SONORO ENERGY LTD.
CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2023 AND 2022

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Independent Auditor's Report

To the Shareholders of Sonoro Energy Ltd.

Opinion

We have audited the consolidated financial statements of Sonoro Energy Ltd. (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2023 and December 31, 2022 and the consolidated statements of income (loss) and comprehensive income (loss), changes in shareholders' equity (deficit) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements which describes the material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the year ended December 31, 2023. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be a key audit matter to be communicated in our report. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment of the recoverable amount of cash generating units
We draw attention to Notes 2, 3 and 8 to the consolidated financial statements. The Group assesses at each reporting date whether there is an indication that petroleum and natural gas properties within the cash generating units ("CGUs") may be impaired or that historical impairment may be reversed. If any such indication exists, then the asset's or CGUs recoverable amount is estimated. For the year ended December 31, 2023, the Group determined that the estimated recoverable amounts of the petroleum and natural gas properties CGUs exceed the carrying values.

The estimated recoverable amount of each of the CGUs involves significant estimates, including:

- The estimate of cash flows associated with the proved and probable oil and gas reserves; and
- The discount rates.

The estimate of cash flows associated with the proved and probable oil and gas reserves includes significant assumptions related to:

- Forecasted oil and gas commodity prices;
- Forecasted production;
- Forecasted operating costs;
- Forecasted royalty costs;
- Forecasted future development costs; and
- Discount rate.

The Group engages independent third party reserve evaluators to estimate the cash flows associated with the proved and probable oil and gas reserves as at December 31, 2023.

Why the Matter is a Key Audit Matter
We identified the assessment of the recoverable amount of the CGUs as a key audit matter. Significant auditor judgment was required to evaluate the results of our audit procedures with respect to the estimate of cash flows associated with the proved and probable oil and gas reserves and the discount rates.

How the Key Audit Matter was Addressed in the Audit
The following are the primary procedures we performed to address this key audit matter:

With respect to the estimate of cash flows associated with the proved and probable oil and gas reserves as at December 31, 2023:

- We evaluated the competence, capabilities and objectivity of the independent third party reserve evaluators engaged by the Group;

- We compared forecasted oil and gas commodity prices to those published by other independent third party reserve evaluators; and

- We evaluated the appropriateness of forecasted production and forecasted operating costs, royalty costs and future development cost assumptions by comparing to 2023 historical results. Where historical results were not available, we evaluated the estimates used by the independent third party reserve evaluator.

Provision for abandonment and reclamation
We draw attention to Notes 2, 3 and 11 to the consolidated financial statements. The Group makes a provision for the future cost of decommissioning oil and gas wells and production facilities discounted back to present value. The calculation and recognition of the provision in the financial statements requires a number of significant assumptions, including the selection of an appropriate discount rate and estimation of the costs and timing of decommissioning oil and gas wells and facilities.

Why the Matter is a Key Audit Matter
We identified provisions for the future cost of decommissioning oil and gas wells and facilities as a key audit matter. Significant auditor judgment was required to evaluate the results of our audit procedures with respect to the estimate of the cost and timing associated with the decommissioning of oil and gas wells and facilities and the discount rates used in the calculation.

How the Key Audit Matter was Addressed in the Audit
In responding to the key audit matter, we performed the following audit procedures:

- Identifying the key assumptions and inputs used within management's calculation of decommissioning liabilities and assessing the key assumptions against local market and industry trends in order to determine whether the assumptions used are reasonable and can be sufficiently supported; and

- Assessed the appropriateness of the model used to calculate the provision; and

- Benchmarking the discount rate used in the calculation of decommissioning liabilities against comparable market data and assessing the appropriateness of the use of the discount rate.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the other information prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ashley Kidd.

Crowe Mackay LLP

Chartered Professional Accountants
Calgary, Canada
April 11, 2024

SONORO ENERGY LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Canadian dollars)	notes	**As at December 31, 2023**	As at December 31, 2022
		$	$
ASSETS			
Current			
Cash and cash equivalents		**1,037,826**	117,118
Accounts receivable	7	**146,036**	4,625
Prepaids		**204,108**	-
		1,387,970	121,743
Non-Current			
Prepaids		**-**	4,743
Property and equipment	8	**2,566,014**	-
Total Assets		**3,953,984**	126,486
LIABILITIES			
Current			
Accounts payable and accrued liabilities	9, 13	**1,723,192**	3,363,491
Other current liabilities	12	**109,143**	-
Current portion of long-term debt	10	**-**	369,204
Current portion of convertible debenture	10	**-**	1,615,382
		1,832,335	5,348,077
Non-Current			
Canada Emergency Business Account (CEBA)	10	**-**	32,165
Promissory Note	10	**700,000**	-
Abandonment and Reclamation Obligation	11	**59,773**	-
Total Liabilities		**2,592,108**	5,380,242
SHAREHOLDERS' EQUITY (DEFICIT)			
Share capital	12	**76,437,585**	74,381,210
Share subscriptions receivable		**-**	(10,000)
Convertible debenture	10	**-**	357,409
Warrants	12	**1,095,753**	843,729
Contributed surplus		**12,827,793**	12,038,278
Accumulated other comprehensive income		**(143,217)**	390,218
Accumulated deficit		**(88,856,038)**	(93,254,600)
Total Shareholders' Equity (Deficit)		**1,361,876**	(5,253,756)
Total Liabilities and Shareholders' Equity (Deficit)		**3,953,984**	126,486

Nature of Business and Going Concern (Note 1)
Subsequent Event (Note 16)

See accompanying notes to the Consolidated Financial Statements.

ON BEHALF OF THE BOARD OF DIRECTORS:

"signed"	"signed"
Richard Wadsworth, Director	Sara Akbar, Director

SONORO ENERGY LTD.
CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

		Years Ended December 31,	
(Canadian dollars)	Notes	**2023**	2022
		$	$
Expenses			
General and administrative	6, 13	**1,028,577**	141,361
Interest expense	10	**254,526**	1,173,452
Depreciation of property and equipment	8	**-**	19,821
Share-based compensation	12, 13	**179,100**	45,003
		1,462,203	1,379,637
Gain on disposition of subsidiary	5	**(5,390,002)**	-
Foreign exchange income		**(4,311)**	(729)
Other (income) expense	6	**7,835**	(24,298)
Net income (loss) for the year		**3,924,275**	(1,354,610)
Other Comprehensive Income (Loss)			
Exchange differences on translation of foreign operations		**(89,512)**	13,964
Comprehensive income (loss) for the year		**3,834,763**	(1,340,646)
Per Share Information			
Net loss per share – basic		**$0.025**	$(0.011)
Net loss per share – diluted		**$0.021**	$(0.011)
Weighted average number of common shares outstanding - basic		**154,656,866**	122,442,904
Weighted average number of common shares outstanding - diluted		**187,517,334**	122,442,904

See accompanying notes to the Consolidated Financial Statements.

SONORO ENERGY LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)

(In Canadian Dollars except number of common shares)	Common Shares Number	Common Shares Amount	Convertible Debentures	Warrants	Contributed Surplus	Share subscriptions receivable	Accumulated Other Comprehensive Income/(loss)	Accumulated Equity (Deficit)	Equity (Deficit) Total
Balance at December 31, 2021	121,527,151	74,258,710	357,409	843,729	11,993,275	(17,488)	346,561	(91,899,990)	(4,117,794)
Settlement of liabilities	-	-	-	-	-	17,488	-	-	17,488
Warrants exercised	1,750,000	122,500	-	-	-	(10,000)	-	-	112,500
Share based compensation	-	-	-	-	45,003	-	-	-	45,003
Net loss	-	-	-	-	-	-	-	(1,354,610)	(1,354,610)
Currency translation adjustment	-	-		-	-	-	43,657	-	43,657
Balance at December 31, 2022	123,277,151	74,381,210	357,409	843,729	12,038,278	(10,000)	390,218	(93,254,600)	(5,253,756)
Settlement of liabilities	**-**	**-**	**-**	**-**	**-**	**10,000**	**-**	**-**	**10,000**
Private placement	**62,556,926**	**1,233,754**	**-**	**1,019,662**	**-**	**-**	**-**	**-**	**2,253,416**
Option exercised	**1,333,333**	**166,400**	**-**	**-**	**(93,067)**	**-**	**-**	**-**	**73,333**
Warrants exercised	**11,053,332**	**626,823**	**-**	**(64,156)**	**-**	**-**	**-**	**-**	**562,667**
Shares issued for land acquisition	**666,667**	**50,000**	**-**	**-**	**-**	**-**	**-**	**-**	**50,000**
Share issue costs	**-**	**(20,602)**	**-**	**-**	**-**	**-**	**-**	**-**	**(20,602)**
Share based compensation	**-**	**-**	**-**	**-**	**179,100**	**-**	**-**	**-**	**179,100**
Warrants expired	**-**	**-**	**-**	**(703,482)**	**703,482**	**-**	**-**	**-**	**-**
Disposition of subsidiary	**-**	**-**	**(357,409)**	**-**	**-**	**-**	**(474,287)**	**474,287**	**(357,409)**
Net income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,924,275**	**3,924,275**
Currency translation adjustment	**-**	**-**	**-**	**-**	**-**	**-**	**(59,148)**	**-**	**(59,148)**
Balance at December 31, 2023	**198,887,409**	**76,437,585**	**-**	**1,095,753**	**12,827,793**	**-**	**(143,217)**	**(88,856,038)**	**1,361,876**

See accompanying notes to the Consolidated Financial Statements.

SONORO ENERGY LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years Ended December 31,	
(Canadian Dollars)	**Notes**	**2023**	2022
		$	$
Operating Activities			
Net income (loss)		**3,924,275**	(1,354,610)
Items not affecting cash and cash equivalents:			
Gain on disposition of subsidiary	5	**(5,390,002)**	-
Share based compensation	12	**179,100**	45,003
Depreciation of Property, Plant and Equipment	8	**-**	19,821
Interest expense	10	**254,526**	1,173,452
Interest accretion	10	**7,835**	2
Unrealized foreign exchange gains		**(3,372)**	(737)
		(1,027,638)	(117,069)
Net change in non-cash working capital related to operations	14	**2,432,016**	17,605
Cash flows provided by (used in) operating activities		**1,404,378**	(99,464)
Investing Activities			
Property and equipment	8	**(2,456,241)**	-
Cash used in disposition	5	**(1,047)**	-
Net change in non-cash working capital related to investing		**(1,075,347)**	-
Cash flows used in investing activities		**(3,532,635)**	-
Financing Activities			
Proceeds from private placement (net of issuance costs)	12	**1,937,926**	112,500
Proceeds from warrant exercised	12	**437,667**	-
Proceeds from share subscriptions receivable		**10,000**	17,488
Lease liabilities settled		**-**	(25,718)
Proceeds from issuance of long-term debt	10	**700,000**	-
Repayment of CEBA loan		**(40,000)**	-
Interest expense		**-**	(910)
Cash flows provided by financing activities		**3,045,593**	103,360
Increase in cash and cash equivalents		**917,336**	3,896
Cash and cash equivalents, beginning of year		**117,118**	111,476
Impact of foreign exchange on cash balances		**3,372**	1,746
Cash and cash equivalents, end of year		**1,037,826**	117,118
Supplemental cash flow disclosure of non-cash transactions:			
Abandonment and reclamation obligation additions		**59,773**	-
Shares issued for land acquisition		**50,000**	-
Private placement units issued in exchange for settlement of accounts payable		**294,888**	-
Stock options exercised in exchange for settlement of accounts payable		**73,333**	-
Warrants exercised in exchange for settlement of accounts payable		**125,000**	-

See accompanying notes to the Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF BUSINESS AND GOING CONCERN

a) Nature of business

Sonoro Energy Ltd. ("Sonoro" or "the Company") was incorporated February 4, 2000, in British Columbia, Canada and commenced trading on the TSX Venture Exchange on November 29, 2000. Effective August 7, 2013, the Company was continued from British Columbia to Alberta with the registered office at 4300, 888 3rd Street S.W. Calgary, Alberta, Canada T2P 5C5. The Company's corporate office is located at Suite 600, 520 – 5th Avenue SW Calgary, Alberta, Canada. The Common Shares trade on the TSX Venture Exchange under the symbol SNV.

The business of the Company, either directly or through its wholly owned subsidiaries, consists of the exploration for, appraisal of and development and production of oil and gas resources, focused on Canada and internationally. The Company operates in jurisdictions that may be subject to changes in government practices and policies.

b) Going concern

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

The ability of the Company to continue as a going concern is dependent on the Company obtaining additional sources of capital to explore, appraise and develop its oil and natural gas resource assets, continuing to receive support and cooperation from its creditors, achieving profitable operations through the discovery of commercially viable oil and gas reserves, maintaining contracts in good standing and no significant adverse legal, political or security developments. Management of the Company continues to evaluate possible industry partnerships, equity and debt financings but there are no assurances that these initiatives will be successful or available on terms acceptable to the Company.

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

	December 31, 2023	December 31, 2022
Deficit	**(88,856,038)**	(93,254,600)
Working Capital	**(444,365)**	(5,226,334)

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

These consolidated financial statements do not reflect the adjustments, of which some could be material, to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the going concern assumption were not appropriate.

2. BASIS OF PREPARATION

a) Statement of compliance

These consolidated annual financial statements for the years ended December 31, 2023 and 2022 were prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as of December 31, 2023. As part of this preparation, management is required to make estimates and assumptions under IFRS. These estimates and assumptions affect the reported amounts of assets and liabilities, disclosure of contingent amounts and the reported amounts of revenues and expenses. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgement and complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 2(f).

These consolidated financial statements were authorized for issuance by the Board of Directors as of April 11, 2024.

b) Subsidiaries

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

Subsidiary Name	Jurisdiction	Ownership	Functional Currency
Sonoro Energy Canada Ltd.	Alberta, Canada	100.0%	CAD
Sonoro Energy International Holdings B.V. - Inactive	The Netherlands	100.0%	USD
Stockbridge Oil and Gas Ltd B.V.I. - Inactive	British Virgin Islands	100.0%	USD
Stockbridge Budong Budong B.V. – Disposed (note 5)	The Netherlands	100.0%	IDR
Zamatra Bakau Straits Ltd. B.V.I. – Disposed (note 5)	British Virgin Islands	100.0%	USD

c) Basis of consolidation

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

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

d) Basis of measurement

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

e) Foreign currency translation

Functional and presentation currency

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

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

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

Transactions and balances

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

f) Critical accounting estimates, judgements, and assumptions

The preparation of audited consolidated financial statements in conformity with IFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

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

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

i. Impairment of non-financial assets

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

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proven and probable reserves.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Where an impairment loss subsequently reverses for assets with a finite useful life, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of an impairment loss is recognized immediately in profit or loss.

ii. Reserve estimate

Oil and natural gas assets are depleted on a unit-of-production basis at a rate calculated by reference to proven and probable reserves determined in accordance with National Instrument 51-101, Standards of disclosure for Oil and Gas Activities ("NI 51-101"), and incorporate the estimated future cost of developing and extracting those reserves. Proved and probable reserves are estimated using independent reservoir engineering reports and represent the estimated quantities of oil and natural gas. The reserve estimate incorporates geological, geophysical and engineering data that demonstrates, with a specified degree of certainty, the production volumes to be recoverable in future years from known reserves considered to be commercially viable.

iii. Abandonment and reclamation obligations

Provisions for abandonment and reclamation obligations associated with the Company's property and equipment are based on current legal and constructive requirements, technology, price levels and expected plans for remediation. Amounts recognized require the use of management's best estimates of future decommissioning expenditures, expected timing of expenditures and future inflation rates. The estimates are based on internal and third-party information and actual costs and cash outflows can differ from estimates due to changes in laws and regulations, public expectations, prices, discovery and analysis of site conditions, and changes in processes resulting from technological advancements.

iv. Share-based payments

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

v. Going concern

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

vi. Joint arrangements

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

A joint arrangement whereby the parties take their share of substantially all of the output of the joint arrangement would be an indicator for classification as a joint operation, regardless of structure of the arrangement, and accounted for by recognizing the Company's share of assets and liabilities jointly owned and incurred, and the recognition of its share of revenue and expenses of the joint operation.

vii. CGU determination

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

viii. Functional currency

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

ix. Fair value of financial instruments

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

g) Reclassification

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

3. MARTERIAL ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash on hand, term deposits and short term highly liquid investments with original maturities of these months or less, which are readily convertible to known amounts of cash. There are no cash equivalents as at December 31, 2023 and 2022.

Exploration and evaluation assets ("E&E")

Pre-licence costs

Costs incurred prior to the legal award of petroleum and natural gas licences, concessions and other exploration rights are expensed in the consolidated statement of loss and comprehensive loss.

Exploration and evaluation assets

E&E expenditures, including the costs of acquiring licences and directly attributable general and administrative costs, initially are capitalized as E&E assets. The costs are accumulated in cost centres by well, field or exploration area pending determination of technical feasibility and commercial viability.

E&E assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, E&E assets are allocated to cash-generating units.

The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proven and/or probable reserves are determined to exist. A review of each exploration license or field is carried out, at least annually, to ascertain whether proven and/or probable reserves have been discovered. Upon determination of proven and/or probable reserves, E&E assets attributable to those reserves are first tested for impairment and then reclassified from E&E assets to a separate category within property and equipment referred to as petroleum and natural gas assets.

E&E Impairment indicators are evaluated at a CGU level. Indications of impairment include:

1. Expiry or impending expiry of lease with no expectation of renewal;
2. Lack of budget or plans for substantive expenditures on further E&E;
3. Discontinuance of E&E activities due to a lack of commercially viable discoveries; and
4. Carrying amount of E&E asset is unlikely to be recovered in full from a successful development project.

Property and equipment

Items of PP&E, which include petroleum and natural gas assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Development and production assets are grouped into CGUs for impairment testing. When significant parts of an item of PP&E, including oil and gas interests, have different useful lives, they are accounted for as separate items (major components). Gains and losses on disposal of an item of PP&E, including oil and gas interests, are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized in profit and loss.

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of PP&E are recognized as oil and gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in the consolidated statement of loss and comprehensive loss as incurred. Such capitalized oil and gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of PP&E are recognized in profit and loss.

Abandonment and reclamation obligations

Where a liability for the removal of wells and production facilities at the end of the production life of a field exists, a provision for abandonment and reclamation obligations is recognized. The Company records a provision for the fair value of decommissioning at the time the provision is incurred, normally when an asset is purchased or developed. The amount recognized is the present value of estimated future expenditures, using a risk-free rate, determined in accordance with local conditions and requirements. On recognition of the provision, there is a corresponding increase in the carrying amount of the related asset. The provision is increased each reporting period due to the passage of time and the amount is charged to profit and loss as a finance expense. Changes in estimates are recognized prospectively with a corresponding adjustment to the provision and the underlying asset.

Depletion and depreciation

The net carrying value of development or production assets is depleted using the unit of production method by reference to the ratio of production in the year to the related proven and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by independent reserve engineers at least annually.

Share capital

The proceeds from the exercise of share options and warrant and issuance of shares from treasury are recorded as share capital in the amount for which the option, warrant, or treasury share enabled the holder to purchase a share in the Company. Share capital issued for non-monetary consideration is recorded at an amount based on fair market value on the date the shares are issued.

The proceeds from the issue of units consisting of a common share and a share purchase warrant is allocated between common shares and common share purchase warrants on a pro-rata basis on a relative fair value basis, wherein, the fair value of the common shares is based on the market closing price on the date the units are issued; and the fair value of the common share purchase warrants is determined using the Black-Scholes pricing model.

In the event there is a change to the warrant terms (price or exercise date), no change is made to the initial value recognized for the warrant.

Share issuance costs

Commissions paid to underwriters and other directly related costs arising on the issuance of the Company's shares are charged to share capital.

Share based payments

The Company's share option plan allows directors, officers, employees and consultants to receive remuneration in the form of share-based payment transactions, whereby they render services as consideration for equity instruments of the Company ("equity-settled transactions"). The fair value of options granted is measured at the date of the grant and is determined using the Black-Scholes option pricing model.

Share based payments expense is accrued and charged to operations or capitalized, with an offsetting credit to contributed surplus, on a graded-vesting basis over the period during which the options vest. Share based payments expense is capitalized to exploration and evaluation assets or development and production assets to the extent that the activities are directly related to the exploration for or development of petroleum and natural gas reserves. Share based payments expense is capitalized to tangible property, plant and equipment to the extent that the activities are directly related to the bringing the property, plant or equipment to the location and condition necessary to be capable of operating in the manner intended by management.

When share options are exercised, the consideration received plus the amount previously recorded in contributed surplus is recorded as an increase in share capital. No expense is recognized for options that ultimately do not vest.

Loss per share

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year, adjusted for own shares held. Diluted loss per share is determined by dividing the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares, which comprise outstanding options and warrants and their equivalents. The effects of anti-dilutive potential units are ignored in calculating diluted income per common share. All share purchase options are considered anti-dilutive when the Company is in a loss position, or the average exercise price of the options exceeds the average trading price of the Company's common shares.

Income taxes

Tax expense comprises current and deferred tax. Taxes are recognized in the consolidated statement of loss except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current tax

Current tax expense is based on the results for the year as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred tax liabilities recognized for taxable temporary differences arising on investments in all subsidiaries, except where the reversal of the temporary difference can be controlled, and it is probable that the difference will not reverse in the foreseeable future; and are not recognized on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to offset current tax assets and liabilities when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination.

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 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.

Impairment of financial assets

The Company makes use of a simplified approach in accounting for accounts receivable and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Company assesses the impairment of accounts receivable on a collective basis as they possess shared credit risk characteristics and have been grouped based on the days past due.

Government grants

Government grants are recognized when there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as an expense reduction in the period in which the costs are incurred. Where the grant relates to an asset, it is recognized as a reduction to the net book value of the related asset and then subsequently in profit or loss over the expected useful life of the related asset through a reduction in depletion, depreciation or impairment expense.

New and amended accounting standards

The following amendments to existing accounting standards were adopted effective January 1, 2023 and did not have a material impact on the consolidated financial statements.

Amendments to IAS 8 – Definition of Accounting Estimates

These amendments clarify how companies distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates. The distinction between the two is important because changes in accounting policies are applied retrospectively, whereas changes in accounting estimates are applied prospectively. Further, the amendments clarify that accounting estimates are monetary amounts in the financial statements subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. There was no material impact to the group's financial statements upon application of this amendment.

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

These amendments continue the IASB's clarifications on applying the concept of materiality. These amendments help companies provide useful accounting policy disclosures, and they include: requiring companies to disclose their material accounting policies instead of their significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and do not need to be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material. The IASB also amended IFRS Practice Statement 2 to include guidance and examples on applying materiality to accounting policy disclosures. There was no material impact to the group's financial statements upon application of this amendment.

Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

These amendments clarify how companies account for deferred taxes on transactions such as leases and decommissioning obligations, with a focus on reducing diversity in practice. They narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. There was no material impact to the group's financial statements upon application of this amendment.

Future accounting standards and pronouncements

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

The amendments to IAS1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date.

These amendments are effective for reporting years beginning on or after January 1, 2024.

Amendment to IAS 1 – Non-current Liabilities with Covenants

The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

This amendment is effective for reporting years beginning on or after January 1, 2024.

Amendments to IAS 21 – Lack of Exchangeability

The amendments require companies to provide more useful information in their financial statements when a currency cannot be exchanged into another currency. The amendments respond to stakeholder feedback and concerns about diversity in practice in accounting for a lack of exchangeability between currencies. The amendments will help companies and investors by addressing a matter not previously covered in the accounting requirements for the effects of changes in foreign exchange rates. These amendments will require companies to apply a consistent approach in assessing whether a currency can be exchanged into another currency and when it cannot, in determining the exchange rate to use and the disclosures to provide.

These amendments are effective for reporting years beginning on or after January 1, 2025.

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Other financial liabilities

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

Equity instruments

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

Fair values

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

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

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

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

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

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

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

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

a) Financial instruments

The carrying values and estimated fair value of the Company's financial instruments as at December 31, 2023 are as follows:

	Carrying Value	Fair Value
Cash and cash equivalents	**1,037,826**	1,037,826
Account payables and accrued liabilities	**1,723,192**	1,723,192
Promissory Note	**700,000**	700,000

There were no transfers between level 1, 2 and 3 inputs during the reporting period. The Company manages its exposure to financial risks by operating in a manner that minimizes its exposure to the extent practical. The main financial risks affecting the Company are discussed below:

b) Risk Management

The Company manages its exposure to financial risks by operating in a manner that minimizes its exposure to the extent practical. The main financial risks affecting the Company are discussed below:

Interest rate risk

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

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 accounts 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 in the statement of financial position. Cash balances are maintained with reputable banking institutions.

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

		December 31, 2023	December 31, 2022
Cash and cash equivalents	IDR	**-**	1,020
Cash and cash equivalents	USD	**145,482**	51,580
Trade and other payables	IDR	**-**	1,677,365
Trade and other payables	USD	**66,631**	13,489
Trade and other payables	EUR	**66,226**	66,506
Long-term debt	IDR	**-**	31,690
Long-term debt	USD	**-**	337,515

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. On December 31, 2023, the Company had a working capital deficit of $444,365 (2022 - $5,226,334). The Company currently does not have sufficient cash to meet its current obligations. As such, the Company will require 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. 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 December 31, 2023, 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	1,723,192	-	-	1,723,192
Promissory Note	-	700,000	-	700,000
	1,723,192	700,000	-	2,423,192

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 pursue other financing arrangements. Management reviews the capital structure on a regular basis to ensure that the above-noted objectives are met. There were no changes to the Company's approach to capital management during the year ended December 31, 2023. The Company is not subject to any external capital requirements or covenants.

5. DISPOSITION OF SUBSIDIARY

The Company executed a Deed of Settlement agreement (the "Deed") with its former Indonesian partner on the Selat Panjang project, PT Menara Global Energi (Menara") on March 31, 2023. Under the terms of the Deed, Zamatra Bakau

Straits Ltd. BVI ("Zamatra"); formerly Stockbridge Capital Limited (the 100% owned subsidiary of the Company that held the Selat Panjang interest) was transferred to Menara. The Deed was dated with effect of October 14, 2021. In exchange for transferring its interest in Zamatra Bakau Straits Ltd. BVI, Menara discharged its interest in the debts owed to it by the Company, including the Convertible debenture as well as accrued interest payable (the "Disposition"). These liabilities are referred to as the Loan Agreement in footnote 10. All amounts under the Loan Agreement have been extinguished.

As part of the disposition the Company also relinquished its indirect ownership interest in Stockbridge Budong Budong BV ("Budong") to Menara as a result of Zamatra owning Budong,

The fair values of the identifiable assets and liabilities disposed by the Company were allocated as follows:

Fair value of net asset acquired, and liabilities disposed	
Working capital	(1,364,761)
Gain on disposition	5,390,002
	4,025,241
Consideration on disposition	
Interest payable	1,675,389
Long-term debt	377,061
Convertible debenture	1,972,791
	4,025,241

If the disposition had been effective on January 1, 2023, the pro forma results for the year ended December 31, 2023, would have been as follows:

	As stated	Amounts related to disposition	Pro forma
	$	$	$
Comprehensive income/(loss)	3,834,763	(5,135,419)	(1,300,656)

The pro forma results of operations are not intended to reflect the results that would have actually occurred had the disposition closed on January 1, 2023. Further, the pro forma results of operations are not necessarily indicative of the results that may be generated by the Company in the future or reflect future events that may occur following the disposition in subsequent periods.

6. GENERAL AND ADMINISTRATIVE AND OTHER INCOME

General and administrative expenses are comprised of the following:

	Year ended December 31,	
	2023	2022
Employee salaries and benefits	**105,000**	-
Contractors and consultants	**30,283**	1,925
Travel and accommodation	**14,648**	11,946
Professional, legal and advisory (note 13)	**794,440**	77,991
Office and administration	**51,915**	42,608
Jakarta office and administration	**32,291**	6,891
Total expenses	**1,028,577**	141,361

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

Other income/expense is comprised of the following:

	Year ended December 31,	
	2023	2022
Rental revenue	**-**	24,300
CEBA loan accretion	**(7,835)**	(2)
Other income (expense)	**(7,835)**	24,298

7. ACCOUNTS RECEIVABLE

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

8. PROPERTY AND EQUIPMENT

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

Cost	**Petroleum and Natural Gas Assets**	**Other Assets**	**Total**
December 31, 2021	-	318,692	318,692
December 31, 2022	-	318,692	318,692
Additions	**2,506,241**	**-**	**2,506,241**
Abandonment and reclamation obligation	**59,773**	**-**	**59,773**
December 31, 2023	**2,566,014**	**318,692**	**2,824,933**
Accumulated depreciation, depletion and amortization			
December 31, 2021	-	298,872	298,872
Depletion, depreciation and amortization	-	19,820	19,820
December 31, 2022	-	318,692	318,692
Depletion, depreciation and amortization	**-**	**-**	**-**
December 31, 2023	**-**	**318,692**	**318,692**
Net book value			
December 31, 2022	-	-	-
December 31, 2023	**2,566,014**	**-**	**2,566,014**

In the fourth quarter of fiscal 2023, the Company completed the drilling of two oil and natural gas wells. The Company determined the existence of proven and probable reserves associated with these wells, performed an impairment assessment and transferred the related costs from exploration and evaluation assets to property and equipment.

The Company determined the recoverable amounts for the CGU based on the value-in-use approach using discounted future cash flows prepared by an independent reserve engineer. In determining the recoverable amount, the Company considered recent transactions within the industry, long-term views of commodity prices, externally evaluated reserve volumes, and discount rates specific to the CGU. The calculation of the recoverable amount is sensitive to assumptions regarding production volumes, discount rates, operating cost structures and commodity prices. The future cash flows were estimated using the proved plus probable reserve value for the CGU, discounted at 12% per annum and were based on the Company's external independent engineering report. The Company included future development costs of $1,143,000 in the impairment assessment model.

As at December 31, 2023, the Company determined that the value-in-use exceeded the carrying values; hence, no impairment provision was recorded.

The benchmark prices used by the independent reserve evaluators in preparing the Company's reserve report were also used in determining whether impairment of the carrying value of the CGU existed at December 31, 2023.

The prices are referenced for barrels of oil based on Western Canadian Select:

	2024	**2025**	**2026**	**2027**	**2028**
($CAD/bbl)	81.43	82.94	83.72	85.4	87.1

The prices for years beyond 2028 included a 2% escalation rate.

Petroleum and natural gas assets have not been depreciated or depleted as production from the wells had not commenced as at December 31, 2023.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at December 31, 2023, the Company has total accounts payable and accrued liabilities of $1,723,192 (December 31, 2022 - $3,363,491). Such costs relate to the drilling program in Saskatchewan and to accrued salaries and consulting fees as well as standard accounts payable. Cost relating to the Selat Panjang project and drilling activities in 2017 in West Sulawesi and interest owing were disposed of as part of the Disposition, see note 5.

10. LONG-TERM DEBT

PROMISSORY NOTE

On December 5, 2023, Sonoro Energy Ltd., entered into a $700,000 promissory note agreement with Ezekiel Energy Ltd. The loan bears interest at 7% per annum, calculated monthly and shall be due and payable on December 5, 2025, provided that the Principal Sum and any and all interest due and owning shall be reduced to zero ($0) in the event of a well disruption, which includes the well abandonment due to no or uneconomic production.

TERM DEBT AND CONVERTIBLE DEBENTURE

Sonoro Energy Ltd., through its wholly owned subsidiary, Zamatra Bakau Straits Ltd. BVI (“Zamatra”) executed a Loan Agreement on October 19, 2019 with PT Menara Global Energi (“Menara”), a company incorporated in the Republic of Indonesia. The Company was released from its long-term debt and convertible debenture obligations as part of the Disposition described in note 5.

The changes in term debt are as follows:

	December 31, 2023	December 31, 2022
Balance, beginning of the year	**369,204**	338,635
Interest expense	**21,674**	21,584
Effects of unrealized foreign exchange gain on translation	**(13,817)**	8,985
Long term debt disposed (see note 5)	**(377,061)**	-
Balance, end of the year	**-**	369,204

As at the end of the year the Company had the following outstanding debt:

	Interest rate	Maturity	**December 31, 2023**	December 31, 2022
USD denominated debt	8.0%	Oct-21	**-**	337,515
IDR denominated debt	16.0%	Oct-21	**-**	31,690
Total Debt			**-**	369,204

The changes in convertible debenture are as follows:

	December 31, 2023	December 31, 2022
Balance, beginning of the year	**1,615,382**	1,615,382
Disposition (see note 5)	**(1,615,382)**	-
Balance, end of the year	**-**	1,615,382

Canada Emergency Business Account (CEBA)

During 2020, the Company received an interest free loan of $60,000 through the Canada Emergency Business Account (CEBA). Effective January 1, 2023, any outstanding balance on the term loan shall bear interest at a rate of 5% per annum. The term loan matures on December 31, 2025. Repaying the balance of the loan on or before January 18, 2024 will result in loan forgiveness of $20,000, this was reported in other income on receipt of the loan.

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

In the first quarter of 2022, the repayment of the CEBA loan resulting in loan forgiveness of $20,000 has been extended to December 31, 2023, resulting in a $6,300 government grant being recognized in the first quarter of 2022.

The loan was repaid in full in December 2023.

11. ASSET RETIREMENT OBLIGATION

The Company estimates the total undiscounted amount of cash flows required to settle its abandonment and reclamation obligations is approximately $76,600. An inflation factor of 2.70% has been applied to the estimated abandonment and reclamation costs. A risk-free rate of 3.02% was used to calculate the future value of the provision estimating the expenditures will begin to occur in 2043.

	December 31, 2023	December 31, 2022
Balance, beginning of the year	-	-
Additions	**59,773**	**-**
Balance, end of the year	**59,773**	**-**

12. SHARE CAPITAL

Authorized

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

Issued and outstanding common share activity

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

(Number of common shares)	**2023**	2022
Balance, beginning of year	**123,277,151**	121,527,151
Private placement	**62,556,926**	-
Option exercised	**1,333,333**	-
Warrants exercised	**11,053,332**	1,750,000
Land Farm-in	**666,667**	-
Balance, end of year	**198,887,409**	123,277,151

The Company received proceeds of $109,143 (2022 - $nil) as advance receipts towards the issuance of common shares from warrants exercised subsequent to year end.

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:

	December 31, 2023		December 31, 2022	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Options outstanding, beginning of year	**9,183,333**	**0.060**	10,378,333	0.060
Granted	**6,400,000**	**0.050**	-	-
Cancelled and forfeited	**(1,400,000)**	**0.052**	(1,195,000)	0.062
Exercised	**(1,333,333)**	**0.055**	-	-
Options outstanding, end of year	**12,850,000**	**0.056**	9,183,333	0.060

The Company's weighted average share price for the year ended December 31, 2023 was $0.10 (2022 - $0.06).

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 2.9 years (2022 - 2.1 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:

	June 1, 2023	March 25, 2021	September 30, 2020	November 8, 2019
Risk-free interest rate	3.41%	0.68%	0.31%	1.6%
Expected stock price volatility	218%	207%	238%	271%
Expected life	5 years	5 years	5 years	5 years
Expected dividend yield	-	-	-	-
Share price on grant date	0.060	0.060	0.065	0.095
Fair Value Option Price	0.059	0.050	0.060	0.095
Forfeiture rate	26%	24%	4%	18%

During the year ended December 31, 2023, the Company recorded $179,100 (2022 - $45,003) in share-based compensation expense for the options granted and vested during the year.

Share Purchase Warrants

On December 6, 2022, the 19,309,326 warrants expiring December 31, 2022, have been extended until March 26, 2023 and 5,147,921 warrants expiring December 31, 2022 were extended until May 23, 2023.

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 31, 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:

	December 31, 2023		December 31, 2022	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
Warrants, beginning of year	**31,457,247**	**0.08**	33,207,247	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	**(11,053,332)**	**0.05**	(1,750,000)	0.07
Warrants, end of year	**58,503,594**	**0.09**	31,457,247	0.08

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
May 25, 2023	22,479,999	0.05	January 2, 2024	22,479,999
September 8, 2023	29,223,595	0.12	September 8, 2025	29,223,595
	58,503,594	0.09		58,503,594

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	May 25, 2023	May 31, 2021
Risk-free interest rate	4.66%	4.24%	0.31%
Expected stock price volatility	242%	250%	166%
Share price on grant date	0.10	0.030	0.050
Term	2 years	0.6 years	2 years

13. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Key management personnel are persons responsible for planning, directing and controlling activities of an entity and include the CEO, COO, CFO, executive officers and senior managers.

During the year ended December 31, 2023, key management personnel compensation and director fees of $401,233 (2022- $Nil) were paid or accrued. The Company incurred $138,435 (2022 – $24,252) in share-based compensation to directors and/or officers for the year ended December 31, 2023.

As at December 31, 2023, outstanding amounts of $72,875 (December 31, 2022 - $535,462) 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.

A total of 9,149,999 shares (2022 – 0 shares) were issued to related parties to settle total accounts payable of $350,333 (2022 - $nil).

14. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash working capital components:

	Year Ended December 31,	
	2023	2022
Net change in non-cash working capital related to operations:	**$**	$
Accounts receivable	**(141,411)**	(341)
Prepaid expenses	**(199,365)**	22,966
Accounts payable and accrued liabilities	**2,722,797**	994,306
Accrued interest payable	**-**	(1,042,982)
Other current liabilities	**109,143**	-
Effects of foreign currency	**(59,148)**	43,656
	2,432,016	17,605

15. INCOME TAX

A reconciliation of income tax expense (recovery) at statutory rates with the reported income taxes (recovered) is as follows:

	2023	2022
Income (Loss) before income taxes	**3,924,275**	(1,354,610)
Combined statutory tax rate	**23.00%**	23.00%
Expected tax recovery at statutory rate	**902,583**	(311,560)
Non-deductible items	**(364,933)**	8,666
Change in unrecognized deferred tax asset	**(546,660)**	296,980
Other	**9,010**	5,914
Income tax expense	**-**	-

The components of the net deferred tax asset (liability) at December 31, are as follows:

	2023	2022
Property, plant and equipment	**30,135**	47,566
Non-capital losses	**9,240,627**	10,143,315
Capital losses	**2,343,441**	2,343,441
Convertible debenture and debt issuance costs	**-**	667
Share issue costs	**3,791**	-
CEBA	**-**	(1,802)
Total deferred tax assets	**11,617,994**	12,533,187
Unrecognized deferred tax asset	**(11,617,994)**	(12,533,187)
	-	-

Estimated unrecognized deductible temporary (taxable) differences (tax pools) at December 31, are as follows:

	2023	2022
Canadian undepreciated capital cost	**2,697,037**	206,807
Canadian non-capital losses	**40,176,640**	44,104,269
Canadian capital losses	**20,377,747**	20,377,747
Canada Emergency Business Account (CEBA)	**-**	(7,835)
	63,251,424	64,680,988

As at December 31, 2023, the Company had accumulated Canadian non-capital losses of approximately $40.2 million expiring between 2026 and 2043. Historical losses incurred in Indonesia are ringfenced to the discontinued PSA, and are not recoverable.

16. SUBSEQUENT EVENT

Subsequent to year end, 24,446,666 warrants were exercised for total proceeds of $1,354,003.