



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

**(THESE STATEMENTS ARE NOT REVIEWED OR AUDITED BY THE  
COMPANY AUDITOR)**

**AS AT AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023**

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

Under National Instrument 51-102, Part 4, subsection 4.3(3), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited interim financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management. The Corporation's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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

<i>(Canadian dollars)</i>	notes	As at June 30, 2023	As at December 31, 2022
		\$	\$
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents		447,600	117,118
Accounts receivable	7	8,784	4,625
		<b>456,384</b>	121,743
<b>Non-Current</b>			
Prepays		3,383	4,743
<b>Total Assets</b>		<b>459,767</b>	126,486
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	9	561,558	3,363,491
Current portion of long-term debt	10	-	369,204
Current portion of convertible debenture	10	-	1,615,382
		<b>561,558</b>	5,348,077
<b>Non-Current</b>			
Canada Emergency Business Account (CEBA)	10	35,838	32,165
<b>Total Liabilities</b>		<b>597,396</b>	5,380,242
<b>SHAREHOLDERS' DEFICIENCY</b>			
Share capital	11	74,841,060	74,381,210
Share subscriptions receivable		-	(10,000)
Convertible debenture	10	-	357,409
Warrants	11	346,798	843,729
Contributed surplus		12,757,060	12,038,278
Accumulated other comprehensive income		331,070	390,218
Accumulated deficit		(88,413,617)	(93,254,600)
<b>Total Shareholders' Deficit</b>		<b>(137,629)</b>	(5,253,756)
<b>Total Liabilities and Shareholders' Deficit</b>		<b>459,767</b>	126,486

Nature of Business and Going Concern (Note 1)

See accompanying notes to the Condensed Consolidated Interim Financial Statements.

ON BEHALF OF THE BOARD OF DIRECTORS:

"signed"  
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 Richard Wadsworth, Director

"signed"  
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 Sara Akbar, Director

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

<i>(Canadian dollars)</i>	Notes	Three months ended June 30,		Six months ended June 30,	
		2023	2022	2023	2022
		\$	\$	\$	\$
<b>Expenses</b>					
General and administrative	6	<b>174,189</b>	24,180	<b>183,539</b>	34,120
Interest expense	10	-	39,688	<b>254,526</b>	78,867
Depreciation of property and equipment	8	-	4,678	-	9,356
Share-based compensation	11	<b>104,690</b>	11,208	<b>108,368</b>	29,646
		<b>278,879</b>	79,754	<b>546,433</b>	151,989
Gain on disposition	5	<b>(5,390,002)</b>	-	<b>(5,390,002)</b>	-
Foreign exchange (income) expense		<b>(3,528)</b>	7,532	<b>(1,086)</b>	(16,617)
Other income	6	<b>1,895</b>	(5,850)	<b>3,672</b>	(17,247)
<b>Net income (loss) for the period</b>		<b>5,112,756</b>	(81,436)	<b>4,840,983</b>	(118,125)
<b>Other Comprehensive Loss</b>					
Exchange differences on translation of foreign operations		<b>(2,438)</b>	19,071	<b>(89,512)</b>	28,519
<b>Total comprehensive loss</b>		<b>5,110,318</b>	(62,365)	<b>4,751,471</b>	(89,606)
<b>Per Share Information</b>					
Net loss per share - basic and diluted		<b>\$0.037</b>	\$(0.001)	<b>\$0.037</b>	\$(0.001)
Weighted average number of common shares outstanding		<b>137,152,608</b>	121,661,766	<b>130,253,209</b>	121,594,831

See accompanying notes to the Condensed Consolidated Interim Financial Statements.

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

<i>(Canadian Dollars)</i>	Common Shares Number	Common Shares Amount	Convertible Debentures	Warrants	Contributed Surplus	Share subscriptions receivable	Accumulated Other Comprehensive Income/(loss)	Accumulated Deficit	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)
Private placement	-	-	-	-	-	-	-	-	-
Settlement of receivables	-	-	-	-	-	129,988	-	-	129,988
Warrants exercised	1,750,000	122,500	-	-	-	(122,500)	-	-	-
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)
<b>Settlement of receivables</b>	-	-	-	-	-	<b>10,000</b>	-	-	<b>10,000</b>
<b>Private placement</b>	<b>33,333,331</b>	<b>293,450</b>	-	<b>206,550</b>	-	-	-	-	<b>500,000</b>
<b>Option exercised</b>	<b>1,333,333</b>	<b>166,400</b>	-	-	<b>(93,067)</b>	-	-	-	<b>73,333</b>
<b>Share based compensation</b>	-	-	-	-	<b>108,368</b>	-	-	-	<b>108,368</b>
<b>Warrants expired</b>	-	-	-	<b>(703,481)</b>	<b>703,481</b>	-	-	-	-
<b>Disposition</b>	-	-	<b>(357,409)</b>	-	-	-	-	-	<b>(357,409)</b>
<b>Net income</b>	-	-	-	-	-	-	-	<b>4,840,983</b>	<b>4,840,983</b>
<b>Currency translation adjustment</b>	-	-	-	-	-	-	<b>(59,148)</b>	-	<b>(59,148)</b>
<b>Balance at June 30, 2023</b>	<b>157,943,815</b>	<b>74,841,060</b>	-	<b>346,798</b>	<b>12,757,060</b>	-	<b>331,070</b>	<b>(88,413,617)</b>	<b>(137,629)</b>

See accompanying notes to the Condensed Consolidated Interim Financial Statements.

**SONORO ENERGY LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

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<i>(Canadian Dollars)</i>	Notes	Three months ended June 30,		Six months ended June 30,	
		2023	2022	2023	2022
		\$	\$	\$	\$
<b>Operating Activities</b>					
Net loss from continuing operations		5,112,756	(81,436)	4,840,983	(118,125)
Items not affecting cash and cash equivalents:					
Gain on disposition	5	(5,390,002)	-	(5,390,002)	-
Share based compensation	11	104,690	11,208	108,368	29,646
Depreciation of Property, Plant and Equipment	8	-	4,678	-	9,356
Interest expense	10	-	39,253	254,526	78,867
Interest accretion	10	1,895	1,525	3,672	(3,347)
Unrealized foreign exchange (gains) loss		(2,682)	7,531	(240)	(16,626)
		(173,343)	(17,241)	(182,693)	(20,229)
Net change in non-cash working capital related to operations	13	422	(14,570)	3,982	(5,185)
<b>Cash flows used in continuing operating activities</b>		<b>(172,921)</b>	<b>(31,811)</b>	<b>(178,711)</b>	<b>(25,414)</b>
<b>Financing Activities</b>					
Proceeds from the issuance of shares	11	500,000	-	500,000	-
Proceeds from share subscriptions receivable		-	17,488	10,000	17,488
Lease liabilities settled		-	(8,572)	-	(14,054)
Cash used in disposition	5	(1,047)	-	(1,047)	-
Interest expense		-	(305)	-	(740)
<b>Cash flows from financing activities</b>		<b>498,953</b>	<b>8,611</b>	<b>508,953</b>	<b>2,694</b>
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>326,032</b>	<b>(23,200)</b>	<b>330,242</b>	<b>(22,720)</b>
Cash and cash equivalents, beginning of period		119,854	111,956	117,118	111,476
Impact of foreign exchange on cash balances		1,714	1,327	240	1,327
<b>Cash and cash equivalents, end of period</b>		<b>447,600</b>	<b>90,083</b>	<b>447,600</b>	<b>90,083</b>

See accompanying notes to the Condensed Consolidated Interim Financial Statements.

**SONORO ENERGY LTD.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
**For the three and six months ended June 30, 2023**

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM 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 ("the TSX-V") on November 29, 2000. Effective August 7, 2013, the Company was continued from British Columbia to Alberta with the registered office at 4300, 888 3<sup>rd</sup> 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 NEX board of the TSX Venture Exchange under the symbol SNV.H.

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

The ability of the Company to continue as a going concern is dependent on the Company obtaining additional sources of capital to explore, appraise and develop its oil and gas resource assets, continuing to receive support and cooperation from its creditors, achieving profitable operations in Indonesia through the discovery of oil and gas resources, maintaining production sharing contracts in good standing and no significant adverse legal, political and security developments in Indonesia. Management of the Company continues to evaluate possible industry partnerships, equity and debt financing and regulatory approvals, but there is no assurance that these initiatives will be successful. The impact of COVID-19 and the war in Ukraine creates additional uncertainties, which include, but are not limited to, the volatility of and access to capital markets combined with fluctuating global demand and commodity pricing for energy products that may impact the Company's ability to execute on its business plans.

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

	<b>June 30, 2023</b>	December 31, 2022
Deficit	<b>(88,413,617)</b>	(93,254,600)
Working Capital	<b>(105,174)</b>	(5,226,334)

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

These unaudited condensed consolidated interim financial statements do not reflect the adjustments, of which some could be material, to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption determined to be inappropriate.

**2. BASIS OF PREPARATION**

**a) Statement of compliance**

These condensed consolidated interim financial statements (the "Interim Financial Statements") have been prepared in accordance with International Accounting Standard ("IAS") 34 – Interim Financial Reporting.



**SONORO ENERGY LTD.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
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The Interim Financial Statements should be read in conjunction with the audited annual consolidated financial statements of Sonoro as at and for the years ended December 31, 2022 and 2021 and the notes thereto (the “Annual Financial Statements”). The Interim Financial Statements have been prepared on a basis consistent with the accounting, estimation and valuation policies described in the Annual Financial Statements.

The Interim Financial Statements were approved and authorized for issue by the Audit Committee of the Board of Directors of Sonoro on August 11, 2023.

**b) Subsidiaries**

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

<b>Subsidiary Name</b>	<b>Jurisdiction</b>	<b>Ownership</b>	<b>Functional Currency</b>
Sonoro Energy Canada Ltd.	Alberta, Canada	100.0%	CAD
Sonoro Energy International Holdings B.V. (“SEIHBV”)	The Netherlands	100.0%	USD
Sonic Environmental Solutions Corp. (“Sonic Corp.”)	California, USA	100.0%	USD

**c) Basis of consolidation**

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

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

**d) Basis of measurement**

These unaudited condensed consolidated interim 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 unaudited condensed consolidated interim 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).

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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 unaudited condensed consolidated interim financial statements in conformity with International Financial Reporting Standards ("IFRS") requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the 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.

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

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

**ii. Taxation**

The Company's subsidiaries are subject to taxation under the applicable tax laws in force in various jurisdictions. Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

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Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable earnings will be available against which the losses can be utilized. Significant estimates are required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable earnings together with future tax planning strategies.

**iii. Share-based Compensation**

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

**g) Reclassification**

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

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

**i. Going concern**

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

**ii. Joint arrangements**

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

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

**iii. CGU determination**

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

**iv. Asset retirement obligations**

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

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**v. Functional currency**

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

**vi. Fair value of financial instruments**

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

**3. SIGNIFICANT ACCOUNTING POLICIES**

The Company's significant accounting policies under IFRS are presented in Note 3 to the Annual Financial Statements dated December 31, 2022 and 2021. Certain information and disclosures normally required to be included in the notes to the Annual Financial Statements prepared in accordance with IFRS have been condensed or omitted in the Interim Financial Statement.

**4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

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

***Other financial liabilities***

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

***Equity instruments***

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

***Fair values***

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

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

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

Level 2 – Pricing inputs are other than quoted prices in active markets included in level 1. Prices in level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted

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forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. The Company doesn't have financial instruments included categorized as Level 2.  
Level 3 – Valuations in this level are those with inputs for the assets or liabilities that are not based on observable market data. The Company doesn't have financial instruments included categorized as Level 3.

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

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

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

**a) Financial instruments**

The carrying value and fair value of the Company's financial instruments as at June 30, 2023 are as follows:

	Carrying Value	Fair Value
Cash and cash equivalents	447,600	447,600
Account payables and accrued liabilities	561,558	561,558
CEBA Loan	35,838	35,838

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

**b) Risk Management**

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

**Interest rate risk**

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

**Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to fulfill an obligation and cause the other party to incur a financial loss. The Company evaluates the collectability of amounts receivable and records an expected credit loss which reduces receivables to the amount management reasonably believes will be collected.

The maximum exposure to credit risk is represented by the carrying amount of cash and cash equivalents and accounts receivable in the statement of financial position. Cash balances are maintained with reputable banking institutions. All receivables are current as at June 30, 2023 and December 31, 2022.

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***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:

		<b>June 30, 2023</b>	December 31, 2022
Cash and cash equivalents	IDR	-	1,020
Cash and cash equivalents	USD	<b>147,952</b>	51,580
Trade and other payables	IDR	<b>60,175</b>	1,637,330
Trade and other payables	USD	-	13,489
Trade and other payables	EUR	-	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. At June 30, 2023, there existed negative working capital of \$105,174 (December 31, 2022 – \$5,226,334). The Company is looking to finance future exploration and remedy the negative working capital through equity raises. There is no assurance that this will be completed. Additional information regarding liquidity risk is disclosed in Note 1 – Nature of Business and Going Concern.

***Capital risk management***

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration for, appraisal of, and development and production of oil and gas resources in Indonesia and to maintain flexible capital structure for its projects for the benefit of its stakeholders. In the management of capital, the Company includes the components of shareholders' equity as well as cash and cash equivalents, accounts receivables and current liabilities.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, enter into joint venture arrangements, acquire or dispose of assets or adjust the amount of cash. Management reviews the capital structure on a regular basis to ensure that the above-noted objectives are met. The Company has no external covenants. There were no changes to the Company's approach to capital management during the period ended June 30, 2023. The Company is not subject to any external capital requirements.

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**5. DISPOSITION**

The Company signed the Deed of Settlement (“Deed”) dated March 31, 2023, through which Zamatra Bakau Straits Ltd. BVI: Formerly Stockbridge Capital Limited was transferred to PT Menara Global Energi (“Menara”). The Deed was executed on June 5, 2023, but 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”).

As part of the disposition Stockbridge Budong Budong BV, which held the Budong assets, was transferred to Menara due to their ownership in Zamatra Bakau Straits BVI.

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

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

If the disposition had been effective on January 1, 2023, the pro forma results of the revenue and net income for the period ended June 30, 2023, would have been as follows:

	Period ended June 30, 2023		Pro forma
	As stated	Amounts related to disposition	
	\$	\$	\$
Revenue	-	-	-
Net Income/(loss)	4,751,471	(5,135,419)	(383,948)

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, 2022. 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:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Employee salaries and benefits	30,000	-	30,000	-
Contractors and consultants	-	1,125	-	1,125
Travel and accommodation	9,337	-	9,337	-
Professional, legal and advisory	102,107	14,873	105,526	18,187
Office and administration	9,783	3,161	15,566	9,521
Jakarta office and administration	22,962	5,021	23,110	5,287
<b>Total expenses</b>	<b>174,189</b>	<b>24,180</b>	<b>183,539</b>	<b>34,120</b>

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

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Other income/expense is comprised of the following:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Rental revenue	-	8,803	-	15,328
CEBA loan accretion	(1,895)	(2,953)	(3,672)	1,919
<b>Other income</b>	<b>(1,895)</b>	<b>5,850</b>	<b>(3,672)</b>	<b>17,247</b>

**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, PLANT AND EQUIPMENT**

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

<b>Cost</b>		
December 31, 2022		318,692
<b>June 30, 2023</b>		<b>318,692</b>
<b>Accumulated depreciation and amortization</b>		
December 31, 2022		318,692
<b>June 30, 2023</b>		<b>318,692</b>
<b>Net book value</b>		
December 31, 2022		-
<b>June 30, 2023</b>		<b>-</b>

**9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

As at June 30, 2023, the Company has total accounts payable and accrued liabilities of \$561,558 (December 31, 2022 - \$3,363,491). Such costs relate mainly to accrued salaries and consulting fees as well as standard accounts payable. Cost relating to the Selat Penjang project and drilling activities in 2017 in West Sulawesi and interest owing were disposed of as part of the Disposition, see note 5.

**10. TERM DEBT AND CONVERTIBLE DEBENTURE**

Sonoro Energy Ltd., through its wholly owned subsidiary, Zamatra Bakau Straits Ltd. BVI ("Zamatra") executed a Loan Agreement on October 19, 2019 with PT Menara Global Energi ("Menara"), a company incorporated in the Republic of Indonesia. Under the terms of the Loan Agreement, Zamatra may borrow up to US\$4 million from Menara at an interest rate of 8% for US dollar borrowings and 16% for IDR borrowings. Within the Loan Agreement, Zamatra via Sonoro Energy Ltd as the Borrower, issued a convertible debenture for CAD\$1,615,382, convertible into Sonoro Energy Ltd. Common shares at CAD\$0.085 per share. At the time of issuance (October 10, 2019), the convertible debenture represented approximately 19.9% ownership position in Sonoro. TSXV requirements do not allow for share issuance or potential share issuance if converted, representing above 20% ownership in a company without shareholder approval.

The Company was released from its long-term debt and convertible debenture obligations as part of the Disposition described in note 5.



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The changes in term debt are as follows:

	June 30, 2023	December 31, 2022
Balance, beginning of the period	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	(377,061)	
<b>Balance, end of the period</b>	<b>-</b>	<b>369,204</b>

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

	Interest rate	Maturity	June 30, 2023	December 31, 2022
USD denominated debt	8.0%	Oct-21	-	337,515
IDR denominated debt	16.0%	Oct-21	-	31,690
<b>Total Debt</b>			<b>-</b>	<b>369,204</b>

	June 30, 2023	December 31, 2022
Current portion	-	369,204
Long-term portion	-	-
<b>Total Debt</b>	<b>-</b>	<b>369,204</b>

The changes in convertible debenture are as follows:

	June 30, 2023	December 31, 2022
Balance, beginning of the period	1,615,382	1,615,382
<b>Disposition</b>	<b>(1,615,382)</b>	<b>-</b>
<b>Balance, end of the period</b>	<b>-</b>	<b>1,615,382</b>

**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 June 30, 2023 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.

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**11. SHARE CAPITAL**

**(i) Authorized**

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

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

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

<b>Common share activity</b>	<b>2023</b>	<b>2022</b>
Balance, beginning of period	<b>123,277,151</b>	121,527,151
Private placement	<b>33,333,331</b>	-
Option exercised	<b>1,333,333</b>	-
Warrants exercised	-	1,750,000
<b>Balance, end of period</b>	<b>157,943,815</b>	123,277,151

As at June 30, 2023 Sonoro Energy has 157,943,815 Common Shares outstanding.

**(iii) Share-based compensation**

The Board of Directors may grant options to directors, officers, employees or consultants. Options granted must be exercised no later than five years from date of grant or such lesser period as determined by the Board of Directors. The exercise price of an option is not less than the closing price on the TSX-V on the last trading day preceding the grant date. The maximum aggregate number of shares that may be reserved for issuance under the Company's stock option plan is 10 percent of the number of common shares outstanding. Options vest one-third immediately, one-third after 12 months and one-third after 24 months.

Share based compensation expense is determined using the fair value method. The fair value of options granted is measured the date of the grant and is determined using the Black-Scholes option pricing model.

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

	<b>June 30, 2023</b>		<b>December 31, 2022</b>	
	<b>Number of options</b>	<b>Weighted average exercise price</b>	<b>Number of options</b>	<b>Weighted average exercise price</b>
<b>Options outstanding, beginning of period</b>	<b>9,183,333</b>	<b>0.060</b>	10,378,333	0.060
Granted	<b>6,400,000</b>	<b>0.050</b>	-	-
Cancelled and forfeited	<b>(1,400,000)</b>	<b>0.052</b>	(1,195,000)	0.062
Exercised	<b>(1,333,333)</b>	<b>0.055</b>	-	-
<b>Options outstanding, end of period</b>	<b>12,850,000</b>	<b>0.056</b>	9,183,333	0.060

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The share options outstanding and exercisable as at June 30, 2023:

Grant date	Number of Options outstanding	Exercise price	Expiry date	Number of Options exercisable
November 8, 2019	2,800,000	0.070	November 5, 2024	2,800,000
September 30, 2020	2,250,000	0.060	October 1, 2025	1,500,000
March 25, 2021	1,400,000	0.050	March 16, 2026	2,150,000
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 3.5 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	218%	207%	238%	271%
volatility				
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 period ended June 30, 2023, the Company recorded \$109,368 (2022 - \$29,646) in share-based compensation expense for the options granted and vested during the period.

**Share Purchase Warrants**

During the first half of 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 during the quarter with a one year term to May 25, 2024.

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

	June 30, 2023		December 31, 2022	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
<b>Warrants, beginning of period</b>	<b>31,457,247</b>	<b>0.079</b>	33,207,247	0.078
Issued May 25, 2023	33,333,331	0.050	-	-
Expired	(24,457,247)	0.073	-	-
Exercised	-	-	(1,750,000)	0.070
<b>Warrants, end of period</b>	<b>40,333,331</b>	<b>0.059</b>	31,457,247	0.079

The share purchase warrants outstanding and exercisable as at June 30, 2023:

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	Number of Share Purchase Warrants outstanding	Exercise price	Expiry date	Number of Share Purchase Warrants exercisable
May 31, 2021,	7,000,000	0.10	May 31, 2024	7,000,000
May 25, 2023	33,333,331	0.05	May 25, 2024	33,333,331
	40,333,331	0.059		45,481,252

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

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

	May 31, 2021	May 25, 2023
Risk-free interest rate	0.31%	4.24%
Expected stock price volatility	166%	250%
Share price on grant date	0.050	0.030
Term	2 years	1 year

## 12. RELATED PARTY TRANSACTIONS

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

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

During the period ended June 30, 2023, key management personnel compensation and director fees of \$60,000 (2022 - \$Nil) were paid or accrued. The Company incurred \$67,831 (2022 - \$15,981) in share-based compensation to directors and/or officers for the period ended June 30, 2023.

As at June 30, 2023, outstanding amounts of \$439,550 (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.

## 13. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash working capital components:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Net change in non-cash working capital related to operations:				
Accounts receivable	(8,316)	(143)	(4,159)	4,141
Prepaid expenses	(1,032)	(31)	1,361	2,381
Accounts payable and accrued liabilities	10,652	(1,684)	312,598	(5,836)
Accrued interest payable	(1)	(31,784)	(246,670)	(64,084)
Effects of foreign currency	(881)	19,072	(59,148)	58,213
	422	(14,570)	3,982	(5,185)