



SONORO ENERGY LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2025

SONORO ENERGY LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
Form 51-102F1

May 23, 2025

This Management's Discussion and Analysis ("MD&A") of operations for the period ending March 31, 2025 audited 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 23, 2025 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, 2024 and 2023 consolidated financial statements and the unaudited interim condensed consolidated financial statements dated March 31, 2025. 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 the areas of operation of the Company, 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; 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

Domestic

Since mid-2023, Sonoro has deployed a corporate strategy of creating and maintaining cashflow generation from domestic projects while developing new oil and gas projects in high impact international jurisdictions. During 2024 and into 2025, Sonoro has successfully deployed this strategy and will attempt to maintain such strategy throughout 2025. Cashflow generation to the Company has been provided through a producing well in Saskatchewan via a farmin arrangement announced in 2023. The Company will continue to consider additional drill locations in the area, however it has not been a priority for our project partner. Our single producing well was suspended in April 2025 in order for the Company to access elimination of the water intake in the well. As a result, Sonoro entered into a Farm-In Agreement with Badlands Resources Ltd. to explore for oil in southern Alberta. Through this agreement, Sonoro will earn a 100% working interest in a 2,240-acre land package by drilling an exploratory well. The acquired acreage encompasses several promising geological structures that have been carefully identified and mapped with high-resolution 3D seismic data. These targeted formations lie at an approximate depth of 1,300 meters and are known to produce high-quality oil in the region. Notably, the area has limited exploration activity, enhancing the potential for new discoveries.

In the event of a successful discovery, Sonoro plans to strategically expand its land holdings to include additional nearby anomalies with similar geological profiles. This expansion would allow the Company to further leverage the de-risked nature of these prospects, optimizing the prospect inventory and potentially enhancing production volumes across a larger land base. This Agreement represents a significant step for Sonoro in its efforts to strengthen its asset portfolio and capitalize on untapped resources within Alberta's oil-rich landscapes. It is currently our expectation that our first drilling location will be chosen, drilled and developed in the Canadian summer of 2025.

International

In late 2024, the Company entered into two separate Heads of Agreement ("HOA"). One agreement with TransAtlantic Petroleum LLC, a privately-owned energy company headquartered in Dallas, Texas, USA (<https://www.transatlanticpetroleum.com/>) and the second with IPR Energy Group (<https://www.iprenergygroup.com/>), a leading global energy company based in Irving, Texas USA. These strategic partnerships mark significant steps forward in Sonoro's expansion within the Middle East and North Africa ("MENA") region.

Under the terms of the HOA's, Sonoro will collaborate closely to identify and evaluate production investment opportunities in Iraq and the Middle East. These opportunities are expected to arise through licensing bid rounds and/or direct negotiations. The focus will be on securing production licenses for undeveloped or underdeveloped oil fields with the potential to significantly increase production.

Once a production license is awarded, the two companies plan to establish a joint operating company ("JOC"). The JOC will be dedicated to advancing oil production from these accumulations, leveraging both companies' expertise to optimize field development and increase production in a cost-effective and sustainable manner. This collaboration combines Sonoro local knowledge and relationships with TransAtlantic Petroleum's and IPR Energy Group's robust technical capabilities and operational experience.

TransAtlantic Petroleum has extensive international upstream experience and operations in Eastern Europe and in Turkey, where it is actively deploying unconventional North American technology using 3D seismic data, horizontal and directional drilling, and hydraulic fracture stimulation to develop oil and natural gas reserves.

IPR Energy Group has extensive international upstream experience and operations in Egypt and Pakistan. It also provides oilfield and technical services in various regions in the Middle East.

These partnerships represent a significant milestone for Sonoro as it strengthens its presence in the MENA region, one of the world's most important oil-producing areas. By aligning itself with such partners, Sonoro is positioning itself for continued growth and success. Sonoro is enthusiastic about the prospects of these partnerships and looks forward to continue to advance discussions in the Middle East with current emphasis with the Ministry of Oil to explore and secure production opportunities in Iraq.

Corporate

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. Assessment of both domestic Canada and international opportunities

is being pursued. We will only venture where we have the experience and team to manage the technical and commercial risks. The Company cannot provide any assurances that it will be able to close any of the opportunities described above.

HIGHLIGHTS and OUTLOOK

- In May 2025, Sonoro, Advanced BioCatalytics, and NexTier Energy launched a strategic collaboration to advance heavy oil recovery from carbonate reservoirs in the Middle East.
- In May 2025, the Company received \$700,000 from the exercise of 12 cent warrants from a warrant holder. 5,833,333 common shares were issued from the warrant exercise.
- In April 2025, Sonoro terminated the Technology License Agreement and related agreements and arrangements with Modern Well Services and Ezekiel Energy Ltd. that were put in place for the technology deployment and drilling of the Saskatchewan well in 2023. Sonoro issued 4,166,667 common shares to Ezekiel Energy Ltd for the extinguishment of all royalty arrangements for the project for \$500,000 and the \$700,000 of Promissory Note plus accrued interest issued by Ezekiel Energy Ltd. to Sonoro.
- In November 2024, Sonoro executed a Heads of Agreement with IPR Energy Group, a leading global energy company based in Irving, Texas USA, for development of projects in the Middle East.
- In November 2024, Sonoro executed a Heads of Agreement with TransAtlantic Petroleum LLC, a privately-owned energy company headquartered in Dallas, Texas, USA, for the development of projects in Iraq.
- In October 2024, Sonoro entered into a Farm-In Agreement with Badlands Resources Ltd. to explore for oil in southern Alberta.
- On August 1, 2024, Mr. Richard Wadsworth resigned as CEO and Director of the Company for personal reasons and Mr. Greg Renwick was appointed CEO, President and Director of the Company.
- In May 2024, Sonoro held its Annual General Meeting and all Directors and resolutions relating to the appointment of auditors, share option plan and restricted share unit plan were approved by shareholders.
- In March 2024, Sonoro commenced first oil sales from its Saskatchewan well. 601 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.
- **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,	
	2025	2024
	\$	\$
Total Revenue	31,314	44,491
Net income (loss) for the period	(249,978)	(355,766)
Net income (loss) per share-diluted	(0.001)	(0.002)
Total comprehensive income (loss)	(249,978)	(355,766)
Capital expenditures	nil	583,286

	March 31, 2025	December 31, 2024
As at	\$	\$
Total assets	248,870	303,212
Total liabilities	1,729,112	1,568,487
Working capital (deficiency)	(1,418,213)	(1,203,697)

Results from Operations

The following paragraphs provide information about the results of Sonoro's on-going operations for the three months ended March 31, 2025.

Operating netbacks

In the period ended March 31, 2025, the average price received for production was CAD\$75.47 per bbl.

The following table provides a breakdown of operating netback:

	Three months ended March 31,	
	2025	2024
Netback	\$	\$
Oil sales	31,314	44,491
Royalties	(308)	(1,215)
Operating costs	(65,324)	(55,595)
Operating netback	(34,318)	(12,319)

General and administrative expenses

For the three months ended March 31, 2025, general and administrative expense totaled \$183,534 down from \$266,968 in the same period of 2024, the decrease is mostly due to lower activity. Management has been deferring the majority of salaries payable during the quarter.

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

	Three months ended March 31,	
	2025	2024
	\$	\$
Contractors and consultants	131,500	45,000
Travel and accommodation	11,051	18,096
Professional, legal and advisory	23,030	181,969
Office and administration	29,664	21,903
Operating overhead recovery	(11,711)	-
Total expenses	183,534	266,968

Net income and loss for the periods

For the three months ending March 31, 2025, the Company realized a loss of \$249,978 as compared to a loss of \$355,766 in the same period of 2024. The lower loss is mostly due to lower general and administrative costs in 2025 as compared to 2024.

Capital expenditures

During the period ended March 31, 2025, the Company incurred no new capital expenditures (2024-\$549,181).

The following table shows the breakdown of the capital expenditures:

	Period ended March 31, 2025	Year ended December 31, 2024
	\$	\$
Dilling costs	-	95,240
Completion	-	332,238
Facilities	-	117,700
Land	-	4,003
Total	-	549,181

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, 2025	31,314	(249,978)	(0.00)
December 31, 2024	44,196	(3,339,651)	(0.02)
September 30, 2024	157,718	(364,353)	(0.00)
June 30, 2024	99,950	(422,135)	(0.00)
March 31, 2024	44,491	(355,765)	(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

Liquidity and Capital Resources

Working capital

Sonoro had negative working capital of \$1,418,213 on March 31, 2025 (December 31, 2024-\$1,203,697). The increase in negative working capital is mostly due to the general and administrative costs incurred in the quarter and the short-term payables to a partner that have now been extinguished..

Cash

The Company had cash of \$167,467 on March 31, 2025, down from \$188,143 on December 31, 2024. 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 three months ended March 31, 2025, cash from operating activities was \$78,099 mostly due to increased accounts payable.

Outstanding Share Data

As at March 31, 2025 Sonoro Energy has 228,204,935 Common Shares outstanding. As at the date of the MD&A the Company had 232,371,602 Common Shares outstanding.

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

(Number of common shares)	2025	2024
Balance, beginning of year	228,204,935	198,887,409
Option exercised	-	1,095,000
Warrants exercised	-	27,722,526
Share based compensation	-	500,000
Balance, end of year	228,204,935	228,204,935

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

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:

	March 31, 2025		December 31, 2024	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Options outstanding, beginning of year	10,340,000	0.058	12,850,000	0.056
Granted	-	-	3,000,000	0.075
Cancelled and forfeited	-	-	(2,710,000)	0.054
Expired	-	-	(1,705,000)	0.070
Exercised	-	-	(1,095,000)	0.070
Options outstanding, end of year	10,340,000	0.058	10,340,000	0.058

The share options outstanding and exercisable as at March 31, 2025:

Grant date	Number of Options outstanding	Exercise price \$	Expiry date	Number of Options exercisable
September 30, 2020	1,250,000	0.060	September 30, 2025	1,250,000
March 25, 2021	690,000	0.050	March 25, 2026	690,000
June 1, 2023	5,400,000	0.050	May 30, 2028	3,600,000
August 1, 2024	3,000,000	0.075	July 29, 2029	1,000,000
	10,340,000	0.058		6,540,000

The weighted average life of options outstanding is 3.0 years (2024 – 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:

	August 1, 2024	June 1, 2023	March 25, 2021	September 30, 2020
Risk-free interest rate	3.02%	3.41%	0.68%	0.31%
Expected stock price volatility	197%	218%	207%	238%
Expected life	5 years	5 years	5 years	5 years
Expected dividend yield	-	-	-	-
Share price on grant date (\$)	0.090	0.060	0.060	0.065
Fair Value Option Price (\$)	0.088	0.059	0.050	0.060
Forfeiture rate	0%	26%	24%	4%

During the period ended March 31, 2025, the Company recorded \$35,011 (2024-\$21,373) in share-based compensation expense for the options granted and vested during the year.

Share Purchase Warrants

During 2024, 27,722,526 warrants were exercised, of which 1,666,667 were exercised at \$0.12, 3,575,860 were exercised at \$0.10 and 22,479,999 were exercised at \$0.05 for total proceeds of \$1,681,586. Of the options exercised, \$337,703 was exercised for the settlement of accounts payable and accrued liabilities.

Share purchase warrants are summarized as follows:

	March 31, 2025		December 31, 2024	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Warrants, beginning of year	27,556,928	0.12	58,503,594	0.09
Expired	-	-	(3,224,140)	0.10
Exercised	-	-	(27,722,526)	0.06
Warrants, end of year	27,556,928	0.12	27,556,928	0.12

The share purchase warrants outstanding and exercisable as at March 31, 2025:

	Number of Share Purchase Warrants outstanding	Exercise price \$	Expiry date	Number of Share Purchase Warrants exercisable
September 8, 2023	27,556,928	0.12	September 8, 2025	27,556,928
	27,556,928	0.12		27,556,928

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

	September 8, 2023
Risk-free interest rate	4.66%
Expected stock price volatility	242%
Share price on grant date	\$0.10
Term	2 years

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, 2025, key management personnel compensation and director fees of \$121,167 (December 31, 2024 - \$465,208) were paid or accrued. The Company incurred \$35,011 (December 31, 2024 - \$209,739) in share-based compensation related to options issued to directors and/or officers for the period ended March 31, 2025.

As at March 31, 2025, outstanding amounts of \$215,417 (December 31, 2024 - \$121,167) 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.

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, 2024 and 2023. These accounting policies have been applied consistently for the period ended March 31, 2025 and there have been no changes.

The preparation of consolidated 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 consolidated 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, 2024 and 2023.

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 December 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 expense in the audited consolidated statements of income (loss) and comprehensive income (loss), and unrealized gains and losses on all other FVTPL financial instruments are recognized in other expense – 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 Other Comprehensive Income 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 consolidated statement of financial position. Cash balances are maintained with reputable banking institutions. Accounts receivable consist of GST recoverable from the Federal government and trade receivables from the sale of crude oil due from one reputable oil and gas marketer. All receivables are current as at March 31, 2025.

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, 2025	December 31, 2024
Cash and cash equivalents	USD	48,034	71,158
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, 2025, the company had negative working capital of \$1,418,213 (December 31, 2024-\$1,203,697). 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. The Company expects to generate sufficient cash flows from production revenues associated with its current and future oil and gas development programs but there can be no assurances that the Company will be successful in achieving this objective. There is no assurance that this will be completed. Additional information regarding liquidity risk is disclosed in Note 1 to the audited consolidated financial statements for the year ended December 31, 2024.

Based on the contractual obligations of the Company as at March 31, 2025, cash outflows of those obligations are estimated and summarized as follows:

Payment due by year	2025	2026	2027 and beyond	Total
	\$	\$	\$	\$
Accounts payable and accrued liabilities	967,083	-	-	967,083
Promissory Note	700,000	-	-	700,000
	1,667,083	-	-	1,667,083

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 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, 2025. 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 cash flow from operations, but this cash flow 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.