	(91,770,483)	(3,991,992)

See accompanying notes to the Consolidated Financial Statements.

**SONORO ENERGY LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS**

<i>(Canadian Dollars)</i>	Notes	Three Months Ended September 30,		Nine months Ended September 30,	
		2021	2020	2021	2020
Operating Activities					
Net loss from continuing operations		(2,072,074)	(361,953)	(2,499,497)	(1,093,321)
Items not affecting cash and cash equivalents:					
Share based compensation	12	44,401	91,000	152,681	166,747
Depreciation of property Plant and Equipment		4,679	4,678	14,035	15,114
Impairment	8,15	1,893,463	-	1,893,463	-
Interest expense		96,307	113,029	277,323	276,075
Government grants		1,628	-	4,581	-
Unrealized foreign exchange (gains) loss		15,183	(20,295)	13,486	3,832
		(16,413)	(173,541)	(143,928)	(631,553)
Net change in non-cash working capital related to operations	15	(11,312)	132,314	13,870	293,060
Cash flows used in continuing operating activities		(27,725)	(41,227)	(130,058)	(338,493)
Financing Activities					
Proceeds from the issuance of shares		-	-	163,738	-
Proceeds from warrant exercises	12	-	-	-	133,330
Proceeds from option exercises	12	-	-	8,250	917
Lease liabilities settled		(8,285)	(1,302)	(21,487)	1,476
Proceeds from issuance of long-term debt	11	-	6,429	-	19,042
Proceeds from Canada Emergency Business Account (CEBA)		-	-	-	40,000
Interest expense		(590)	(39,920)	(2,182)	(119,204)
Net change in non-cash working capital related to financing		-	139,505	-	203,943
Cash flows from financing activities		(8,875)	104,712	148,319	279,504
Increase/(decrease) in cash and cash equivalents		(36,600)	63,485	18,261	(58,989)
Cash and cash equivalents, beginning of period		160,647	58,074	106,683	180,243
Impact of foreign exchange on cash balances		-	1,520	(897)	1,825
Cash and cash equivalents, end of period		124,047	123,079	124,047	123,079

Non-cash flow information (Note 12)

See accompanying notes to the Consolidated Financial Statements.

SONORO ENERGY LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
For the three and nine months ended September 30, 2021

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 3rd 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. The impact of COVID-19 (note 2(f)) creates additional uncertainties, which include, but are not limited to, the volatility of and access to capital markets combined with fluctuating global demand and commodity pricing for energy products that may impact the Company's ability to execute on its business plans.

Details of deficit and working capital (current assets less current liabilities) of the Company are as follows:

	September 30, 2021	December 31, 2020
Deficit	(91,770,483)	(89,270,987)
Working Capital	(4,009,361)	(3,965,758)

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 and will depend on the continued support of various creditors and lenders. 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, 2020 and 2019 and the notes thereto (the “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 19, 2021.

b) Subsidiaries

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
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 can 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 (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 Consolidated 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.

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 2021.

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.

i. Impairment of non-financial assets

Exploration and evaluation ("E&E") assets are assessed for impairment when they are reclassified to property, plant and equipment ("PP&E"), and also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market

assessments of the time value of money and the risks specific to the asset. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proven and probable reserves.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the consolidated statements of comprehensive loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis. Where an impairment loss subsequently reverses for assets with a finite useful life, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in consolidated statement of loss and comprehensive loss.

ii. Taxation

The Company's subsidiaries are subject to taxation under the applicable tax laws in force in various jurisdictions. Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made. Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable earnings will be available against which the losses can be utilized. Significant estimates are required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable earnings together with future tax planning strategies.

iii. Share-based Compensation

The Company measures the cost of share-based compensation transactions with employees by reference to the fair value of the equity instruments. Estimating fair value for share-based compensation transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, forfeiture rate, volatility and dividend yield of the share option. The Company measures the cost of share-based compensation transactions with consultants by reference to the fair value of the services to be performed.

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.

h) Critical judgements in applying the Company's accounting policies

i. Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgement. The board of directors monitors future cash requirements to assess the Company's ability to meet these future funding requirements. Further information regarding going concern is outlined in Note 1.

ii. Joint arrangements

The classification of joint arrangements structured through separate vehicles as either joint ventures or joint operations requires significant judgment and depends on the legal form and contractual terms of the arrangement as well as other facts and circumstances. These include whether there is exclusive dependence on the parties to the joint arrangement for cash flows through the sale of product and funding of operations, and to assess the rights of the economic benefits of the assets and obligation for funding the liabilities of the arrangements.

A joint arrangement whereby the parties take their share of substantially all of the output of the joint arrangement would be an indicator for classification as a joint operation, regardless of structure of the

arrangement, and accounted for by recognizing the Company's share of assets and liabilities jointly owned and incurred, and the recognition of its share of revenue and expenses of the joint operation.

iii. CGU determination

The recoverability of development and production asset carrying values are assessed at the CGU level. Determination of what constitutes a CGU is subject to management judgment of the lowest level at which there are identifiable cash inflows that are largely independent of the cash inflows of other groups of assets or properties. The factors used by the Company to determine CGUs may vary by country due to unique operating and geographic circumstances in each country. However, in general, the Company assesses each production sharing contract as a CGU.

iv. Asset retirement obligations

The provision for site restoration and abandonment is based on current legal and constructive requirements, technology, price levels and expected plans for remediation. Actual costs and cash outflows can differ from estimates because of changes in laws and regulations, public expectations, market conditions, discovery and analysis of site conditions and changes in technology.

v. Functional currency

The Company conducts a portion of its operations through foreign subsidiaries, which record transactions in their respective functional currency. The determination of the functional currencies of the Company and its subsidiaries is based on management's judgement which is centered on determining the primary economic environment in which an entity operates. IAS 21, The Effects of Changes in Foreign Exchange Rates, sets out a number of factors that are used in the determination of functional currencies. Where the indicators are mixed and the functional currency is not obvious, management used judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions of its operating entities.

vi. Fair value of financial instruments

The fair value of financial instruments is determined wherever possible based on observable market data. If not available, the Company uses third-party models, independent price publications, market exchanges, investment dealer quotes and valuation methodologies that utilize observable data. Actual values may significantly differ from these estimates.

3. Significant Accounting Policies

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.

4. Financial Instruments and Risk Management

Set out below is a comparison, by category, of the carrying amounts and fair values of all of the Company financial instruments that are carried in the consolidated financial statements and how the fair value of financial instruments is measured.

Other financial liabilities

Other financial liabilities are initially measured at fair value and are subsequently measured at amortized cost using the effective interest rate method, with interest expense recognized on an effective yield basis. Liabilities in this category include accounts payables, accrued liabilities and long-term debt.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Fair values

The fair values of cash and cash equivalents and accounts receivables and accounts payable and accrued liabilities approximate their carrying values due to the relatively short periods to maturity of these instruments.

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in level 1. Prices in level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. The Company doesn't have financial instruments included categorized as Level 2.

Level 3 – Valuations in this level are those with inputs for the assets or liabilities that are not based on observable market data. The Company doesn't have financial instruments included categorized as Level 3.

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

The valuation methods used to determine the fair value of each financial instrument and its associated level in the fair value hierarchy is described below:

Financial Instrument	Fair Value Method
Cash, cash equivalents, accounts receivable, accounts payable and accrued liabilities	Measured initially at fair value, then at amortized cost after initial recognition. Fair value approximates carrying value due to their short-term nature.
Long-term debt, Canada Emergency Business Account, and convertible debenture	Measured initially at fair value, then at amortized cost after initial recognition using the effective interest method.
	Fair value is determined using discounted cash flows at the current market interest rate. (Level 2)

a) Financial instruments

The carrying value and fair value of the Company's financial instruments as at September 30, 2021 are as follows:

	Carrying Value	Fair Value
Cash and cash equivalents	124,047	124,047
Account payables and accrued liabilities	2,201,441	2,201,441
Long-term Loan	326,481	326,481
Convertible debenture	1,609,428	1,609,428

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

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

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:

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.

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:

		September 30, 2021	December 31, 2020
Cash and cash equivalents	IDR	1,449	3,556
Cash and cash equivalents	USD	70,526	54,165
Trade and other payables	IDR	1,717,646	1,822,358
Trade and other payables	USD	13,800	13,537
Trade and other payables	EUR	75,459	75,541
Long-term debt	IDR	28,459	24,121
Long-term debt	USD	298,022	270,512

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, 2021, there existed negative working capital of \$4,009,361 (2020 – \$3,965,758). 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, 2021. The Company is not subject to any external capital requirements.

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, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Employee salaries and benefits	-	59,822	29,078	200,614
Contractors and consultants	-	-	12,500	-
Travel and accommodation	828	35	1,588	5,529
Professional, legal and advisory	2,710	44,701	46,477	135,124
Office and administration	287	14,246	22,525	52,756
Jakarta office and administration	19,112	60,200	50,821	255,038
Total expenses	22,937	179,004	162,989	649,061

Employee salaries and benefits are comprised of personnel in Calgary and Jakarta offices. Professional fees include legal, accounting, investor relations and board fees.

Other income/expense is comprised of the following:

Note	For the three months ended		For the nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Rental revenue	6,525	5,465	19,575	17,315
CEBA loan	(1,628)	-	(4,581)	-
Other income	4,897	5,465	14,994	17,315

6. Accounts Receivable

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

7. Property and Equipment

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

Cost	
December 31, 2020	318,692
September 30, 2021	318,692
Accumulated depreciation, depletion, and amortization	
December 31, 2020	280,159
Depletion, depreciation and amortization	14,035
September 30, 2021	294,194
Net book value	
December 31, 2020	38,533
September 30, 2021	24,498

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:

Cost	Note	
December 31, 2020		1,893,463
Impairment	15	(1,893,463)
September 30, 2021		-

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.

Subsequent to quarter end, PT Sumatra Global Energi (“SGE”), Sonoro’s joint venture partner of the Selat Panjang Production Sharing Contract (“PSC”) has advised Sonoro, via Asiavest Trust, Sonoro’s Trustee representative company in Singapore, that Sonoro is in default of the Convertible Debenture and Loan and that SGE requests release of Sonoro’s 25% interest in the PSC to SGE (see note 15). As a result of the loss of support from the Company’s joint venture partner and uncertainty surrounding the Company’s ability to progress with the requirements of the PSC, the Company has decided to impair the exploration and evaluation assets relating to the PSC. The project partners are currently in discussions to attempt to resolve this issue.

9. Accounts Payable and Accrued Liabilities

As at September 30, 2020, the Company has total accounts payable and accrued liabilities of \$2,201,441 (2020 - \$2,304,428). 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:

	For the period ended September 30, 2021	For the year-ended December 31, 2020
Balance, beginning of period	49,702	62,613
Liabilities settled	(21,487)	(12,911)
Balance, end of period	28,215	49,702
Current portion	25,273	23,984
Long-term portion	2,942	25,718
Lease liabilities	28,215	49,702

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: \$2,959 in the balance of 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 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:

	September 30, 2021	December 31, 2020
Balance, beginning of the period	294,632	275,992
Interest expense	19,260	25,498
Effects of unrealized foreign exchange gain on translation	12,589	(6,858)
Balance, end of the period	326,481	294,632

As at December 31, 2020, the Company had the following outstanding long-term debt:

	Interest rate	Maturity	September 30, 2021	December 31, 2020
USD denominated debt	8.0%	Oct-21	298,022	270,512
IDR denominated debt	16.0%	Oct-21	28,459	24,121
Long-term debt			326,481	294,632

	September 30, 2021	December 31, 2020
Current portion	326,481	294,632
Long-term portion	-	-
Long-term debt	326,481	294,632

The changes in convertible debenture are as follows:

	September 30, 2021	December 31, 2020
Balance, beginning of the period	1,450,205	1,272,452
Amortization of deferred financing costs	5,451	7,268
Accretion on convertible debentures	153,772	170,485
Balance, end of the period	1,609,428	1,450,205

Convertible debenture bifurcated into equity and debt components:

	Maturity	September 30, 2021	December 31, 2020
Debt component	Oct-21	1,609,428	1,450,205
Equity component	Oct-21	357,409	357,409

Canada Emergency Business Account (CEBA)

During 2020, the Company received an interest free loan of \$60,000 through the Canada Emergency Business Account (CEBA). Effective January 1, 2023, any outstanding balance on the term loan shall bear interest at a rate of 5% per annum. The term loan matures on December 31, 2025. Repaying the balance of the loan on or before December 31, 2022 will result in loan forgiveness of \$20,000, this was reported in other income on receipt of the loan.

Pursuant to IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, the benefit of a government loan at below-market rate is treated as a government grant and measured in accordance with IFRS 9 *Financial Instruments*: the benefit of below-market rate shall be measured as the difference between the initial carrying value of the loan (being the present value of a similar loan at market rates) and the proceeds received. The Company has estimated the initial carrying value of the CEBA Loan at \$23,085, using a discount rate of 22%, which was the estimated rate for a similar loan without the interest-free component. The difference of \$16,915 will be accreted to the loan liability over the term of the CEBA Loan and offset to other income on the statements of loss and comprehensive loss.

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

A summary of the Company's common share transactions is presented below:

Common share activity	2021	2020
Balance, beginning of period	114,377,151	104,629,229
Private Placement (net of issuance costs)	7,000,000	-
Warrants exercised	-	9,731,255
Options exercised	150,000	16,667
Balance, end of period	121,527,151	114,377,151

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 cash proceeds of \$108,333 and settlement of debt of \$108,333. In addition, 250,000 ten-cent warrants were exercised resulting in cash proceeds of \$25,000.

On October 7, 2020, the company issued 5,147,921 shares on exercise of 7.5-cent warrants for cash proceeds of \$134,800 and settlement of debt of \$251,294 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 reverted 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.

On November 20, 2020, the exercise period of all the warrants has been extended to December 31, 2021. The warrants, as amended, include an accelerated expiry provision such that the exercise period of each of the warrants will be reduced to 30 days if for any 10 consecutive trading days during the unexpired term of such warrants, the closing price of the Corporation's common shares exceeds a trading price of \$0.15 per common share or higher, for the 7.5 cent warrants and \$0.20 per common share or higher, for the 10-cent warrants, with the 30-day expiry period commencing on the day the Issuer either (i) disseminates a press release or (ii) sends a written notice to the holders of the Warrants, advising of the commencement of the Exercise Period.

On May 31, 2021 the Company closed its non-brokered private placement for total gross proceeds of \$350,000. The Company issued 7,000,000 units at a price of \$0.05 per unit, where each unit consisted of one common share of the company and one common share purchase warrant of the company, where each warrant entitles the holder to purchase one common share within two years of the closing date at a price of \$0.10 per common share.

As at September 30, 2021 Sonoro Energy has 121,527,151 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, 2021		December 31, 2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of period	10,750,833	0.115	7,967,500	0.134
Granted	2,150,000	0.050	2,800,000	0.060
Cancelled and forfeited	(2,372,500)	0.320	-	-
Exercised	(150,000)	0.055	(16,667)	0.055
Options outstanding, end of period	10,378,333	0.060	10,750,833	0.115

The share options outstanding and exercisable as at September 30, 2021:

Grant date	Number of Options outstanding	Exercise price	Expiry date	Number of Options exercisable
May 1, 2018	2,258,333	0.055	June 27, 2023	2,258,333
November 8, 2019	3,170,000	0.070	November 7, 2024	2,113,333
September 30, 2020	2,800,000	0.060	October 1, 2025	933,333
March 25, 2021	2,150,000	0.050	March 25, 2026	716,667
	10,378,333	0.076		6,021,666

The weighted average life of options outstanding is 3.3 years (2020 - 3.3 years).

The fair value of options was estimated using the Black-Scholes option pricing model based on the date of grant and using the following assumptions:

	March 25, 2021	September 30, 2020	November 8, 2019
Risk-free interest rate	0.68%	0.31%	1.6%
Expected stock price volatility	207%	238%	271%
Expected life	5 year	5 years	5 years
Expected dividend yield	-	-	-
Share price on grant date	0.060	0.065	0.095
Fair Value Option Price	0.059	0.065	0.095
Forfeiture rate	24%	4%	18%

During the nine months ended September 30, 2021, the Company recorded \$152,681 (2020 - \$75,747) in share-based compensation expense for the options granted and vested during the period.

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, 2021.

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 cash proceeds of \$108,333 and settlement of debt of \$108,333. In addition, 250,000 ten-cent warrants were exercised resulting in cash proceeds of \$25,000.

On September 7, 2020, the Company announced the incentive warrant exercise program. The program was open for one month to holders of the 10 cent warrants 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 reverted 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. Under this incentive program 5,147,921 warrants were exercised for cash proceeds of \$134,800 and settlement of debt of \$251,294.

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

	September 30, 2021		December 31, 2020	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants, beginning of period	26,207,247	\$0.095	30,790,581	\$0.093
Issued March 29, 2019	-	-	-	-
Issued October 7, 2020	-	-	5,147,921	\$0.075
Issued May 31, 2021	7,000,000	\$0.100	-	-
Exercised	-	-	(9,731,255)	\$0.065
Expired	-	-	-	-
Warrants, end of period	33,207,247	\$0.096	26,207,247	\$0.095

The share purchase warrants outstanding and exercisable as at September 30, 2021:

	Number of Share Purchase Warrants outstanding	Exercise price	Expiry date	Number of Share Purchase Warrants exercisable
March 26, 2018	21,059,326	\$0.100	December 31, 2021	21,059,326
October 7, 2020	5,147,921	\$0.075	December 31, 2021	5,147,921
May 31, 2021	7,000,000	\$0.100	May 31, 2023	7,000,000
	33,207,247	\$0.096		33,207,247

The fair value of warrants was estimated using the Black-Scholes pricing model based on the date of grant and using the following assumptions:

	May 31, 2021	October 7, 2020	March 29 2019
Risk-free interest rate	0.31%	0.23%	1.6%
Expected stock price volatility	166%	114%	178%
Share price on grant date	0.050	0.060	0.025
Term	2 years	0.23 years	2 years

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, 2021 key management personnel compensation and director fees of \$45,000 (2020- \$344,774) were paid or accrued. The Company incurred \$92,497 for nine months ended (2020 – \$112,772) in share-based compensation to directors and/or officers.

As at September 30, 2021, salaries and fees amounting to \$524,771 (2020 - \$641,172) 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. Supplemental cash flow information

Non-cash working capital components:

	For the three months ended		For the nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Net change in non-cash working capital related to operations:				
Accounts receivable	1,140	1,686	(28,408)	4,757
Prepaid expenses	(1,539)	2,493	13,946	(6,126)
Accounts payable and accrued liabilities	99,407	42,299	83,278	339,184
Accrued interest payable	(32,573)	-	(96,657)	-
Effects of foreign currency	(77,747)	118,409	41,711	52,256
Total expenses	(11,312)	271,819	13,870	497,003

15. Subsequent Event

Subsequent to quarter end, PT Sumatra Global Energi ("SGE"), Sonoro's joint venture partner of the Selat Panjang Production Sharing Contract ("PSC") has advised Sonoro, via Asiavest Trust, Sonoro's Trustee representative company in Singapore, that Sonoro is in default of the Convertible Debenture and Loan for approximately \$1.6 million and \$300,000 respectively and that SGE requests release of Sonoro's 25% interest in the PSC to SGE.

SGE has provided no advance notice, as required under the Loan Agreement nor communication on its intention for the Convertible Debenture and Loan. SGE's notice to Asiavest Trust regarding the notice is the first time SGE has initiated contact (indirect) with Sonoro since mid-2020. Sonoro will object to this action by SGE as SGE has not fulfilled its requirements under the Loan Agreement to enter into a mutually agreed Joint Operating Agreement ("JOA"), it has obstructed all efforts to complete the JOA and SGE has not responded to the Company's repeated requests to come to a mutually acceptable resolution of the issues preventing the ventures' ability to move forward with its operations under the PSC.

SKKMIGAS, the Indonesian oil and gas regulator, is aware of the situation with SGE and has formally advised SGE of their obligations to fulfill the PSC terms and to provide quarterly reports of their activities on the project. SKKMIGAS is aware of Sonoro's frustration with the lack of engagement from SGE and Sonoro's commitment to fulfilling the terms of the PSC.

The project partners are currently in discussions to attempt to resolve this issue.