# SONORO ENERGY LTD.

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## For the three months ended March 31, 2017 and 2016

## (unaudited)

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

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

# SONORO ENERGY LTD.

**Condensed Consolidated Interim Financial Statements**
**As at and for the three months ended March 31, 2017 and 2016**

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

*For the three months ended March 31, 2017 and 2016*

*Canadian Dollars*

Unaudited

| | Note | | Three Months Ended March 31, 2017 | | 2016 |
|---|---|---|---|---|---|
| **Expenses** | | | | | |
| General and administrative | 4 | **$** | **(129,026)** | $ | (212,389) |
| Depreciation of property, plant and equipment | | | **-** | | (1,833) |
| **Operating loss** | | | **(129,026)** | | (214,222) |
| Net finance income (loss) | | | **-** | | 2,672 |
| **Net loss for the period** | | **$** | **(129,026)** | | (211,550) |
| **Other Comprehensive Loss** | | | | | |
| Exchange differences on translation of foreign operations | | | **202** | | |
| **Total comprehensive loss for the period** | | **$** | **(128,824)** | | (211,550) |
| **Net Loss Attributable to:** | | | | | |
| Shareholders of Sonoro Energy Ltd. | | | **(128,824)** | | (211,550) |
| | | **$** | **(128,824)** | | (211,550) |
| **Total Comprehensive Loss Attributable to:** | | | | | |
| Shareholders of Sonoro Energy Ltd. | | | **(128,824)** | | (211,550) |
| | | **$** | **(128,824)** | $ | (211,550) |
| **Per Share Information** | | | | | |
| Net loss per share – basic and diluted | | **$** | **(0.00)** | **$** | **(0.00)** |
| Weighted average number of common shares outstanding (basic and diluted) | 7 | | **57,314,466** | | 56,413,243 |

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

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

*Canadian Dollars*
Unaudited

| | Note | March 31, 2017 | December 31, 2016 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current** | | | |
| Cash and cash equivalents | | **$ 14,193** | $ 105,092 |
| Accounts receivable | | **16,433** | 6,118 |
| Prepayments and other | | **-** | 13,112 |
| | | **30,626** | 124,322 |
| **Property, plant and equipment** | 5 | **-** | 16,038 |
| **Exploration and evaluation assets** | 6 | **2,498,000** | 2,498,000 |
| | | **$ 2,528,626** | $ 2,638,360 |
| **LIABILITIES** | | | |
| **Current** | | | |
| Accounts payable and accrued liabilities | | **$ 618,161** | $ 599,071 |
| | | **618,161** | 599,071 |
| **SHAREHOLDERS' EQUITY** | | | |
| **Share capital** | 7 | **67,708,529** | 67,708,529 |
| **Contributed surplus** | | **10,791,458** | 10,791,458 |
| **Accumulated other comprehensive income/(loss)** | | **-** | - |
| **Accumulated deficit** | | **(76,589,522)** | (76,460,698) |
| | | **1,910,465** | 2,039,289 |
| | | **2,528,626** | $ 2,638,360 |

**Nature of Business and Going Concern** *(Note 2)*
**Contingencies and Commitments** *(Note 9)*
**Subsequent Event** *(Note 11)*

ON BEHALF OF THE BOARD:

*Richard Wadsworth* , Director

*David Robinson* , Director

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

*Canadian Dollars*
*Unaudited*

| | Note | Common Shares Number | | Common Shares Amount | | Contributed Surplus | | Accumulated Other Comprehensive Income/(loss) Foreign Currency Translation | | Accumulated Deficit | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at December 31, 2015** | | **56,413,243** | **$** | **63,749,872** | **$** | **10,791,458** | **$** | **228,818** | **$** | **(75,227,640)** | **$** | **(457,492)** |
| Private Placement | | **241,731,400** | | **1,208,657** | | **-** | | **-** | | **-** | | **1,208,657** |
| Acquisition of Stockbridge | | **250,000,000** | | **2,500,000** | | **-** | | **-** | | **-** | | **2,500,000** |
| Acquisition of option | | **25,000,000** | | **250,000** | | **-** | | **-** | | **-** | | **250,000** |
| Effect of share consolidation | | **(515,830,177)** | | **-** | | **-** | | **-** | | **-** | | **-** |
| Foreign exchange gain on disposition | | **-** | | **-** | | **-** | | **(228,818)** | | **-** | | **(228,818)** |
| **Loss and comprehensive loss for the year** | | - | | - | | **-** | | **-** | | **(1,233,058)** | | **(1,233,058)** |
| **Balance at December 31, 2016** | | **57,314,466** | **$** | **67,708,529** | **$** | **10,791,458** | **$** | **-** | **$** | **(76,460,698)** | **$** | **2,039,289** |
| **Loss and comprehensive loss for the period** | | - | | - | | **-** | | **-** | | **(128,824)** | | **(128,824)** |
| **Balance at March 31, 2017** | | **57,314,466** | **$** | **67,708,529** | **$** | **10,791,458** | **$** | **-** | **$** | **(76,589,522)** | **$** | **1,910,465** |

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

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

*For the three months ended March 31, 2017 and 2016*

*Canadian Dollars*
Unaudited

| | | **2017** | 2016 |
|---|---|---|---|
| **Operating Activities** | | | |
| Net loss for the period | | **$ (129,026)** | $ (211,549) |
| Items not affecting cash and cash equivalents: | | | |
| Foreign exchange | | **202** | (2,672) |
| | | **(112,786)** | (212,388) |
| Net change in non-cash working capital related to operations | 10 | **21,887** | 204,211 |
| **Cash flows used in operating activities** | | **(90,899)** | (8,177) |
| **Investing Activities** | | | |
| Cash acquired on acquisition | | - | - |
| **Cash flows from investing activities** | | **-** | - |
| **Financing Activities** | | | |
| Proceeds from the issuance of shares | | **-** | - |
| **Cash flows from financing activities** | | **-** | - |
| **Increase/(decrease) in cash and cash equivalents** | | **(90,899)** | (8,177) |
| Cash and cash equivalents, beginning of year | | **105,092** | 11,171 |
| Impact of foreign exchange on cash balances | | | |
| **Cash and cash equivalents, end of period** | | **$ 14,193** | $ 2,994 |
| **Cash Flow Supplementary Information** | | | |
| Interest received | | **-** | **-** |

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

## 1. Corporate Information

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

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

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

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

## 2. Basis of preparation

### a) Statement of compliance

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

These unaudited consolidated interim financial statements were authorized for issuance by the Board of Directors on May 29, 2017.

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

The accounting policies applied in these consolidated financial statements are based on and are in compliance with International Financial Reporting Standards (IFRS) effective for the three months ended March 31, 2017.

**b) Going concern assumption**

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

Oil and gas operations are subject to extensive controls and regulations imposed by various levels of government that may be amended from time to time. The Company expects to incur expenditures in the future to explore, appraise and develop its oil and gas assets, subject to government approvals. The Company’s Budong Budong Production Sharing Contract (“PSC”) in Indonesia has an amended term expiration of January 15, 2018 however, the Company is required to drill one exploratory well prior to August 31, 2017 and failure to do so may terminate the PSC. The Company’s ability to continue as a going concern is dependent on obtaining additional financing necessary to explore, appraise and develop its oil and gas resource assets and generate profitable operations from the discovery of oil and gas resources in the future without significant adverse developments from potential country or regulatory risks.

For the three months ended March 31, 2017, the Company had no revenues, negative working capital of $587,535 (December 31, 2016: ($474,749)), negative cash flows from operations of $90,899 (2016 - $1,084,726), a loss from operations of $128,824 (2016 - $1,233,058) and an accumulated deficit of $76,589,522 (December 31, 2016 - $76,460,698).

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

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

**c) Changes in Accounting Policies**

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

## 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 three months ended March 31, 2017. A description of risks can be found in the notes to the audited annual consolidated financial statements for the year ended December 31, 2016.

## 4. General & administrative

General and administrative expenses for the three months ended March 31, 2017 and 2016 are comprised of the following:

| | For the three month period ended | |
|---|---|---|
| | March 31, 2017 | March 31, 2016 |
| Employee salaries and benefits | 12,912 | 75,096 |
| Share based compensation | - | - |
| Contractors and consultants | - | 12,500 |
| Travel | - | 8,690 |
| Professional legal & advisory | - | 70,502 |
| Office administration | 69,567 | 45,600 |
| Other | (680) | - |
| Jakarta office & administration | 47,227 | - |
| Total expenses | 129,026 | 212,388 |

## 5. Property, plant and equipment

The carrying value of office assets on March 31, 2016 was $28,522 and for the year-ended December 31, 2016 was $16,038. The Company has assessed the value of this equipment for the three month period ended March 31, 2017 and determined that it will write down the value to zero due to the realizable or market value of such assets.

## 6. Exploration and evaluation assets

***Indonesia***

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

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

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

***Iraq***

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

## 7. Share capital

### (i) Authorized

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

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

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

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

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

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

There were no transactions for the three months ended March 31, 2017 or year ended December 31, 2016 (see Subsequent Event footnote).

As at March 31, 2017 there are no stock options outstanding.

## 8. Related party transactions

As at March 31, 2017, salaries and fees amounting to $225,600 (December 31, 2016 - $225,600) 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.

## 9. Contingencies and commitments

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

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

b. Under the Company's Budong-Budong PSC, the Company has completed all of the firm commitments. The Budong-Budong PSC has been extended to January 15, 2018 with a requirement to drill one well prior to August 31, 2017. If the well is not drilled by this date the PSC may be terminated.

c. The Company has executed an office lease in Jakarta for a term ended March 1, 2018. Monthly rent is approximately $3,000.

## 10. Supplemental cash flow information

Non-cash working capital components:

| | For the three months ended March 31, | |
|---|---|---|
| | **2017** | 2016 |
| | **$** | $ |
| Net change in non-cash working capital related to operations: | | |
| Accounts receivable | **(10,315)** | (8,238) |
| Prepaid expenses | **13,112** | 9,880 |
| Accounts payable and accrued liabilities | **19,090** | 199,898 |
| | **21,887** | 201,539 |
| Net change in non-cash working capital related to investing: | | |
| Accounts receivable | **-** | - |
| Prepaid expenses | **-** | 44,862 |
| Accounts payable and accrued liabilities | **-** | (69,874) |
| | **-** | (25,012) |

## 11. Subsequent Event

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

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

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

The Company paid finders' fees in connection with the closing of both the first and second tranches in the aggregate amount of $131,339 plus 4,284,945 Warrants, where each Warrant entitles the holder to purchase one Common Share by April 27, 2019 for the first tranche and by May 20, 2019 for the second tranche at $0.05 per Common Share.