



SONORO ENERGY LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2024

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Form 51-102F1

May 29, 2024

This Management's Discussion and Analysis ("MD&A") of operations for the period ending March 31, 2024 unaudited consolidated financial statements presented herein are provided to enable readers to assess the results of operations, liquidity and capital resources of Sonoro Energy Ltd. ("Sonoro" or the "Company") and is based on information available to May 29, 2024 and was approved by the Board of Directors. This MD&A should be read in conjunction with the Company's audited year end December 31, 2023 and 2022 consolidated financial statements and the unaudited interim condensed consolidated financial statements dated March 31, 2024. The consolidated audited financial statements of the Company have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board. Additional information and continuous disclosure materials relating to the Company can be found on SEDAR+ at www.sedarplus.ca. Information is also available on the Company's website at www.sonoroenergy.com. Unless otherwise stated, all dollar amounts are expressed in Canadian dollars, which is the Company's presentation currency.

Sonoro is an oil and gas resource, exploration, and development company.

FORWARD-LOOKING STATEMENTS

Certain statements made herein, other than statements of historical fact relating to Sonoro, are forward-looking statements. These include, but are not limited to, statements respecting anticipated business activities, the receipt of government approvals, permits and leases, planned expenditures, including those relating to the exploration, development and production of its petroleum assets, corporate strategies, participation in projects and financing operations, the outcome of development activities in the exploration for, appraisal of and development and operations relating to oil and gas in Indonesia, technical risks and resource potential of the Company's drilling prospects.

When used in this MD&A, the words such as "could", "will", "anticipate", "believe", "seek", "propose", "plan", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions, as they relate to the Company or an affiliate of the Company, are intended to identify forward-looking statements. Although the Company believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements. Forward-looking statements are based on the opinions and estimates of management as at the date of this MD&A, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements described in this MD&A. Important factors that could cause actual results to differ from these forward-looking statements include those described under the heading "Risk Factors" elsewhere in this MD&A. The reader is cautioned not to place undue reliance on forward-looking statements. The Company assumes no obligation to update forward looking statements except to the extent required by applicable securities laws.

All such forward-looking information is based on certain assumptions and analysis made by management in light of experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the circumstances. The risks, uncertainties, and assumptions are difficult to predict and may affect operations, including, without limitation: the risks associated with foreign operations; foreign exchange fluctuations; commodity prices; equipment and labour shortages and inflationary costs; general economic conditions; industry conditions; changes in applicable environmental, taxation and other laws and regulations as well as how such laws and regulations are interpreted and enforced; the ability of oil and natural gas companies to raise capital; the existence of operating risks; volatility of oil and natural gas prices; oil and natural gas product supply and demand; risks inherent in the ability to generate sufficient cash flow from operations to meet current and future obligations; the effectiveness of the technology to be employed by the Company, the Company's ability to spud each well in accordance with the Farmin Agreement increased competition; stock market volatility; opportunities available to or pursued by us and other factors, many of which are beyond the Company's control.

The forward-looking information contained herein is expressly qualified by this cautionary statement.

OPERATIONS

During the fourth quarter of 2023, Sonoro drilled two wells in Saskatchewan as per the terms and conditions of the farm-in agreement with its project partner. The first well was a vertical well and the second well was a Waseca formation multi-lateral horizontal well with 4 horizontal legs for a total lateral length of approximately 1,600 meters. The well reached its targeted Waseca formation during the drilling of four lateral sections, each lateral encountered clean sands with strong oil shows at surface.

The well commenced production in the first quarter of 2024 and in March the Company trucked the first oil shipment to the Altex transportation hub which was sold at prevailing prices relative to the heavy oil grade which trades at a discount to Western Canadian Select. The Company continues to produce from the well, with the well continuously on production with minimal downtime during April and May due to the installation of a continuous recycle to handle the sand production and preventing the well from sanding in. Oil sales were made in April and May.

Sonoro is optimizing the well recycle to increase production gradually and will continue analyzing the well results, along with assessing other key data points for designing, selecting and executing on the next drilling location in Saskatchewan. The Company believes that with the next well servicing job and installation of a more efficient pump it will be able to eliminate the recycle which should allow the well productivity to increase. The well continues to exhibit cold heavy oil production with sand 'CHOPS' heavy oil production typical in the area. Daily production volumes have been increasing as the recycle is decreased and Sonoro will further optimize the production profile once a new pump is installed and the recycle is eliminated and the well stabilizes. CHOPS production in the area can be characterized as follows.

CHOPS involves the deliberate initiation of sand influx during the completion procedure, maintenance of sand influx during the productive life of the well, and implementation of methods to separate the sand from the oil for disposal. A liner with numerous small open holes (or slots) was used to maintain hole stability while still encouraging sand worm holing. The sand is produced along with oil, water, and gas and separated from the oil before sales.

CHOPS wells display "typical" characteristics which include the following :

- When a new well is completed, initial sand influx is typically high: 5 to 40% of the volume of the (gas-free) produced liquids and solids ("initiation of wormholes").
- Over a period of a few days to several months, the sand rate gradually decays toward a steady-state influx rate (0.5 to 10%), depending on oil viscosity ("wormholes have been established").
- The oil production rate increases to a maximum several months or more after placing the well on production and then slowly declines as reservoir-depletion effects begin to dominate.
- All CHOPS production is accompanied by substantial gas production resulting in foamy oil, and gas/oil ratio values tend to remain relatively consistent over many years.
- Short-term sand influx rates and oil production rates can fluctuate about the mean value.

The Company intends to deploy technologically advanced techniques and tools that can also be used in respect of the existing Farm-in Agreement lands and on prospects that the Company continues to pursue in North Africa and the Middle East. The MENA region is an area where the company has strong experience and relationships and is an area with prolific opportunities requiring new technology and investment to unlock the potential resources.

Our strategy will be to focus on building a diversified portfolio of oil and gas resources through the evaluation, acquisition and development of proven oil and gas resources and gaining an entry position in an oil and gas contract within the MENA region while continuing to develop production in the WCSB.

The Company is reviewing a number of opportunities in MENA and is in advanced negotiations to complete an entry position on one of these. Having established the successful application of a new multi-lateral lined horizontal well along with production has enabled the Company to credibly pursue these international opportunities. The Company cannot provide any assurances that it will be able to close any of the opportunities described above.

HIGHLIGHTS and OUTLOOK

- In March 2024, Sonoro commenced first oil sales from its Saskatchewan well. 858 barrels were sold at a price of \$74.09. Production was not significant as the oil well continued to clean up, a characteristic of cold heavy oil production with sand or CHOP's.
- In December 2023, Sonoro drilled its second well in Saskatchewan under the Farm-in Agreement. The well was a multi-lateral horizontal well with 4 horizontal legs for a total lateral length of approximately 1,600 meters drilled to the Waseca formation. The well was completed in January and commenced production in February 2024.
- In December, Sonoro triggered the acceleration clause on its \$0.05 cent warrants. All 33,333,331 warrants were exercised for total proceeds of \$1,667,667.
- In November, Sonoro drilled its first well in Saskatchewan under the Farm-in Agreement. The well was a vertical well and was cased for future analysis.
- In October 2023, the Company amended the Saskatchewan Farm-in Agreement with Superb Operating Company. The amendments were made align better with the Company strategy.
- In September 2023, Sonoro announced a common share financing, for total gross proceeds of \$1,753,016, comprised of one \$0.06 common share and one common share purchase warrant of the Company, where each whole Warrant entitles the holder to purchase one Common Share within two years at a price of \$0.12 per Common Share.
- In September 2023, the TSX Venture Exchange granted final approval for the Company's graduation from the NEX to the TSXV as a Tier 2 Oil and Gas Issuer as at September 15, 2023. The trading symbol for the Company changed from SNV.H to SNV.
- In June 2023, the Company applied for graduation from the NEX to the TSXV.
- In June 2023, the Company announced the addition of two new Board members: Ms. Sara Akbar and Mr. Henry Legarre and the resignation of current Board member Mr. Bill Marpe.
- In June 2023, the Company entered into a Farm-In Agreement with an arms-length third party operating in the Western Canadian Sedimentary Basin.
- In May, 2023, 7,000,000 warrants priced at 10 cents were extended one year to May 31, 2024.
- In April 2023, the Company announced a Common share unit financing comprised of one \$0.015 common share and one common share purchase warrant of the Company, where each whole Warrant entitles the holder to purchase one Common Share within 12 months at a price of \$0.05 per Common Share. The Company raised \$500,000 with this financing.
- In February 2023, Sonoro announced that the Company has not satisfied the continued listing requirements policy of the TSX Venture Exchange (the "TSXV") to maintain its listing as a Tier 2 issuer on the TSXV. The Company transferred to the NEX board of the TSXV effective February 14, 2023.
- **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 and achieving profitable operations through the discovery of oil and gas resource. 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.**

FINANCIAL PERFORMANCE

Selected Financial Information

	Three months ended March 31,	
	2024	2023
Total Revenue	63,559	nil
Net income (loss) for the period	(361,044)	(271,773)
Net income (loss) per share-diluted	(0.002)	(0.002)
Total comprehensive income (loss)	(361,044)	(358,847)
Capital expenditures	583,286	nil

As at	March 31, 2024	December 31, 2023
Total assets	4,018,801	3,843,584
Total long-term financial liabilities	1,642,596	2,481,708
Working capital	28,865	(444,365)

Results from Operations

The following paragraphs provide information about the results of Sonoro's on-going operations for the three months end March 31, 2024.

Operating netbacks

The Company had its first production in Q1 2024, selling 858 bbl of oil in March 2024 at an average price of \$74.09/bbl.

The following table provides a breakdown of operating netback:

	For the three months ended March 31	
Netback	2024	2023
Oil sales	63,559	nil
Royalties	1,735	nil
Operating costs	79,421	nil
Operating netback	(17,597)	nil

General and administrative expense

For the three months ended March 31, 2024, general and administrative expense totaled \$266,968 up from \$9,350 in corresponding period of 2023, the increase is mostly due to increased activities and drilling two wells in Canada.

The following table provides a breakdown of general and administrative expenses:

	Three months ended March 31,	
	2024	2023
Employee salaries and benefits	45,000	-
Travel and accommodation	18,096	-
Professional, legal and advisory	181,969	3,419
Office and administration	16,205	5,783
Jakarta office and administration	5,698	148
Total expenses	266,968	9,350

Net income and loss for the periods

For the three months ending March 31, 2024, the Company realized a loss of \$361,044 as compared to a loss of \$271,773 in the same period of 2023. Mostly due to increased general and administrative costs and operating costs offset by lower financing costs.

Capital expenditures

During the period ended March 31, 2024, the Company incurred capital expenditures of \$583,285 (2023-\$Nil) on drilling and completion of two wells in Saskatchewan, Canada.

The following table shows the breakdown of the capital expenditures for the period ended March 31, 2024.

Drilling and completion costs	579,282
Land acquisition	4,003
Total	583,285

Quarterly Information

The following financial information is for each of the eight most recently completed quarters of the Company:

Quarter ended	Total Revenue	Net income loss for the period	Net loss per share diluted
	\$	\$	\$
March 31, 2024	63,559	(361,044)	(0.00)
December 31, 2023	nil	(545,645)	(0.00)
September 30, 2023	nil	(371,063)	(0.00)
June 30, 2023	nil	5,112,756	0.03
March 31, 2023	nil	(271,773)	(0.00)
December 31, 2022	nil	(1,107,931)	(0.01)
September 30, 2022	nil	(128,554)	(0.00)
June 30, 2022	nil	(81,436)	(0.00)

Liquidity and Capital Resources**Working capital**

Sonoro had working capital of \$28,865 on March 31, 2024, compared with negative working capital of \$444,365 on December 31, 2023. The increase in working capital is mostly due to the exercise of warrants in the quarter.

Cash

The Company had cash of \$455,278 on March 31, 2024, down from \$1,037,826 on December 31, 2023. The liquid portion of the working capital consists of cash in non-interest-bearing accounts held at a Canadian bank.

Management of this cash is conducted in-house based on investment guidelines approved by the Board of Directors, which generally specify that investments be made in conservative money market instruments that carry a low degree of risk. The objective of these investments is to preserve funds for use in the Company's strategy of exploration and development.

Cash Used in Operating Activities

For the period ended March 31, 2024, cash used in operating activities was \$2,237,801 as compared to \$5,790 in the same period of 2023, due to increased general and administrative cost and the two wells drilled in Saskatchewan.

Outstanding Share Data

As at March 31, 2024 Sonoro Energy has 223,334,075 Common Shares outstanding. As at the date of the MD&A the Company had 223,434,075 Common Shares outstanding.

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

Common share activity	2024	2023
Balance, beginning of period	198,887,409	123,277,151
Private placement	-	62,556,926
Option exercised	-	1,333,333
Warrants exercised	24,446,666	11,053,332
Land Farm-in	-	666,667
Balance, end of period	223,334,075	198,887,409

The Common Shares trade on the TSX Venture Exchange under the symbol SNV.

Share-based compensation

During the three months ended March 31, 2024, the Company recorded \$21,373 in share-based compensation expense for the options granted and vested during the period, for the respective periods. As compared to \$3,678 in the comparative periods of 2023.

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

	March 31, 2024		December 31, 2023	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of period	12,850,000	0.056	9,183,333	0.060
Granted	-	-	6,400,000	0.050
Cancelled and forfeited	-	-	(1,400,000)	0.052
Exercised	-	-	(1,333,333)	0.055
Options outstanding, end of period	12,850,000	0.056	12,850,000	0.056

The share options outstanding and exercisable as at December 31, 2023:

Grant date	Number of Options outstanding	Exercise price	Expiry date	Number of Options exercisable
November 8, 2019	2,800,000	0.070	November 8, 2024	2,800,000
September 30, 2020	2,250,000	0.060	September 30, 2025	2,250,000
March 25, 2021	1,400,000	0.050	March 25, 2026	1,400,000
June 1, 2023	6,400,000	0.050	May 30, 2028	2,133,333
	12,850,000	0.056		8,583,333

The weighted average life of options outstanding is 2.7 years (2023 - 2.9 years).

Share Purchase Warrants

During 2023, 24,457,247 warrants expired. A total of 7,000,000 warrants, priced at 10 cents, were extended from May 31, 2023, to May 30, 2024.

On May 25, 2023, the Company issued 33,333,331 warrants as part of the private placement. The Company accelerated the exercise term of these warrants and all warrants were exercised on or before January 2, 2024.

On September 8, 2023, the company issued 29,223,595 warrants as part of the private placement.

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

	March 31, 2024		December 31, 2023	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants, beginning of period	58,503,594	0.08	31,457,247	0.08
Issued May 25, 2023	-	-	33,333,331	0.05
Issued September 8, 2023	-	-	29,223,595	0.05
Expired	-	-	(24,457,247)	0.07
Exercised	(24,446,666)	0.06	(11,053,332)	0.05
Warrants, end of period	34,056,928	0.12	58,503,594	0.09

The share purchase warrants outstanding and exercisable as at December 31, 2023:

	Number of Share Purchase Warrants outstanding	Exercise price	Expiry date	Number of Share Purchase Warrants exercisable
May 31, 2021	6,800,000	0.10	May 30, 2024	6,800,000
September 8, 2023	27,556,928	0.12	September 8, 2025	27,556,928
	34,056,928	0.12		34,056,928

Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet transactions.

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, COO, CFO, executive officers and senior managers.

During the period ended March 31, 2024, key management personnel compensation and director fees of \$120,000 (Year ended December 31, 2023- \$401,233) were paid or accrued. The Company incurred \$16,697 (Year ended December 31, 2023 – \$138,435) in share-based compensation to directors and/or officers for the period ended March 31, 2024.

As at March 31, 2024, outstanding amounts of \$60,809 (December 31, 2023 - \$72,875) were owing to directors, officers or shareholders, 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.

In the year ended December 31, 2023 a total of 9,149,999 shares were issued to related parties to settle total accounts payable of \$350,333.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The material accounting policies are outlined in Note 3 to the audited consolidated financial statements of the Company for the year ended December 31, 2023 and 2022. These accounting policies have been applied consistently for the period ended March 31, 2024 and there have been no changes.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Uncertainties about these assumptions and estimates could result in material adjustments to the Company's financial statements and financial position. A description of the Company's significant areas of estimation uncertainty and critical judgments are contained in Note 2(f) to the audited consolidated financial statements of the Company for years ended December 31, 2023 and 2022.

Internal Controls Over Financial Reporting and Disclosure Controls

As a reporting issuer listed on the TSX Venture Exchange, Sonoro is exempt from certifying as to disclosure controls and procedures ("DC&P"), as well as Internal Control over Financial Reporting ("ICFR"). The Company's Chief Executive Officer and Chief Financial Officer file a "basic" certificate under National Instrument 52-109 – *Certificates* ("NI 52-109"). Accordingly, the Company has made no assessment relating to establishment and maintenance of disclosure controls and procedures or internal controls over financial reporting as defined under NI 52-109 as of March 31, 2024.

Financial Instruments

Financial instruments are any contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets are classified in one of the following categories: subsequently measured at amortized cost, fair value through other comprehensive income ("FVTOCI"), or fair value through profit or loss ("FVTPL"). Financial liabilities are initially recognized at fair value, and subsequently measured based on classification in one of the following categories: subsequently measured at amortized cost and FVTPL. Financial assets and liabilities are not offset unless there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Financial assets and liabilities subsequently measured at amortized costs are measured using the effective interest method. The effective interest method is a method of calculating the amortized costs of a financial liability and of allocating interest expense over the relevant period. Transaction costs that are directly attributable to the acquisition or issue of a financial instrument are measured at amortized cost and added to the fair value initially recognized.

Financial instruments at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Unrealized gains and losses on FVTPL financial instruments related to trading activities are recognized in marketing and other in the unaudited condensed interim consolidated statements of income (loss), and unrealized gains and losses on all other FVTPL financial instruments are recognized in other – net. Transaction costs directly attributable to the acquisition of financial assets or liabilities at FVTPL are recognized immediately in profit or loss. Financial instruments at FVTOCI are stated at fair value, with any gains or losses arising on remeasurement recognized in OCI except for impairment gains or losses and foreign exchange gains and losses.

Financial instruments subsequently revalued at fair value are further categorized using a three-level hierarchy that reflects the significance of the inputs used in determining fair value. Level 1 fair value is determined by reference to quoted prices in active markets for identical assets and liabilities. Level 2 fair value is based on inputs that are independently observable for similar assets or liabilities. Level 3 fair value is not based on independently observable market data. The disclosure of the fair value hierarchy excludes financial assets and liabilities where book value approximates fair value.

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset have expired, or it transfers the contractual rights to receive the cash flows of the financial assets and the Company has transferred substantially all the risks and rewards of ownership of the financial asset. A financial liability is derecognized when the liability is extinguished, discharged, cancelled or expires.

BUSINESS RISKS

The oil and gas industry is very competitive and is subject to many risks, many of which are outside of the Company's control. The risks described below are not the only ones facing the Company. Additional risks not presently known to the Company or that the Company currently deems immaterial may also impair the Company's business operations. If any of the following risks actually occur, Sonoro's business, financial condition and operating results could be materially and adversely affected. The risks associated with the Company's business include:

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 March 31, 2024 and December 31, 2023.

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 period end, the following balances are denominated in foreign currencies:

		March 31, 2024	December 31, 2023
Cash and cash equivalents	USD	306,264	145,482
Trade and other payables	USD	4,197	66,631
Trade and other payables	EUR	66,226	66,226

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 March 31, 2024, the company had working capital of \$28,865. The Company is in the development phase and may need funding through further equity or debt financing, entering into joint venture agreements, or a combination thereof, before has sufficient cash flow from its operations current drilling program. 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.

Based on the contractual obligations of the Company as at March 31, 2024, cash outflows of those obligations are estimated and summarized as follows:

Payment due by year	2024	2025	2026 and beyond	Total
	\$	\$	\$	\$
Accounts payable and accrued liabilities	882,372	-	-	882,372
Promissory Note	-	700,000	-	700,000
	882,372	700,000	-	1,582,372

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 March 31, 2024. The Company is not subject to any external capital requirements.

Licenses and Permits

Sonoro's operations also require licenses and permits from various governmental authorities. There can be no assurance that Sonoro will be able to obtain or maintain all necessary licenses and permits that may be required to carry out exploration, development and/or operations of its projects. In addition, requirements applicable to sustain existing permits and licenses may change or become more stringent over time and there is no assurance Sonoro will have the resources or expertise to meet its obligations under such licenses and permits.

Capital Requirements

The Company has no cash flow from operations, and current cash resources are insufficient to fund its entire business plans. The Company will require additional cash resources prior to achieving sufficient free cash flow to fund its operations. Sonoro expects to fund these cash requirements through future financings involving the sale of equity or debt securities, through joint venture or farm-out arrangements, or by other means. There is no assurance that the Company will be able to secure financing or that such financing will be obtained on favorable terms. Failure to obtain adequate financing could: (i) have a material adverse effect on Sonoro's financial condition, results of operations and prospects; and (ii) result in substantial dilution to Sonoro's existing shareholders. The Company cannot provide any assurance that it will be profitable in the future or that the Company will be able to generate cash from operations or financings to fund working capital deficits.

Exploration, Development and Production Risks

Oil and gas exploration involves a high degree of risk and is frequently unsuccessful. There is no assurance that expenditures made on future exploration by Sonoro will result in new discoveries of oil and gas in commercial quantities. The long-term commercial success of the Company's oil and gas activities depends on its ability to acquire, develop and commercially produce oil and gas reserves. No assurance can be given that Sonoro will be able to locate satisfactory reserves or resources on an economic basis.

Future exploration and development may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals, permits, licenses, authorizations or consents, unusual or unexpected geological

formations, formation pressures, geotechnical and seismic factors, occupational and health hazards, technical failures, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity, labour disputes, fires, explosions, power outages, rock falls, landslides, acts of God, or other geological and mechanical conditions. While close well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

In addition, oil and gas activities are subject to the risks of exploration, appraisal, development and production of oil and gas properties, including encountering unexpected formations or pressures, premature declines of reservoirs, blow-outs, cratering, sour gas releases, fires and spills, all of which could result in personal injuries, loss of life and damage to the property of Sonoro and others. Losses resulting from the occurrence of any of these risks could have a materially adverse effect on the future results of operations, prospects, business, liquidity and financial condition of Sonoro.

In addition, there can be no assurance that the Company will be able to manage effectively the expansion of its operations or that the Company's current personnel, systems, procedures and controls will be adequate to support the Company's operations. Any failure of the Board of Directors to effectively manage the Company's growth and development could have a material adverse effect on the Company's business, financial condition and results of operations. There is no certainty that all or any of the elements of the Company's current strategy will develop as anticipated and that the Company will be profitable.

Resource Estimates

There are numerous uncertainties inherent in estimating quantities of prospective and contingent oil and gas resources. All such estimates, including those in the Company's prospective resource reports, are to some degree speculative, and classifications of prospective resources are only attempts to define the degree of speculation involved. For these reasons, estimates of the prospective resources attributable to the Company's prospects and the classification of such resources based on risk of recovery associated with resource estimates prepared by different engineers, or by the same engineers at different times may vary. Further, there is no certainty that any portion of the prospective resources will be discovered. If a discovery is made, there is no certainty that it will be developed or, if it is developed, there is no certainty as to timing of such development or that it will be commercially viable to produce any portion of the prospective or contingent resources.

Joint Ventures

The Company carries out a portion of its business through joint ventures and similar arrangements with third parties. These arrangements involve a number of risks, including:

- disputes with partners in connection with the performance of their obligations under the relevant joint operating agreements;
- disputes as to the scope of each party's responsibilities under such arrangements;
- financial difficulties encountered by partners affecting their ability to perform their obligations under the relevant joint operating agreement; and
- conflicts between the policies or objectives adopted by partners and those adopted by the Company.

In the event that the Company encounters any of the foregoing issues with respect to its joint operating partners, the Company's business, prospects, financial condition and results of operation may be materially and adversely affected.

Foreign Activities

The Company is focusing activities internationally which may experience periods of civil unrest, terrorism, violence and war, as well as political and economic instability. Oil and Gas activities internationally may be affected in varying degrees by: (i) civil unrest, terrorism, violence and war, as well as political and economic instability; (ii) government regulations and intervention relating to the mining and oil and gas industries and foreign investors therein; and (iii) policies of other countries. Any changes in regulations or shifts in political conditions are beyond the control of Sonoro and may adversely affect its business, results of operation, prospects, liquidity and financial condition.

Operations may be affected in varying degrees by government regulations, policies, rulings or directives with respect to restrictions on production or sales, price controls, export controls, repatriation of income, income taxes, expropriation of property, environmental legislation and obtaining visas for Sonoro personnel and contractors. Operations may also be affected in varying degrees by political and economic instability, including economic or other sanctions imposed by other countries, expropriation of assets without fair compensation, adverse legislation, a change in crude oil or natural gas pricing policy, availability of oil transport trucks, finding acceptable gas conservation solutions, terrorism, civil strife, acts of war, guerrilla activities, military repression, crime, material fluctuations in currency exchange rates, high inflation, nationalization, renegotiation or nullification of existing concessions and contracts, taxation policies, the imposition of specific drilling obligations, and the development and abandonment of fields.

Management of Key Relationships

Failure to manage relationships with local communities, government and non-government organizations could adversely impact Sonoro's business internationally. Negative community reaction to operations could have an adverse impact on operations, profitability, and the ability to finance Sonoro. This reaction could lead to disputes that may damage the Company's reputation and could lead to potential disruption to projects or operations.

Prices, Markets and Marketing

The marketability and ultimate commerciality of end product sales that may be acquired, discovered or produced by Sonoro is, and will continue to be, affected by numerous factors beyond the complete control of the Company, including:

- the impact that the various levels of government may have on the ultimate price received for its products, the export of products and other aspects of the oil and gas industry;
- reservoir characteristics;
- the proximity and capacity of oil and gas pipelines and processing facilities and equipment;
- the availability and proximity of pipeline capacity and sales markets;
- security issues;
- the local supply of and demand for oil;
- the effects of inclement weather;
- the availability of drilling, production and related equipment and supplies, as well as services, all of which may be disrupted for a number of reasons;
- the hazards related to drilling and associated operations;
- unexpected cost increases;
- accidental events;
- currency fluctuations;
- the availability and productivity of skilled labour; and
- adverse legislation in the regions in which it operates.

Prices for oil and gas, as well as prices underlying end product sales, are unstable and are subject to fluctuation and subject to various factors beyond Sonoro's control. Over the past couple years, both oil and gas prices remained volatile. Any material decline in prices could have a material adverse effect on Sonoro's business by making development and/or operations uneconomic, restricting the ability to obtain further financing and other factors.

Oil and gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government, which may be amended from time to time. Restrictions on the ability to market the Company's production could have a material adverse effect on the Company's revenues and financial position. Because of the above-mentioned factors, the Company could be unable to execute projects on time, on budget, or at all, and may not be able to effectively market the oil and natural gas that it may produce.

Risks Associated with the Need to Maintain an Effective System of Internal Controls

The Company faces risks frequently encountered by developing companies such as under-capitalization, cash shortages and limited resources. In particular, its future growth and prospects will depend on its ability to manage growth and to continue to maintain, expand and improve operational, financial and management information systems on a timely basis, while at the same time maintaining effective cost controls. Any damage to, failure of or inability to maintain, expand and upgrade effective operational, financial and management information systems and internal controls in line with the Company's growth could have a material adverse effect on the Company's business, financial condition and results of operations.

Cost of New Technologies

The oil and gas industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other oil and gas companies may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before the Company does. There can be no assurance that the Company will be able to respond to any such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. One or more of the technologies currently utilized by the Company or implemented in the future may become obsolete. In such case, the Company's business, financial condition and results of operations could be materially adversely affected. If the Company is unable to utilize the most advanced commercially available technology, the Company's business, financial condition and results of operations could be materially adversely affected.

Operating Hazards

Oil exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including hazards such as pollution, cratering, fire, explosion, environmental damage, blowouts and oil spills, each of which could result in substantial damage to oil wells, production facilities, other property and the environment or in personal injury or death. Sonoro's involvement in oil and gas activities may result in such risks and hazards and its subsequent liability.

Although Sonoro plans to carry insurance in accordance with industry standards to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not, in all circumstances be insurable or, in certain circumstances Sonoro may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The nature of these risks is such that liabilities could exceed policy limits, in which event Sonoro could incur significant costs that could have a material adverse effect upon its financial condition. The payment of such uninsured liabilities would reduce the funds available to Sonoro. The occurrence of a significant event that Sonoro is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on Sonoro's financial position, business, and results of operations or prospects.

Environmental

All phases of the oil and gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and state and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to foreign governments and third parties and may require the Company to incur significant costs to remedy such discharge. No assurance can be given that changes in environmental laws or their application to the Company's operations will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Company's financial condition, results of operations or prospects.

Foreign Legal and Judicial Systems

The jurisdictions in which Sonoro operates have less developed legal systems than more established economies which may result in risks such as (i) ineffective legal redress in the courts of such jurisdictions, whether in respect of a breach of law or regulation, or, in an ownership dispute, being difficult to obtain; (ii) a higher degree of discretion on the part of governmental authorities; (iii) the lack of judicial or administrative guidance on interpreting applicable rules and regulations; (iv) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; (v) relative inexperience of the judiciary and courts in such matters; or (vi) in certain jurisdictions the commitment of local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licenses and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance that joint ventures, farm-in agreements, licenses, license applications or other legal arrangements will not be adversely affected by the actions of government authorities and the effectiveness of and enforcement of such arrangements in these jurisdictions cannot be assured.

Foreign Exchange

The Company has historically conducted its financings in Canadian dollars and a significant amount of its operating expenditures and financial commitments are denominated in United States dollars and Indonesian Rupiah. Where there are fluctuations in the United States dollar exchange rate, Sonoro's revenue margins may be materially affected.

Farm-out and Joint Venture Partners

The Company may enter into further farm-out agreements to fund a portion of the exploration and development costs associated with its assets. Moreover, other companies may from time to time operate some of the other assets in which the Company has an ownership interest. Liquidity and cash flow problems encountered by the partners and co-owners of any assets in which Sonoro has an interest, and any non-compliance by the partners and co-owners may lead to a delay in the pace of drilling or project development that may be detrimental to a project or may otherwise have adverse consequences for the Company. In addition, any farmout partners and working interest owners may be unwilling or unable to pay their share of the costs, including project costs as they become due. In the case of a farmout partner, the Company may have to obtain alternative funding in order to complete the exploration and development of the assets subject to such farmout agreement. In the case of a working interest owner, the Company may be required to pay the working interest owner's share of the project costs. The Company cannot assure investors that it would be able to obtain the capital necessary in order to fund either of these contingencies. It is also possible that the interests of the Company and those of its joint venture partners are not aligned resulting in project delays or additional costs or losses.

Canadian and Foreign Tax Considerations

The Company is subject to the provisions of the *Income Tax Act* (Canada) and the applicable provincial and foreign income tax legislation. The Company is in the business of exploring for oil and gas and its operations are subject to the unique provisions of the tax legislation. The Company has not filed all of its tax returns as certain companies are considered idle and not yet closed and de-registered. The tax returns can be reassessed by either government and if a reassessment were successful, the Company may be subject to a higher than expected past or future tax liability, as well as potential interest or penalties.

Litigation

The Company is not aware of any legal claims against the Company.