Form 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS

SONORO ENERGY LTD.

This Management's Discussion and Analysis ("MD&A") of operations for the year ending December 31, 2019 audited consolidated financial statements presented herein are provided to enable readers to assess the results of operations, liquidity and capital resources of Sonoro Energy Ltd. ("Sonoro" or the "Company") is based on information available to May 21, 2020 and was approved by the Board of Directors. This MD&A should be read in conjunction with the Company's audited year end December 31, 2019 consolidated financial statements and related notes and the December 31, 2018 audited consolidated financial statements. The consolidated audited financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Additional information and continuous disclosure materials relating to the Company can be found on SEDAR at www.sedar.com. Information is also available on the Company's website at www.sonoroenergy.com. Unless otherwise stated, all dollar amounts are expressed in Canadian dollars, which is the Company's presentation currency.

Sonoro is an international oil and gas resource, exploration, and development company with a focus on South East Asia.

FORWARD-LOOKING STATEMENTS

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

When used in this MD&A, the words such as "could", "will", "anticipate", "believe", "seek", "propose", "plan", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions, as they relate to the Company or an affiliate of the Company, are intended to identify forward-looking statements. Although the Company believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements. Forward-looking statements are based on the opinions and estimates of management as at the date of this MD&A, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements described in this MD&A. Important factors that could cause actual results to differ from these forward-looking statements include those described under the heading "Risk Factors" elsewhere in this MD&A. The reader is cautioned not to place undue reliance on forward-looking statements. The Company assumes no obligation to update forward looking statements except to the extent required by applicable securities laws.
All such forward-looking information is based on certain assumptions and analyses made by management in light of experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the circumstances. The risks, uncertainties, and assumptions are difficult to predict and may affect operations, including, without limitation: the risks associated with foreign operations; foreign exchange fluctuations; commodity prices; equipment and labour shortages and inflationary costs; general economic conditions; industry conditions; changes in applicable environmental, taxation and other laws and regulations as well as how such laws and regulations are interpreted and enforced; the ability of oil and natural gas companies to raise capital;

the existence of operating risks; volatility of oil and natural gas prices; oil and natural gas product supply and demand; risks inherent in the ability to generate sufficient cash flow from operations to meet current and future obligations; increased competition; stock market volatility; opportunities available to or pursued by us and other factors, many of which are beyond the Company's control.

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

OPERATIONS

Indonesia and South-East Asia

The Company has an office in Jakarta, Indonesia where it conducts business for assessing and acquiring oil and gas projects in South East Asia. On October 14, 2019, the Company, its partner and the Government of Indonesia executed final documentation for the Selat Panjang PSC. Sonoro has a 25% interest in the project with an option for up to an additional 24%. The partner holds the balance. The consortium is in the process of taking over full operations of the concession.

The 940 sq km Selat Panjang PSC area is situated in Riau province, Central Sumatra and is approximately 925 km from Jakarta and 110 km from Pekanbaru (capital city of Riau Province). The block has produced oil and gas in prior years. In 2014, the Indonesian Ministry of Energy approved a plan of development for further production however, in 2018, the block PSC was terminated by the Indonesian Ministry of Energy and as a result the Plan of Development was not implemented.

HIGHLIGHTS and OUTLOOK: 2019

- On March 29, 2019 the Company completed a private placement financing for $312,000. The financing was for the issuance of Units comprised of one common share priced at $0.03 and one two-year warrant priced at $0.05. Proceeds were used for general corporate purposes and pursuit of new business opportunities.

- On March 29, 2019 a total of 14,219,000 common share purchase warrants issued by the Corporation in connection with a non-brokered Private Placement of the Corporation that closed on April 27, 2017 and May 19, 2017 respectively, were repriced from $0.20 to $0.05 and the term extended to December 31, 2019.

- On October 7, 2019, the warrants expiring December 31, 2019 became due as a result of an acceleration clause feature within the warrants term. A total of 9,799,451 of the 14,291,000 five cent warrants outstanding were exercised by holders prior to their expiry. In addition, 1,053,333 of the March 2021 expiry five cent warrants were exercised.

- On October 14, 2019, along with the Company's local Indonesian partner, the Company executed final documentation for the Selat Panjang PSC. Sonoro has a 25% interest in the project with an option for up to an additional 24%.

- 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 deemed interest rate calculation resulted in an allocation of $357,409 to the Company's equity account.

- On January 23, 2020, the Company amended the term of the warrants from the March 26, 2018 financing from March 26, 2020 to December 30, 2020. 26,457,247 ten-cent warrants are outstanding.

- On February 6, 2020, the Company's five-cent warrants with an expiration of March 20, 2021 triggered an acceleration clause whereby the warrants expired within 30 days of February 6, 2020. All 4,233,334 five-cent warrants have been exercised resulting in gross proceeds of $211,667.

- For the year-end December 31, 2019 financial statements, Sonoro restated its year-end December 31, 2018 financial statements due to adjustments required for VAT payable penalty in Indonesia and other adjustments relating to the Budong Budong project. Reference should be made to footnote 18 in the audited December 31, 2019 financial statements for these disclosures.

- **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.**

FINANCIAL PERFORMANCE

Selected Financial Information

	For the year-ended December 31, 2019	For the year-ended December 31, 2018 (restated)
Total Revenue	**nil**	nil
Net (loss) for the period	**(1,365,837)**	(2,467,051)
Net (loss) per share	**(0.02)**	(0.04)
Total comprehensive (loss)	**(1,425,876)**	(2,543,073)
Total assets	**2,165,199**	52,061
Total long term financial liabilities	**3,735,519**	2,289,727
Working capital	**(1,952,428)**	(2,261,060)
Capital expenditures	**nil**	nil

Results from Operations

The following paragraphs provide information about the results of Sonoro's on-going operations for the year end December 31, 2019 and 2018.

General and administrative expense

For the year ended December 31, 2019, general and administrative expense totaled $849,969 compared to $1,733,116 for the corresponding period in 2018. General and administrative costs were lower as activity at the company was minimal during the year.

The following table provides a breakdown of general and administrative expense for the year end December 31, 2019 and 2018 :

	For the year-ended December 31, 2019	For the year-ended December 31, 2018 (restated)
Employee salaries and benefits	**239,070**	306,742
Contractors and consultants	**1,000**	642,121
Travel and accommodation	**12,616**	34,515
Professional, legal and advisory	**168,325**	252,005
Office and administration	**97,818**	162,979
Jakarata office and administration	**331,140**	334,754
Total expenses	**849,969**	1,733,116

Depreciation and amortization expense

The Company co-signed (50% commitment) an office lease for a 36-month term commencing January 1, 2020. The majority of the Company's lease liabilities have been reduced by subleasing arrangements. The Company's share of gross annual rent (excluding operating costs) is payable as follows: $17,752 in 2020 and $26,628 in 2021 and $26,628 in 2022. Lease liabilities are as follows:

	For the year-ended December 31, 2019
Balance, beginning of period	-
Impact of change in accounting policy	**40,221**
Liabilities incurred	**62,613**
Liabilities settled	**(42,963)**
Interest expense	**2,742**
Balance, end of period	**62,613**
Current portion	**13,644**
Long-term portion	**48,969**
Lease obligation	**62,613**

The carrying value of office assets on December 31, 2019 and 2018 was nil.

Net loss for the periods

For the year-end December 31, 2019, the Company realized a net loss of $1,365,837 compared to a net loss of $2,467,051 for the same period in 2018. The net loss per share (basic and diluted) for the period was $0.02 in 2019 and $0.04 in 2018.

Other comprehensive loss

The Company is required to translate activities of foreign operations from their functional currency into the Company's reporting currency being Canadian dollars. Assets and liabilities are translated at period end rates and revenues and expenses are translated at the average rate for the period. Foreign exchange effects resulted in a loss of $60,039 for the year ended December 31, 2019 and a loss of $76,022 in the corresponding period 2018.

Capital expenditures

During the year ended December 31, 2019 and 2018 there were no capital expenditures related to drilling.

Exploration and evaluation costs relating to the Selat Panjang Production Sharing Contract ("PSC") are as follows:

Cost	
January 1, 2018 and December 31, 2018	**-**
Capital expenditures	**1,890,505**
Effects of foreign currency	**2,958**
December 31, 2019	**1,893,463**

Quarterly Information

The following financial information is for each of the eight most recently completed quarters of the Company and has been adjusted to reflect the discontinued operations.

Quarter ended	Total Revenue	Net (loss) for the period	Net (loss) per share basic and diluted
	$	$	$
December 31, 2019	nil	988,288	0.01
Monday, September 30, 2019	nil	45,804	0.00
Sunday, June 30, 2019	nil	163,248	0.00
Sunday, March 31, 2019	nil	168,497	0.00
December 31, 2018	nil	809,723	0.01
Sunday, September 30, 2018	nil	233,657	0.00
Saturday, June 30, 2018	nil	1,023,642	0.02
Saturday, March 31, 2018	nil	400,029	0.01

Liquidity and Capital Resources

Working capital

Sonoro had negative working capital of $1,952,428 at December 31, 2019 compared with negative working capital of $2,261,060 at December 31, 2018. The Company expects to fund this deficit based on a financing plan that is underpinned with the Salet Panjang PSC.

Cash

The Company had cash of $180,243 at December 31, 2019, compared to cash of $26,366 at December 31, 2018. The liquid portion of the working capital consists of cash in non-interest bearing accounts held at banks and highly liquid investments, which are readily convertible to known amounts of cash.

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

Cash Used in Operating Activities

For the year ended December 31, 2019, cash used for continuing operating activities was $731,746 as compared to $1,081,143 for the same period in 2018. Cash used in operating activities was used for general operating activities.

Outstanding Share Data

On March 26, 2018 the Company announced the closing of a non-brokered private placement for total gross proceeds of $1,455,404. The Company sold 29,032,039 units (a "Unit") at a price of $0.05 per Unit where each Unit consists of one common share (a "Common Share") of the Company and one common share purchase warrant (a "Warrant") of the Company, where each whole Warrant entitles the holder to purchase one Common Share within two years at a price of $0.10 per Common Share.

On March 29, 2019 the Company announced the closing of a non-brokered private placement for total gross proceeds of $312,000. The Company sold 10,400,000 units (a "Unit") at a price of $0.03 per Unit where each Unit consists of one common share (a "Common Share") of the Company and one common share purchase warrant (a "Warrant") of the Company, where each whole Warrant entitles the holder to purchase one Common Share within two years at a price of $0.05 per Common Share.

On March 29, 2019, the Company extended the term of the five cent warrants associated with the April/May 2017 common share and warrant financing to December 31, 2019. The extension was also subject to an acceleration clause that was subsequently triggered on September 5, 2019 and resulted in the warrants expiring on October 7, 2019. 9,799,451 warrants were exercised for an equal number of common shares.

As at December 31, 2019, Sonoro Energy Ltd. has 104,629,229 Common Shares outstanding, 30,790,581 warrants outstanding (26,457,247 10 cent warrants expiring December 30, 2020 and 4,233,334 5 cent warrants expiring March 26, 2021).

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

Commitments

The Company has a month to month office lease in Jakarta, monthly rent is approximately $2,800.

Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet transactions.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The significant accounting policies are outlined in Note 2 to the audited consolidated financial statements of the Company for the year ended December 31, 2019. These accounting policies have been applied consistently for the year ended December 31, 2019 and there have been no changes.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Uncertainties about these assumptions and estimates could result in material adjustments to the Company's financial statements and financial position. A description of the Company`s significant areas of estimation uncertainty and critical judgments are contained in Note 2(f) to the consolidated audited financial statements of the Company for the year ended December 31, 2019.

Effective January 1, 2019, the Company adopted IFRS 16. The standard supersedes IAS 17 Leases ("IAS 17"). Under IAS 17, the Company determined all of its leases to be operating leases and as such there were no asset or liability values assigned to these leases on its consolidated statement of financial position as at December 31, 2018.

The Company has applied IFRS 16 using the modified retrospective approach which does not require the restatement of prior period financial information. Modified retrospective approach recognizes the cumulative effect of IFRS 16 as an adjustment to opening accumulated deficit at January 1, 2019.

The following table details the impact of IFRS 16 implementation on opening balances:

	January 1, 2019
Right-of-use assets	28,825
Lease liability	(40,221)
Accumulated deficit	11,396

Internal Controls Over Financial Reporting and Disclosure Controls

As a reporting issuer listed on the TSX Venture Exchange, Sonoro is exempted from certifying as to disclosure controls and procedures ("DC&P"), as well as Internal Control over Financial Reporting ("ICFR"). The Company's Chief Executive Officer and Chief Financial Officer file a "basic" certificate under National Instrument 52-109 – *Certificates* ("NI 52-109"). Accordingly, the Company has made no assessment relating to establishment and maintenance of disclosure controls and procedures or internal controls over financial reporting as defined under NI 52-109 as of December 31, 2019.

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.

BUSINESS RISKS

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

Licenses and Permits

On October 14, 2019, the Company, its partner and the Government of Indonesia executed final documentation for the Selat Panjang PSC. Sonoro has a 25% interest in the project with an option for up to an additional 24%. The partner holds the balance. The consortium is in the process of taking over full operations of the concession.

The 940 sq km Selat Panjang PSC area is situated in Riau province, Central Sumatra and is approximately 925 km from Jakarta and 110 km from Pekanbaru (capital city of Riau Province). The block has produced oil and gas in prior years. In 2014, the Indonesian Ministry of Energy approved a plan of development for further production however, in 2018, the block PSC was terminated by the Indonesian Ministry of Energy and as a result the Plan of Development was not implemented.

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

Capital Requirements

The Company has financed itself through shareholders exercising warrants throughout 2019. The majority of these funds have been spent and the Company has a substantial negative working capital balance.

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

Exploration, Development and Production Risks

Sonoro's exploration, appraisal, development and production of oil and gas in Indonesia and South-East Asia is speculative.

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

Future exploration and development may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals, permits, licenses, authorizations or consents, unusual or unexpected geological formations, formation pressures, geotechnical and seismic factors, occupational and health hazards, technical failures, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity, labour disputes, fires, explosions, power outages, rock falls, landslides, acts of God, or other geological and mechanical conditions. While close well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

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

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

Resource Estimates

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

Joint Ventures

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

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

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

Foreign Activities in Indonesia

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

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

Infrastructure development in Indonesia is limited, which may affect the Company's ability to explore and develop its properties and to store and transport potential future oil and gas production. The lack of suitable infrastructure or lack of access to existing infrastructure may impede the production activities as the ability to implement the plan of operations is dependent upon the ability to access existing infrastructure or procure the construction and development of suitable infrastructure and any delays or failures in this regard could adversely affect the business. There may also be no available refining capacity in the region and the Company may be required to build additional facilities to process its entire production. In addition, the Company may be required to establish camps for all of its field operations.

Management of Key Relationships in Indonesia

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

Prices, Markets and Marketing

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

- the impact that the various levels of government may have on the ultimate price received for its products, the export of products and other aspects of the oil and gas industry;
- reservoir characteristics;
- the proximity and capacity of oil and gas pipelines and processing facilities and equipment;
- the availability and proximity of pipeline capacity and sales markets;

- security issues;
- the local supply of and demand for oil;
- the effects of inclement weather;
- the availability of drilling, production and related equipment and supplies, as well as services, all of which may be disrupted for a number of reasons;
- the hazards related to drilling and associated operations;
- unexpected cost increases;
- accidental events;
- currency fluctuations;
- the availability and productivity of skilled labour; and
- adverse legislation in the regions in which it operates.

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

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

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

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

Cost of New Technologies

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

Operating Hazards

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

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

Environmental

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

Foreign Legal and Judicial Systems

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

Foreign Exchange

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

Farm-out and Joint Venture Partners

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

Canadian and Foreign Tax Considerations

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

Litigation

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

SONORO ENERGY LTD.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

Independent Auditor's Report

To the Shareholders of Sonoro Energy Ltd.:

Opinion

We have audited the consolidated financial statements of Sonoro Energy Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and December 31, 2018, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits 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 Company in accordance with the ethical requirements that are relevant to our audits 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 in the consolidated financial statements, which indicates that for the year ended December 31, 2019, the Company had no revenues, negative working capital of $1,952,428, negative cash flows from continuing operations of $731,746, a loss from continuing operations of $1,050,808 and an accumulated deficit of $87,926,791. As stated in Note 1, these events or conditions, along with other matters as set for the in Note 1, indicate that a material uncertainty exists that may cast significant doubt about the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of Matter - Restated Comparative Information

We draw attention to Note 18 to the consolidated financial statements, which explains that certain comparative information presented:

- for the year ended December 31, 2018 has been restated;
- as at January 1, 2018 has been derived from the consolidated statement of financial position as at December 31, 2017 (not presented herein).

Our opinion is not modified in respect of this matter.

The consolidated financial statements for the year ended December 31, 2017 (not presented herein but from which the comparative information as at January 1, 2018 has been derived), excluding adjustments that were applied to restate certain comparative information were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on April 30, 2018.
As part of our audit of the December 31, 2019 consolidated financial statements, we also audited the adjustments that were applied to restate certain comparative information as at January 1, 2018. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the consolidated financial statements for the year ended December 31, 2017 (not presented herein) and as at January 1, 2018 other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on those consolidated financial statements taken as a whole.

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 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 Management’s Discussion and Analysis 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. 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 International Financial Reporting Standards, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 Company'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 Company'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 Company 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 Company 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

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.

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

Calgary, Alberta

MNP LLP

May 21, 2020

Chartered Professional Accountants

SONORO ENERGY LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31,
Canadian Dollars

	notes	**December 31, 2019**	December 31, 2018 Restated (18)	January 1, 2018 Restated (18)
ASSETS				
Current				
Cash and cash equivalents		**180,243**	26,366	89,874
Accounts receivable	6	**5,435**	2,301	20,055
		185,678	28,667	109,929
Non-Current				
Prepaids		**27,733**	23,394	28,161
Property and equipment	7	**58,325**	-	-
Exploration and evaluation	8	**1,893,463**	-	-
Total Assets		**2,165,199**	52,061	138,090
LIABILITIES				
Current				
Accounts payable and accrued liabilities	9	**2,124,462**	2,289,727	1,652,288
Current portion of lease liability	10	**13,644**	-	-
Asset retirement obligation		**-**	-	50,000
		2,138,106	2,289,727	1,702,288
Non-Current				
Long-term debt	11	**275,992**	-	-
Convertible debenture	11	**1,272,452**	-	-
Lease liability	10	**48,969**	-	-
Total Liabilities		**3,735,519**	2,289,727	1,702,288
SHAREHOLDERS' DEFICIENCY				
Share capital	12	**73,222,952**	71,400,086	70,669,377
Convertible debenture	11	**357,409**	-	-
Warrants		**880,941**	1,372,025	461,797
Contributed surplus		**11,619,755**	11,328,867	11,100,200
Accumulated other comprehensive income/(loss)		**275,414**	210,914	286,935
Accumulated deficit		**(87,926,791)**	(86,549,558)	(84,082,507)
Total Shareholders' Deficit		**(1,570,320)**	(2,237,666)	(1,564,198)
Total Liabilities and Shareholders' Deficit		**2,165,199**	52,061	138,090

Nature of Business and Going Concern (Note 1)
Contingencies and Commitments (Note 15)
Subsequent events (Note 19)

See accompanying notes to the Consolidated Financial Statements.

ON BEHALF OF THE BOARD OF DIRECTORS:

"signed"
Richard Wadsworth, Director

"signed"
Chris Atkinson, Director

SONORO ENERGY LTD.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the years ended December 31,
Canadian Dollars

	Notes	2019	2018 Restated (18)
Expenses			
General and administrative	5	**849,969**	1,733,116
Interest expense	10,11	**67,888**	-
Depreciation of property, plant and equipment	7	**24,878**	-
Share-based compensation	12	**184,888**	228,667
		1,127,623	1,961,783
Foreign exchange (income) loss		**(2,567)**	3,037
Other income	5	**(74,248)**	(66,530)
Loss from continuing operations		**(1,050,808)**	(1,898,290)
Loss from discontinued operations	17	**(315,029)**	(568,761)
Net loss for the year		**(1,365,837)**	(2,467,051)
Other Comprehensive Loss			
Exchange differences on translation of foreign operations		**(60,039)**	(76,022)
Total comprehensive loss		**(1,425,876)**	(2,543,073)
Per Share Information			
Continuing operations - basic and diluted		**$(0.012)**	$(0.029)
Discontinued operations - basic and diluted		**$(0.004)**	$(0.008)
Net loss per share - basic and diluted		**$(0.016)**	$(0.037)
Weighted average number of common shares outstanding		**86,414,971**	66,914,352

See accompanying notes to the Consolidated Financial Statements.

SONORO ENERGY LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Canadian Dollars

	Note	Common Shares Number	Common Shares Amount	Convertible Debentures	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income/(loss) Foreign Currency Translation Restated (18)	Accumulated Deficit Restated (18)	Deficit Total
Balance at December 31, 2017		44,328,616	70,669,378	-	461,797	11,100,200	286,935	(84,082,507)	(1,564,197)
Private Placement (net of issuance costs)		29,032,039	538,298	-	917,106	-	-	-	1,455,404
Warrants exercised		927,665	192,410	-	(6,878)	-	-	-	185,532
Share based compensation		-	-	-	-	228,667	-	-	228,667
Loss and comprehensive loss for the year		-	-	-	-	-	(76,021)	(2,467,051)	(2,543,072)
Balance December 31, 2018		74,288,320	71,400,086	-	1,372,025	11,328,867	210,914	(86,549,558)	(2,237,666)
Impact of change in accounting policy	**3k**	**-**	**-**	**-**	**-**	**-**	**-**	**(11,396)**	**(11,396)**
Balance January 1, 2019		**74,288,320**	**71,400,086**	**-**	**1,372,025**	**11,328,867**	**210,914**	**(86,560,954)**	**(2,249,062)**
Private Placement (net of issuance costs)	12	**10,400,000**	**203,588**	**-**	**108,412**	**-**	**-**	**-**	**312,000**
Convertible debentures (net of issuance costs)	11	**-**	**-**	**357,409**	**-**	**-**	**-**	**-**	**357,409**
Warrants exercised	12	**19,940,909**	**1,619,278**		**(493,496)**	**-**	**-**	**-**	**1,125,782**
Warrants expired		**-**	**-**	**-**	**(106,000)**	**106,000**	**-**	**-**	**-**
Share based compensation	12	**-**	**-**	**-**	**-**	**184,888**	**-**	**-**	**184,888**
Net loss from discontinued operations		**-**	**-**	**-**	**-**	**-**	**-**	**(315,029)**	**(315,029)**
Net loss from continuing operations		**-**	**-**	**-**	**-**	**-**	**-**	**(1,050,808)**	**(1,050,808)**
Currency translation adjustment		**-**	**-**		**-**	**-**	**64,500**	**-**	**64,500**
Balance at December 31, 2019		**104,629,229**	**73,222,952**	**357,409**	**880,941**	**11,619,755**	**275,414**	**(87,926,791)**	**(1,570,320)**

See accompanying notes to the Consolidated Financial Statements.

SONORO ENERGY LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31,
Canadian Dollars

	Notes	2019	2018 Restated (18)
Operating Activities			
Net loss from continuing operations		**(1,050,808)**	(1,898,290)
Items not affecting cash and cash equivalents:			-
Share based compensation	12	**184,888**	228,667
Depreciation of property Plant and Equipment		**24,878**	-
Financing costs		**67,888**	-
Gain on disposition of right-of-use assets	5	**(12,643)**	-
Unrealized foreign exchange (gains) loss		**(6,608)**	-
		(792,405)	(1,669,623)
Net change in non-cash working capital related to operations	16	**60,659**	588,480
Cash flows used in continuing operating activities		**(731,746)**	(1,081,143)
Cash flows used in discontinued operations		**(315,029)**	(618,761)
Investing Activities			
Exploration and evaluation expenditures	8	**(1,890,505)**	-
Cash flows used in investing activities		**(1,890,505)**	-
Financing Activities			
Proceeds from the issuance of shares (net of issuance costs)	12	**143,102**	1,451,602
Proceeds from warrant exercises		**1,125,782**	185,532
Lease liabilities settled		**(19,342)**	-
Proceeds from issuance of long-term debt	11	**280,138**	-
Proceeds from issuance of convertible debenture	11	**1,615,382**	-
Deferred financing costs		**(18,728)**	-
Interest expense		**(34,680)**	-
Cash flows from financing activities		**3,091,654**	1,637,134
Increase/(decrease) in cash and cash equivalents		**154,374**	(62,770)
Cash and cash equivalents, beginning of year		**26,366**	89,874
Impact of foreign exchange on cash balances		**(497)**	(738)
Cash and cash equivalents, end of year		**180,243**	26,366

See accompanying notes to the Consolidated Financial Statements.

1. Nature of Business and Going Concern

a) Nature of business

Sonoro Energy Ltd. ("the Company") was incorporated February 4, 2000 in British Columbia, Canada and commenced trading on the TSX Venture Exchange ("the TSX-V") on November 29, 2000. Effective August 7, 2013, the Company 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 in South East Asia. 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 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.

For the year ended December 31, 2019, the Company had no revenues, negative working capital of $1,952,428, (2018 – $2,261,060- restated see note 18), negative cash flows from continuing operating activities of $731,746 (2018 – $1,081,143- restated see note 18), a loss from continuing operations of $1,050,808 (2018 - $1,898,290- restated see note 18) and an accumulated deficit of $87,926,791, (2018 - $86,549,558- restated see note 18).

While 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 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. 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 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 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 consolidated annual financial statements for the year ended December 31, 2019 were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Reporting Interpretation Committee ("IFRIC") effective as of December 31, 2019. 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 notes 2(f).

These consolidated financial statements were authorized for issuance by the Board of Directors as of May 21, 2020.

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 International Holdings B.V. ("SEIHBV")	The Netherlands	100.0%	USD
Stockbridge Oil and Gas Ltd B.V.I.	British Virgin Islands	100.0%	USD
Zamatra Bakau Straits Ltd. B.V.I.	British Virgin Islands	100.0%	USD
Stockbridge Budong Budong B.V.	The Netherlands	100.0%	IDR
Sonic Environmental Solutions Corp. ("Sonic Corp.")	California, USA	100.0%	USD
Petrosonic Energy Systems Inc. *	Delaware, USA	100.0%	USD

*** Petrosonic Energy Systems Inc. was dissolved on November 22, 2019**

c) Basis of consolidation

These consolidated 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 has the ability to 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 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 year-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

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.

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Judgements, estimates and assumptions are continuously 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 consolidated 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 years. A reversal of an impairment loss is recognized immediately in consolidated 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. 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) 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.

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

a) 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.

b) 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

E&E costs, 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, intangible E&E assets attributable to those reserves are first tested for impairment and then reclassified from E&E assets to a separate category within tangible assets within property, plant and equipment referred to as oil and gas interests.

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.

Development and production

Items of PP&E, which include oil and gas development and production 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 the consolidated statement of loss and comprehensive 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 the consolidated statement of loss and comprehensive loss as incurred.

Decommissioning liabilities

Where a liability for the removal of production facilities and site restoration at the end of the production life of a field exists, a provision for decommissioning 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 expenditure, 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 fixed asset which is depleted on a unit of production basis based on the estimated quantity of commercial reserves. The provision is increased each reporting period due to the passage of time and the amount is charged to the reporting period and is classified as finance costs. Changes in estimates are recognized prospectively with corresponding adjustments to the provision and the underlying fixed asset.

c) 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.

d) Lease arrangements

When the Company is party to a lease arrangement as the lessee, it recognizes a right-of use asset (“ROU asset”) and a corresponding lease liability on the consolidated statement of financial position on the date that a leased asset becomes available for use. Interest associated with the lease liability is recognized over the lease period with a corresponding increase to the underlying lease liability. ROU assets are depreciated on a straight-line basis over the shorter of the asset’s useful life and the lease term. Depreciation on ROU assets is recognized as depreciation in the consolidated statement of loss and comprehensive loss.

ROU assets and lease liabilities are initially measured on a present value basis. Lease liabilities are measured as the net present value of the lease payments. ROU assets are measured at cost, which is composed of the amount the initial measurement of the lease liabilities, less any incentives received, plus any lease payments made at, or before, the commencement date. The rate implicit in the lease issued to determine the present value of the liability and ROU asset arising from a lease, unless this rate is not readily determinable, in which case the Company's incremental borrowing rate is used.

Short-term leases and leases of low-value are not recognized on the statement of financial position and lease payments are instead recognized in the financial statements as incurred.

When the Company acts as a lessor, it determines at the inception of each lease whether it is a finance or an operating lease. The classification is dependent on whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying assets. The Company's lessor arrangements are classified as operating leases and lease payments received are recognized in other income.

e) 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.

f) Share issuance costs

Commissions paid to underwriters, and other related share issue costs, such as legal, auditing and printing, on the issue of the Company's shares are charged to share capital.

g) 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.

h) 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.

i) 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.

j) 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

The Company makes use of a simplified approach in accounting for receivables 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 assess impairment of receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

k) Changes in accounting policies

IFRS 16 Leases ("IFRS 16")

Effective January 1, 2019, the Company adopted IFRS 16. The standard supersedes IAS 17 Leases ("IAS 17"). Under IAS 17, the Company determined all of its leases to be operating leases and as such there were no asset or liability values assigned to these leases on its consolidated statement of financial position as at December 31, 2018.

The Company has applied IFRS 16 using the modified retrospective approach which does not require the restatement of prior period financial information. Modified retrospective approach recognizes the cumulative effect of IFRS 16 as an adjustment to opening accumulated deficit at January 1, 2019 and applies the standard prospectively.

The following table details the impact of IFRS 16 implementation on opening balances:

	January 1, 2019
Right-of-use assets	28,825
Lease liability	(40,221)
Accumulated deficit	11,396

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision is about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
  - the Company has the right to operate the asset; or
  - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

The policy is applied to contracts entered into, or changed, on or after January 1, 2019.

The Company may elect not to apply the lessee accounting model to:

- leases with a lease term of 12 months or less that do not contain a purchase option; and
- leases for which the underlying asset is of low value when it is new.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. For the leases of building spaces in which it is a lessee, the Company has elected to separate non-lease components, and account for the lease and non-lease components as a separate lease component. Any additional payment for the operating costs is a non-lease component and is accounted for as a rent expense.

The lease liability is initially measured at the present value of the lease payments that are not paid at the initial application date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company recognizes a ROU asset on a lease-by-lease basis as the amount equal to the lease liability on January 1, 2019. The right-of-use asset is subsequently depreciated using the straight-line method from the initial application date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

There are no other standards or interpretations issued, but not yet effective, that the Company anticipates may have a material effect on the consolidated financial statements once adopted.

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 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 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 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, 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 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)

The carrying value and fair value of the Company's financial instruments at December 31, 2019 are as follows:

	Carrying Value	Fair Value
Cash and cash equivalents	**180,243**	180,243
Account payables and accrued liabilities	**2,124,462**	2,124,462
Long-term Loan	**275,992**	275,992
Convertible debenture	**1,272,452**	1,272,452

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. During the year ended December 31, 2019 and 2018, the Company did not record any bad debt expense.

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 December 31, 2019.

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 December 31, the following balances are denominated in foreign currencies:

		December 31, 2019	December 31, 2018 Restated (18)
Cash and cash equivalents	IDR	**609**	253
Cash and cash equivalents	USD	**50,297**	1,391
Trade and other payables	IDR	**1,767,104**	2,113,725
Trade and other payables	USD	**15,821**	82,315
Trade and other payables	EUR	**80,849**	61,946
Long-term debt	IDR	**21,245**	-
Long-term debt	USD	**254,747**	-

The Company's primary foreign exchange sensitivity is in relation to movements of the IDR against the Canadian dollar. Based on IDR balances as at December 31, 2019 a 1% increase/decrease of the IDR against the Canadian dollar would result in an increase/decrease in net loss of approximately CAD $22,000.

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 December 31, 2019, there existed negative working capital of $1,952,428 (December 31, 2018 – $2,261,060, restated (Note 18)). 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 year ended December 31, 2019. The Company is not subject to any external capital requirements.

5. General and Administrative and Other Income

General and administrative expenses for the years ended December 31, 2019 and 2018 are comprised of the following:

	For the year-ended December 31, 2019	For the year-ended December 31, 2018 Restated (18)
Employee salaries and benefits	**239,070**	306,742
Contractors and consultants	**1,000**	642,121
Travel and accommodation	**12,616**	34,515
Professional, legal and advisory	**168,325**	252,005
Office and administration	**97,818**	162,979
Jakarta office and administration	**331,140**	334,754
Total expenses	**849,969**	1,733,116

Employee salaries and benefits are comprised of personnel in head office. Contractors and Consultants are mainly costs incurred in Indonesia. Professional fees include legal, accounting, investor relations and board fees.

Other income for the years ended December 31, 2019 and 2018 are comprised of the following:

	For the year-ended December 31, 2019	For the year-ended December 31, 2018 Restated (18)
Rental revenue	**61,605**	66,530
Gain on disposition of ROU assets	**12,643**	-
Other income	**74,248**	66,530

6. Accounts Receivable

Accounts receivable consist of Goods and Services Tax ("GST") and Value Added Tax ("VAT") recoverable by the Company and its subsidiaries on expenditures made. All amounts are current and are expected to be recovered subsequent to year end.

7. Property and Equipment

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

Cost	**note**	
January 1, 2018 and December 31, 2018		256,079
Impact of change in accounting policy	3k	**28,825**
Right-of-use assets		**62,613**
Disposition of right-of-use assets		**(28,825)**
December 31, 2019		**318,692**

Accumulated depreciation, depletion and amortization	
January 1, and December 31, 2018	256,079
Depletion, depreciation and amortization	**24,878**
Disposition of right-of-use assets	**(20,590)**
December 31, 2019	**260,367**

Net book value	
January 1 and December 31, 2018	-
December 31, 2019	**58,325**

8. Exploration and Evaluation

Exploration and evaluation costs relating to the Selat Panjang Production Sharing Contract ("PSC") are as follows:

Cost	
January 1, 2018 and December 31, 2018	**-**
Capital expenditures	**1,890,505**
Effects of foreign currency	**2,958**
December 31, 2019	**1,893,463**

The PSC was signed on October 14, 2019 and has a 20-year term with an initial signature bonus of US$5 million and a five-year work program commitment of US$74 million. Sonoro holds a 25% interest in the PSC with an option to acquire an additional 24% after completion of project milestones.

9. Accounts Payable and Accrued Liabilities

As at December 31, 2019, the Company has total accounts payable and accrued liabilities of $2,124,462 (December 31, 2018 - $2,289,727- restated see note 18). Such costs relate mainly to the drilling activities in 2017 in West Sulawesi, accrued salaries owing and standard accounts payable. Also included in accruals is a VAT payable amount of $105,165 relating to VAT payable to the Government of Indonesia (restated-see note 18). This amount is based on an amount determined subsequent to a government VAT audit in 2019, based on penalties incurred for 2014-2017 VAT amounts payable.

The Company previously had an asset retirement obligation (“ARO”) recorded on the consolidated statement of financial position for $50,000. This amount has been removed given that the Budong PSC was not renewed and has been relinquished back to the Government of Indonesia with no further obligations required (restated-see note 18).

10. Lease Liabilities

The changes in lease liabilities are as follows:

		For the year-ended December 31, 2019	For the year-ended December 31, 2018
Balance, beginning of year		**-**	-
Impact of change in accounting policy	3.k	**40,221**	-
Liabilities incurred		**62,613**	-
Liabilities settled		**(43,244)**	-
Interest expense		**3,023**	-
Balance, end of year		**62,613**	-
Current portion		**13,644**	-
Long-term portion		**48,969**	-
Lease liabilities		**62,613**	-

The Company co-signed (50% commitment) an office lease for a 36-month term commencing January 1, 2020. The majority of the Company’s lease liabilities have been reduced by subleasing arrangements. The Company’s share of gross annual rent (excluding operating costs) is payable as follows: $17,752 in 2020 and $26,628 in 2021 and $26,628 in 2022.

11. Long-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 debenture has a face value interest rate of 8%, however the Company used a fair market interest rate to calculate the conversion amount based on the debenture conversion feature. The deemed interest rate calculation resulted in an allocation of $357,409 to the Company's equity account. The changes in long-term debt are as follows:

	December 31, 2019	December 31, 2018
Balance, beginning of the year	**-**	-
Initial proceeds of long-term debt	**275,122**	-
Interest expense	**5,016**	-
Effects of unrealized foreign exchange gain on translation	**(4,146)**	-
Balance, end of the year	**275,992**	-

As at December 31, 2019, the Company had the following outstanding long-term debt:

	Interest rate	Maturity	**December 31, 2019**	December 31, 2018
USD denominated debt	8.0%	Oct-21	**254,747**	-
IDR denominated debt	16.0%	Oct-21	**21,245**	-
Long-term debt			**275,992**	-

	December 31, 2019	December 31, 2018
Current portion	**-**	-
Long-term portion	**275,992**	-
Long-term debt	**275,992**	-

The changes in convertible debenture are as follows:

	December 31, 2019	December 31, 2018
Balance, beginning of the year	**-**	-
Initial proceeds from debt	**1,615,382**	-
Debt issue costs paid in cash	**(18,728)**	-
Transfer of conversion component to equity	**(357,409)**	-
Amortization of deferred financing costs	**1,817**	-
Accretion on convertible debentures	**31,390**	-
Balance, end of the year	**1,272,452**	-

Convertible debenture bifurcated into equity and debt components:

	Maturity	**December 31, 2019**	December 31, 2018
Debt component	Oct-21	**1,272,452**	-
Equity component	Oct-21	**357,409**	-

12. Share Capital

(i) Authorized

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

(ii) Issued and outstanding common share activity

On January 12, 2018, the Company consolidated its common shares at a ratio of 1 common share for each 4 common shares held as per TSXV requirements. Subsequent to the share consolidation the Company had 44,328,616 common shares outstanding.

On March 26, 2018, the Company announced the closing of a non-brokered private placement for total gross proceeds of $1,455,404. The Company sold 29,032,039 units (a “Unit”) at a price of $0.05 per Unit where each Unit consists of one common share (a “Common Share”) of the Company and one common share purchase warrant (a “Warrant”) of the Company, where each whole Warrant entitles the holder to purchase one Common Share within two years at a price of $0.10 per Common Share.

On March 29, 2019, the Company announced the closing of a non-brokered private placement for total gross proceeds of $312,000. The Company sold 10,400,000 units (a “Unit”) at a price of $0.03 per Unit where each Unit consists of one common share (a “Common Share”) of the Company and one common share purchase warrant (a “Warrant”) of the Company, where each whole Warrant entitles the holder to purchase one Common Share within two years at a price of $0.05 per Common Share.

On March 29, 2019, the Company extended the term of the five cent warrants associated with the April/May 2017 common share and warrant financing to December 31, 2019. The extension was also subject to an acceleration clause that was subsequently triggered on September 5, 2019 and resulted in the warrants expiring on October 7, 2019. 9,799,451 warrants were exercised for an equal number of common shares.

As at December 31, 2019 Sonoro Energy has 104,629,229 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.

On November 8, 2019, the Company issued 3,355,000 stock options to management, employees and directors at an exercise price of $0.07 and with a ten-year maturity and that vest one-third immediately, one-third in one year and one third in two years.

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, 2019		December 31, 2018	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Options outstanding, beginning of year	**4,925,000**	**$0.184**	2,950,000	$0.320
Granted	**3,355,000**	**$0.070**	2,525,000	$0.055
Forfeited	**(312,500)**	**$0.235**	(366,667)	$0.320
Expired	-	-	(183,333)	$0.320
Options outstanding, end of year	**7,967,500**	**$0.134**	4,925,000	$0.184

The share options outstanding and exercisable as at December 31, 2019:

Grant date	Number of Options outstanding	Exercise price	Expiry date	Number of Options exercisable
June 20, 2017	2,187,500	$0.320	June 20, 2022	2,187,500
May 1, 2018	2,425,000	$0.055	June 27, 2023	1,616,667
November 8, 2019	3,355,000	$0.070	November 7, 2024	1,118,333
	7,967,500	$0.134		4,922,500

The weighted average life of options outstanding is 3.8 years (2018 - 3.9 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:

	November 8, 2019	May 1, 2018
Risk-free interest rate	1.6%	2.2%
Expected stock price volatility	271%	261%
Expected life	5 years	5 years
Expected dividend yield	-	-
Share price on grant date	0.095	0.070
Fair Value Option Price	0.095	0.070
Forfeiture rate	18%	5%

During the year ended December 31, 2019, the Company recorded $184,888 (2018 - $228,667) in share-based compensation expense for the options granted and vested during the year.

Share Purchase Warrants

On March 29, 2019 a total of 14,219,000 common share purchase warrants issued by the Corporation in connection with a non-brokered Private Placement of the Corporation that closed on April 27, 2017 and May 19, 2017 respectively, were repriced from $0.20 to $0.05 and the term extended to December 31, 2019.

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

	December 31, 2019		December 31, 2018	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants, beginning of year	**44,175,614**	**$ 0.134**	16,071,237	$ 0.200
Issued March 26, 2018	**–**	**–**	29,032,039	0.100
Issued March 29, 2019	**10,400,000**	**0.050**	–	–
Exercised	**(19,940,909)**	**0.056**	(927,662)	0.200
Expired	**(3,844,124)**	**0.050**	–	–
Warrants, end of year	**30,790,581**	**$ 0.093**	44,175,614	$0.134

The share purchase warrants outstanding and exercisable as at December 31, 2019:

	Number of Share Purchase Warrants outstanding	Exercise price	Expiry date	Number of Share Purchase Warrants exercisable
March 26, 2018	26,457,247	$0.100	December 30, 2020	26,457,247
March 29, 2019	4,333,334	$0.050	March 6, 2020	4,333,334
	30,790,581	$0.093		30,790,581

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

	March 2019	March 2018
Risk-free interest rate	1.6%	1.9%
Expected stock price volatility	178%	230%
Share price on grant date	0.025	0.070
Term	2 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, CFO, executive officers and senior managers.

During the year ended December 31, 2019, key management personnel compensation and director fees of $343,243 were paid or accrued (2018 – $364,387).

As at December 31, 2019, salaries and fees amounting to $398,493 (December 31, 2018 - $239,760) were owing to directors or officers, with respect to salaries, benefits and consulting fees. These amounts are non-interest bearing, have no specific terms of repayment and are included in accrued liabilities. The Company also incurred $184,888 (2018 – $228,667) in share-based compensation to directors and/or officers.

In 2018, an Executive Officer in Indonesia injected capital of US$25,000 in the form of an interest -free loan to the Company. This amount was repaid in 2018. Funds were used to sustain the office and administrative costs in Jakarta.

During the year ended December 31, 2018, the Company entered into agreements with several parties for block-chain technology development and marketing, investor relations and other consulting services with contract values totaling $647,500. The fees under these agreements were paid in March 2018 and 100% of amounts were recognized as expenses for the year ended December 31, 2018. All of these parties also subscribed to the private placement which occurred in March 2018 for proceeds totaling $412,500. Subsequent to the completion of the private placement, the Company decided not to proceed with the development of block-chain technology. This provided uncertainty regarding the intent of the Company to benefit from the services rendered.

14 Income Tax

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

	2019	2018 -Restated (18)
Loss before income taxes	**(1,365,837)**	(2,467,051)
Combined statutory tax rate	**26.50%**	27.00%
Expected tax recovery at statutory rate	**(361,947)**	(666,104)
Non-deductible items	**252,324**	1,114,168
Change in unrecognized deferred tax asset	**9,908**	(448,064)
Other	**99,715**	-
Actual income tax recovery	**-**	-

The statutory tax rate decreased from 27% to 26.5% due to a decrease in the Alberta provincial tax rate on July 1, 2019.

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

	2019	2018
Convertible debenture and debt issuance costs	**(85,237)**	-
Non-capital losses	**85,237**	-
Total deferred tax assets	**-**	-
Unrecognized deferred tax asset	**-**	-
Deferred taxes	**-**	-

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

	2019	2018
Canadian undepreciated capital cost	**379,583**	495,018
Canadian non-capital losses	**41,416,665**	41,258,155
Canadian capital losses	**20,377,747**	20,377,747
	62,173,994	62,130,920

As at December 31, 2019, the Company had accumulated Canadian non-capital losses of approximately $41.4 million expiring between 2026 and 2039. The Company has not filed income tax returns in the USA, Netherlands and Indonesia. Therefore, no tax pools have been disclosed for these jurisdictions.

15 Contingencies and Commitments

Jakarta Lease: The Company is on a month to month lease in Jakarta for approximately US$2,800 a month.

16 Supplemental cash flow information

Non-cash working capital components:

	For the year-ended December 31, 2019	For the year-ended December 31, 2018 (restated - note 18)
Net change in non-cash working capital related to operations:		
Accounts receivable	**(3,133)**	17,754
Prepaid expenses	**(4,340)**	4,767
Accounts payable and accrued liabilities	**3,631**	585,485
Effects of foreign currency	**64,501**	(19,526)
Total expenses	**60,659**	588,480

17 Discontinued Operations

In November 2017, Sonoro drilled a well at its Budong, Budong property in West Sulawesi, Indonesia. The Company cased the well after encountering hydrocarbon indications. The Production Sharing Contract ("PSC") required an extension in January 2018 to continue operations and negotiations to extend the PSC continued throughout 2018. Due to circumstances beyond Sonoro's control, the PSC was not renewed and in 2019 and the Company deemed the PSC as a discontinued operation. Operating results related to discontinued operations represented operating expenses and have been included in net loss from discontinued operations on the consolidated statement of loss.

18 Prior Period Restatement

Other income relating to the rental income from the sublease of office space was previously shown as a reduction in general and administrative expenses, but to conform with current year presentation a total of $66,530 has been reclassed for the year ended December 31, 2018.

During the preparation of the Company's consolidated financial statements for the year ended December 31, 2019, the Company identified the following prior period misstatements:

a) The asset retirement obligation of $50,000 as at December 31, 2018 relating to the Budong, Budong property in West Sulawesi, Indonesia was not extinguished during the year ended December 31, 2018 upon the PSC not being renewed. The PSC expired January 15, 2018.

b) The reclassification of the operating results totaling $251,062 of the Budong, Budong property as loss from discontinued operations for the year ended December 31, 2018 (see Note 17)

c) A VAT penalty totaling $262,953 relating to 150% of the unpaid amount of VAT previously accrued and due to the Government of Indonesia for the years ended December 31, 2014 through December 31, 2017 was not accrued to December 31, 2018

d) Miscellaneous expenses including VAT totaling $51,720 and $5,447 were not accrued as at December 31, 2017 and as at December 31, 2018 respectively.

e) Late fees charged on an amount due to a supplier for the period August 1, 2018 to December 31, 2018 totalling $99,299 were not accrued as at December 31, 2018.

f) All the above adjustments denominated in IDR and as such, resulted in exchange differences on translation of foreign operations, impacting accumulated other comprehensive income.

These misstatements have been corrected by restating each of the affected consolidated financial statement line items for prior periods:

Consolidated Statement of Financial Position (extract)	January 1, 2018 (Previously reported)	Correction	January 1, 2018 (Restated)
Accounts payable and accrued liabilities	1,603,234	49,054	1,652,288
Total current liabilities	1,653,234	49,054	1,702,288
Accumulated other comprehensive income	284,269	2,666	286,935
Accumulated deficit	(84,030,787)	(51,720)	(84,082,507)
Total shareholders' deficiency	(1,515,144)	(49,054)	(1,564,198)

Consolidated Statement of Financial Position (extract)	December 31, 2018 (Previously reported)	Correction	December 31, 2018 (Restated)
Accounts payable and accrued liabilities	1,855,212	434,515	2,289,727
Asset retirement obligation	50,000	(50,000)	-
Total current liabilities	1,905,212	384,515	2,289,727
Accumulated other comprehensive income	226,010	(15,096)	210,914
Accumulated deficit	(86,180,139)	(369,419)	(86,549,558)
Total shareholders' deficiency	(1,853,151)	(384,515)	(2,237,666)

Consolidated Statement of Loss and Comprehensive Loss (extract)	For the year-ended December 31, 2018 (previously reported)	Correction	For the year-ended December 31, 2018 (Restated)
General and administrative	1,917,648	(184,532)	1,733,116
Total expenses	2,146,315	(184,532)	1,961,783
Other income		(66,530)	(66,530)
Loss from continuing operations	(2,149,352)	251,062	(1,898,290)
			-
Loss from discontinued operations	-	(568,761)	(568,761)
Loss for the year	(2,149,352)	(317,699)	(2,467,051)
Exchange differences on translation of foreign operations	(58,259)	(17,763)	(76,022)
Total comprehensive loss	(2,207,611)	(335,462)	(2,543,073)
Continuing operations - basic and diluted	(0.032)	0.003	(0.029)
Discontinued operations - basic and diluted	-	(0.008)	(0.008)
Net loss per share - basic and diluted	(0.032)	(0.005)	(0.037)

Consolidated Statement of Cash flows (extract)	December 31, 2018 (Previously reported)	Correction	December 31, 2018 (Restated)
Loss from continuing operations	(2,149,352)	251,062	(1,898,290)
Net change in non-cash working capital related to operations	220,781	367,699	588,480
Cash flows used in continuing operating activities	(1,699,904)	618,761	(1,081,143)
Discontinued operations	-	(618,761)	(618,761)

19 Subsequent events

Warrant Amendment and Acceleration

On January 23, 2020, the Company amended the term of the warrants from the March 26, 2018 financing from March 26, 2020 to December 30, 2020. 26,457,247 ten-cent warrants are outstanding.

On February 6, 2020, the Company's five-cent warrants with an expiration of March 20, 2021 triggered an acceleration clause whereby the warrants expire within 30 days of February 6, 2020. All 4,333,334 five-cent warrants have been exercised resulting in gross proceeds of $215,667.

COVID-19

COVID-19: Since December 31, 2019, the outbreak of the novel strain of Coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self – imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Corporation and its operating subsidiaries in future periods.