SONORO ENERGY LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2015 and 2014

(unaudited)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

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

SONORO ENERGY LTD.

Condensed Consolidated Interim Financial Statements
As at and for the three and nine months ended September 30, 2015 and 2014

SONORO ENERGY LTD.

Consolidated Statements of Comprehensive Loss

(unaudited)

For the three and nine months ended September 30, 2015 and 2014

Canadian Dollars

	Note	Three Months Ended September 30,		Nine Months Ended September 30,	
		2015	2014	**2015**	2014
Expenses					
General and administrative	7	**$ (194,743)**	$ (348,748)	**$ (658,432)**	$ (1,730,875)
Depreciation of property, plant and equipment	10	**(14,151)**	(14,101)	**(27,683)**	(43,928)
Amortization of patents and intellectual property		**-**	-	**-**	(266)
Operating loss		**$ (208,894)**	$ (362,849)	**(686,115)**	(1,775,069)
Net finance income (loss)	8	**7,708**	(25,756)	**31,502**	(45,497)
Loss before other items		**$ (201,186)**	$ (388,605)	**$ (654,613)**	$ (1,820,566)
Other Income and Expenses					
Bad debt expense	9	**(5,803)**	-	**(41,254)**	-
Net (loss)/gain on disposal of assets	10	**-**	4,538	**(27,116)**	4,538
Impairment of property, plant and equipment	10	**-**	(47,454)	**-**	(47,454)
Impairment of exploration and evaluation assets	12	**-**	-	**-**	(13,087,776)
Equity loss on joint venture investment		**-**	(196,621)	**-**	(265,142)
Net loss for the period		**$ (206,989)**	(628,142)	**$ (722,983)**	(15,216,400)
Other Comprehensive Loss					
Exchange differences on translation of foreign operations		**16,677**	118,925	**27,151**	(1,149,368)
Total comprehensive loss for the period		**$ (190,312)**	$ (509,217)	**$ (695,832)**	(16,365,768)
Net Loss Attributable to:					
Shareholders of Sonoro Energy Ltd.		**(206,989)**	(628,142)	**(722,983)**	(15,216,400)
		$ (206,989)	$ (628,142)	**$ (722,983)**	(15,216,400)
Total Comprehensive Loss Attributable to:					
Shareholders of Sonoro Energy Ltd.		**(190,312)**	(509,217)	**(695,832)**	(16,365,768)
		$ (190,312)	$ (509,217)	**$ (695,832)**	$ (16,365,768)
Per Share Information					
Net loss per share – basic and diluted		**$ (0.00)**	$ (0.01)	**$ (0.01)**	$ (0.27)
Weighted average number of common shares outstanding	13	**56,413,243**	56,413,243	**56,413,243**	56,413,243

Nature of Business and Going Concern *(Note 1)*

SONORO ENERGY LTD.
Consolidated Statements of Financial Position
(unaudited)
Canadian Dollars

	Note	September 30, 2015	December 31, 2014
ASSETS			
Current			
Cash and cash equivalents		**$ 22,768**	$ 530,930
Accounts receivable	9	**6,745**	185,986
Prepayments and other		**23,788**	91,257
		53,301	808,173
Property, plant and equipment	10	**35,099**	87,698
		$ 88,400	$ 895,871
LIABILITIES			
Current			
Accounts payable and accrued liabilities		**$ 457,820**	$ 569,460
		457,820	569,460
SHAREHOLDERS' EQUITY			
Share capital	13	**63,749,872**	63,749,872
Contributed surplus		**10,791,458**	10,791,458
Accumulated other comprehensive income/(loss)		**243,302**	216,152
Accumulated deficit		**(75,154,052)**	(74,431,071)
		(369,420)	326,411
		88,400	$ 895,871

Nature of Business and Going Concern *(Note 1)*
Contingencies and Commitments *(Note 16)*
Subsequent Event *(Note 18)*

ON BEHALF OF THE BOARD:

Richard Wadsworth , Director

David Robinson , Director

SONORO ENERGY LTD.

Consolidated Statements of Changes in Equity

(unaudited)

Canadian Dollars

	Note	Common Shares Number		Common Shares Amount		Contributed Surplus		Accumulated Other Comprehensive Income/(loss) Foreign Currency Translation		Accumulated Deficit		Total
Balance at December 31, 2013		**56,413,243**	**$**	**63,749,872**	**$**	**10,785,394**	**$**	**852,937**	**$**	**(58,258,225)**	**$**	**17,129,978**
Share based payments	14	**-**		**-**		**6,064**		**-**		**-**		**6,064**
Realized foreign currency translation		**-**		**-**		**-**		**(720,387)**		**-**		**(720,387)**
Loss and comprehensive loss for the period		**-**		**-**		**-**		**83,602**		**(16,172,846)**		**(16,089,244)**
Balance at December 31, 2014		**56,413,243**	**$**	**63,749,872**	**$**	**10,791,458**	**$**	**216,152**	**$**	**(74,431,071)**	**$**	**326,411**
Loss and comprehensive loss for the period		-		-		**-**		**27,151**		**(722,983)**		**(695,832)**
Balance at September 30, 2015		**56,413,243**	**$**	**63,749,872**	**$**	**10,791,458**	**$**	**243,303**	**$**	**(75,154,054)**	**$**	**(369,421)**

Nature of Business and Going Concern *(Note 1)*

The accompanying notes are an integral part of these condensed consolidated interim financial statements

SONORO ENERGY LTD.
Consolidated Statements of Cash Flow
(unaudited)

For the nine months ended September 30, 2015 and 2014

Canadian Dollars

	Note	2015	2014
Operating Activities			
Net loss for the period		**$ (722,983)**	$ (15,216,400)
Items not affecting cash and cash equivalents:			
Write off of bad debts	9	**41,254**	-
Share based payments	14	**-**	6,063
Depreciation of property, plant and equipment	10	**27,683**	43,928
Amortization of patents and intellectual property		**-**	266
(Gain) loss on disposal of assets		**27,116**	(4,538)
Impairment of property, plant and equipment		**-**	47,454
Impairment of exploration and evaluation assets	12	**-**	13,087,776
Loss on joint venture investment		**-**	265,142
Foreign exchange		**(32,628)**	50,186
		(659,558)	(1,720,123)
Net change in non-cash working capital related to operations	17	**115,888**	(88,832)
Cash flows used in operating activities		**(543,670)**	(1,808,955)
Investing Activities			
Investment in joint venture		**-**	(90,311)
Purchases of property, plant and equipment	10	**-**	(3,915)
Purchases and maintenance of patents and intellectual property		**-**	(20,379)
Purchases/reimbursements of exploration and evaluation expenditures	12	**-**	30,212
Proceeds received on disposal of patents	11	**-**	11,208
Net change in non-cash working capital related to investing	17	**(10,975)**	(220,198)
Cash flows from/(used in) investing activities		**(10,975)**	(293,383)
Increase/(decrease) in cash and cash equivalents		**(554,644)**	(2,102,338)
Cash and cash equivalents, beginning of year		**530,930**	2,171,553
Impact of foreign exchange on cash balances		**46,482**	(26,198)
Cash and cash equivalents, end of period		**$ 22,768**	$ 43,017
Cash Flow Supplementary Information			
Interest received		**8**	4,688

Nature of Business and Going Concern *(Note 1)*

1. Nature of business and going concern

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 January 31, 2013, the Company's registered office is 666 Burrard Street, Suite 1700, Vancouver, British Columbia, Canada. The Company's corporate office is located at Suite 1000, 600 – 6th Avenue SW Calgary, Alberta, Canada.

These 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 business of the Company consists of the exploration for, appraisal of and development and production of unconventional asphalt/bitumen resources in Iraq and the development of other technologies related to the energy and oil resource sector, including fly ash beneficiation, in Canada.

The Company operates in a jurisdiction that may be subject to frequent changes in government practices and policies. While the Company believes that it has a valid exploration license to explore Asphalt in the province of Salah ad Din, and has obtained an opinion from legal counsel to support this assertion, there may be political or legal changes in the future that could impact the Company's title to these assets. The Company is working with Iraqi Federal and Provincial Governments to obtain further regulatory approvals for their drilling activities and License. Additionally, the initial exploration period on the license, granting title to these assets, is five years, starting on April 14, 2011, which means that the initial exploration period, and title to these assets, will expire on April 14, 2016.

Oil and gas operations are subject to extensive controls and regulations imposed by various levels of government that may be amended from time to time. The political and security situation in Iraq is unsettled and volatile. The political issues of federalism and the autonomy of the regions and provinces of Iraq are matters about which there are major differences between the various political factions in Iraq. These differences could adversely impact the Company's interest in the Salah ad Din province. The Company expects to incur expenditures in the future to explore, appraise and develop asphalt/bitumen resource assets, subject to Iraqi Federal and Provincial Governments regulatory approvals. The Company's ability to continue as a going concern is dependent on obtaining additional financing necessary to develop its asphalt/bitumen resource assets and generate profitable operations from the discovery of asphalt/bitumen resources in the future without significant adverse developments in the political and security situation as described above.

As at September 30, 2015, the Company continues to be in the initial stages of exploration of its asphalt/bitumen resource assets which is now in Force Majeure. For the nine months ended September 30, 2015, the Company had no revenues, negative working capital of $404,519 (December 31, 2014 - $238,713), negative cash flows from operations of $543,670 (2014 - $1,808,955), a loss from operations of $695,832 (2014 - $15,216,400) and an accumulated deficit of $75,154,052 (December 31, 2014 - $74,431,071).

As Force Majeure was filed on July 3, 2014 on the Asphalt License Agreement this may have a significant impact on the Company's ability to seek additional sources of capital. In December 2013, the Company completed a private placement for aggregate gross proceeds of $2,396,915 in order to progress its program in Iraq, and has been directly engaged with federal and provincial authorities in Iraq to expedite the approvals required to do so. During the year the security situation in Iraq deteriorated with rebel forces claiming much of northern Iraq including areas within the License area and the city of Tikrit where the Provincial Government resides.

While these consolidated financial statements have been prepared on the assumption that the Company is a going concern, the above material uncertainties 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 (see Note 16) regarding the Company's exploration, appraisal, development and production program in Iraq, the Company will need to raise additional funds (Note 12). 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.

The ability of the Company to continue as a going concern is dependent on the Company obtaining additional sources of capital, and no significant adverse legal, political and security developments in Iraq. Further, the Company is party to certain litigation matters, and notwithstanding the Company's belief that such matters will be decided in its favour, the results of litigation are inherently uncertain and may result in adverse rulings or decisions (Note 16). The Company may enter into settlements or be subject to judgments that may, individually or in the aggregate, have a material adverse effect on its business, financial condition, results of operations and prospects. 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.

These 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 unaudited interim financial statements have been prepared following the same accounting policies the Company adopted in its audited annual consolidated financial statements for the year ended December 31, 2014. These financial statements should be read in conjunction with the Company's 2014 annual consolidated financial statements and in consideration of the additional disclosures included herein.

These unaudited consolidated interim financial statements were authorized for issuance by the Board of Directors on November 26th, 2015.

3. Financial risk management

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

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

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 allowance for doubtful accounts which reduces receivables to the amount management reasonably believes will be collected. During the year ended December 31, 2014, the Company recorded bad debt expense of $250,204 and $41,254 was charged to bad debts in the nine months ended September 30, 2015.

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. All receivables are current as at September 30, 2015.

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 those entities. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Canadian Dollar, Euro and United States Dollar. The Company does not use currency derivative instruments to manage the Company's exposure to foreign currency fluctuations.

At September 30, 2015, the carrying amounts of the Company's foreign currency denominated monetary assets and liabilities subject to foreign exchange risk were net liabilities of €515 denominated in Euros (December 31, 2014 - €5,224), net liabilities of $44,728 denominated in US dollars (December 31, 2014 - $108,762). A change of 10 per cent in the exchange rate to foreign currencies would result in a change in pre-tax earnings of approximately $7,681 (December 31, 2014 - $19,704). This analysis assumes that all other variables, in particular interest rates, remain constant.

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 September 30, 2015, there existed negative working capital of $404,519 (December 31, 2014 - $238,713) available to fund operations. 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 unconventional asphalt/bitumen resources in Iraq 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, 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. The Company's overall strategy remains unchanged from the prior year. Additional information regarding capital risk management is disclosed in Note 1 – Nature of Business and Going Concern.

4. Segmented information

During 2015 (and 2014), the Company had one reportable segment, being the exploration, appraisal and the development and production of asphalt/bitumen resources in Iraq. The Chief Executive Officer and the Chief Operating Officer are the chief decision makers with respect to this segment.

i) Operating information - unconventional asphalt/bitumen resources – Iraq

On October 3, 2010, the Company, through its wholly owned subsidiary Sonoro Energy Iraq B.V. (“Sonoro Iraq”), and its partner Berkeley Petroleum Mesopotamia Asphalts Limited (“Berkeley Asphalts”), together the “Licensee”, entered into an Asphalt License Agreement (“the License”) with the Salah ad Din Provincial Government of Iraq (“the Provincial Government”) covering the entire Salah ad Din Province.

The Company obtained its participating interest in the License through Berkeley Asphalts. The Company paid Berkeley Asphalts a US$250,000 signing bonus and issued Berkeley Asphalts 23,750,000 (pre-consolidation see Note 13(ii) shares at a deemed price of $0.38 per share being the closing price on the date of the transaction for a total value of $9,025,000.

On March 6, 2012, the Company, through its wholly-owned subsidiary, Sonoro Iraq, closed a Farmout Agreement (“the Farmout”) with Geopetrol International Holding Inc. and its subsidiary, Geopetrol Iraq Corp. (collectively, “Geopetrol”).

Under the Farmout, the Company assigned to Geopetrol a thirty percent (30%) participating interest in the License, with Berkeley Asphalts retaining a thirty percent (30%) participating interest in the License and the Company retaining a forty percent (40%) participating interest in the License and operatorship.

Effective January 5, 2012, the License was amended as follows:

- The Company assigned a 30% participating interest to Geopetrol, in accordance with the Farmout.
- Berkeley Asphalts assigned a 10% participating interest to Geopetrol.
- Berkeley Asphalts assigned its remaining 20% participating interest to Berkeley Petroleum Mesopotamia Limited (“Berkeley”).

Pursuant to the Farmout, Geopetrol paid Sonoro Iraq an initial cash payment of US$3,000,000 as partial reimbursement of past costs and agreed to fund the first US$9,000,000 of the costs to be incurred by Sonoro Iraq and Geopetrol in respect of the License.

The License provides for an initial exploration period of 5 years followed by a 30 year exploitation period with extensions for any carved out exploitation areas to develop asphalts (bitumen/heavy oil). The Licensee (collectively, the Company, Geopetrol and Berkeley) is committed to a minimum initial investment commitment of US$1,500,000 and the construction of a 1,000 barrel per day topping facility. The Company is required to carry its proportionate share of Berkeley’s costs (i.e. one-half of Berkeley’s 20% interest) for the topping facility and through exploration operations.

The Licensee has the exclusive rights to explore, develop and produce asphalts and related organics within the entire Salah ad Din Province and to sell the asphalts and its related organics produced (and/or the by-products after processing) domestically and/or internationally. The Licensee is entitled to 50 percent of the revenues from the sales of asphalts and related organics (and its by-products after processing), after tax and after cost recovery. A total of 80 percent of the revenues are available for cost recovery.

During 2012, the Company entered into a subscription and shareholders agreement with subsidiaries or affiliates of Berkeley and Geopetrol to establish Stratton Drilling Co. FZC ("Stratton"), and purchase a 750 HP drilling rig, to be used for completion of the Company's current drilling program. During 2013, the Company and its partners in Stratton decided to start a sales process for the rig (see Note 6).

The Company was proceeding with its plan from 2014 to obtain the necessary Provincial and Federal approvals to resolve its Asphalt License delays in order to able to proceed with field operations, until the security situation in Iraq deteriorated during the year and finally became unmanageable in June 2014. In addition, rebel forces took large portions of Northern Iraq including areas within the License and displacing the Provincial Government in Tikrit. In July 2014, the License was placed into Force Majeure.

Operating segment financial information

	As at and for the nine months ended September 30, 2015		
	Iraq	**Corporate**	**Consolidated**
	$	**$**	**$**
Total assets	**(15,748)**	**104,148**	**88,400**
Total liabilities	**29,283**	**428,537**	**457,820**
Interest income	**-**	**(1,126)**	**(1,126)**
Loss attributable to shareholders of Sonoro Energy Ltd.	**(162,265)**	**(560,718)**	**(722,983)**
Depreciation and amortization	**14,617**	**13,066**	**27,683**
Impairment of E&E assets	**-**	**-**	**-**
Capital expenditures	**-**	**-**	**-**

	As at and for the six months ended September 30, 2014		
	Iraq	Corporate	Consolidated
	$	$	$
Total assets	1,431,010	569,730	2,000,740
Total liabilities	55,942	665,384	721,326
Interest income	-	4,577	4,577
Loss attributable to shareholders of Sonoro Energy Ltd.	(733,192)	(13,855,066)	(14,588,258)
Depreciation and amortization	17,789	12,304	30,093
Impairment of investments in joint venture	(15,101,718)	-	(15,101,718)
Capital expenditures	45,419	20,379	65,798

6. Investment in joint venture

During 2012, the Company entered into a subscription and shareholders agreement with subsidiaries of Berkeley and Geopetrol to establish Stratton Drilling Co. FZC ("Stratton"), and purchase a 750 HP drilling rig, to be used for completion of the Company's current drilling program.

Pursuant to the purchase of the drilling rig, Stratton entered into a loan agreement with Marakei, an affiliate of Geopetrol, for the amount of US$4,003,200. The outstanding portion of the Principal Amount will bear interest at the rate of six per cent (6%) per annum, compounded annually from July 5, 2012. For the year ended December 31, 2014 Stratton recorded interest expense of US$220,176 (2013 – US$360,288) on the outstanding Principal Amount.

During 2014, Stratton executed a sales agreement for the rig and certain related equipment. As a result of the sale, Sonoro received net proceeds of $731,896 and recorded an equity loss and loss on sale of the rig of $307,278. During 2015, the Company has completed the process of winding up Stratton with its partners.

7. General & administrative

General and administrative expenses for the three and nine months ended September 30, 2015 and 2014 are comprised of the following:

	Three months ended September 30,		**Nine months ended September 30,**	
	2015	2014	**2015**	2014
	$	$	**$**	$
Employee salaries and benefits	**104,132**	263,819	**296,630**	1,023,872
Share based payments	**-**	77	**-**	6,064
Contractors and consultants	**4,319**	9,800	**65,392**	64,179
Travel and accommodation	**16,513**	7,890	**30,803**	111,892
Professional, legal and advisory	**20,941**	18,410	**123,690**	279,475
Office and administration	**48,837**	46,177	**141,916**	238,594
Research	**-**	2,575	**-**	6,799
	194,743	348,748	**658,432**	1,730,875

8. Net finance income (loss)

Net finance income (loss) for the three and nine months ended September 30, 2015 and 2014 is comprised of the following:

	Three months ended September 30,		**Nine months ended September 30,**	
	2015	2014	**2015**	2014
	$	$	**$**	$
Interest (expense)/income	**-**	111	**(1,126)**	4,688
Foreign exchange gain/(loss)	**7,708**	(25,867)	**32,628**	(50,185)
	7,708	(25,756)	**31,502**	(45,497)

9. Accounts receivable

	30-Sep 2015	December 31, 2014
	$	$
Proceeds receiavble - Patent sale	**-**	116,270
GST/VAT and other receivables	**6,745**	69,716
	6,745	185,986

During the three and nine months ended September 30, 2015, the Company recorded bad debt expense of $5,803 and $41,254 related to its receivable balance due from Geopetrol for outstanding cash call balances owed to Sonoro. The Company does not consider these balances to be collectible as at September 30, 2015, but will continue to pursue alternatives for closing out the arrears. During 2014, previous balances owed from Geopetrol were also impaired.

10. Property, plant and equipment

	Office Assets	Machinery and Equipment	Plant	Total
	$	$	$	$
Cost				
At January 1, 2014	360,118	310,150	238,874	909,142
Additions	3,915	-	-	3,915
Disposals	-	(280,466)	-	(280,466)
Effect of movement in exchange rates	(1,583)	(10,400)	-	(11,983)
At December 31, 2014	362,450	19,283	238,874	620,607
Additions	**-**	**-**	**-**	**-**
Disposals	**(51,588)**	**-**	**-**	**(51,588)**
Effect of movement in exchange rates	**2,703**	**-**	**-**	**2,703**
At September 30, 2015	**313,565**	**19,283**	**238,874**	**571,722**
Accumulated depreciation				
At January 1, 2014	254,807	200,071	238,874	693,752
Additions	28,985	21,931	-	50,916
Disposals	-	(206,964)	-	(206,964)
Effect of movement in exchange rates	4,679	(9,474)	- -	4,795
At December 31, 2014	288,471	5,564	238,874	532,909
Additions	**24,565**	**3,118**	**-**	**27,683**
Disposals	**(24,471)**	**-**	**-**	**(24,471)**
Effect of movement in exchange rates	**502**	**-**	**-**	**502**
At September 30, 2015	**289,067**	**8,682**	**238,874**	**536,623**
Carrying amount				
At December 31, 2014	73,979	13,720	-	87,698
At September 30, 2015	**24,497**	**10,601**	**-**	**35,099**

11. Patents and intellectual property

In September 2014, the Company closed an Asset Purchase Agreement ("APA") with a third party, the sale of all remaining rights of the Sonicator technology and other related assets ("Technology"), excluding solvent de-asphalting of heavy oils as previously sold to Petrsonic Energy in July 2012.

Under the terms of the APA, the Company received closing costs (G&A costs between effective date and closing date), and USD$10,000 as an advance payment for the first Sonicator sale. On each December 31, 2014 and September 15, 2015, the Company will receive additions proceeds of USD$100,000 (both tranches were received prior to their respective due dates)). In addition, the Company will receive an additional USD$10,000 for each subsequent Sonicator sale and a royalty of 1% of revenues related to the Technology for the earlier of ten years or eight years from first commissioning of a Sonicator.

No amounts have been recorded with relation to future royalty or future proceeds related to Sonicator sales, due to uncertainty of future sales.

12. Exploration and evaluation assets

E&E assets consist of the Company's intangible exploration projects which are pending the determination of proven or probable reserves and represent the Company's share of costs incurred on E&E assets outside of the farmout with Geopetrol. E&E assets are not depreciated or depleted and are assessed for impairment on a quarterly basis.

On July 3, 2014, the Company provided notice of force majeure on its license in Iraq (see Note 1). Due to the uncertainty of future operations, the Company has recorded an impairment charge on its exploration and evaluation assets of $13,624,134 during 2014. Upon future operation viability, the Company may be able to recapture some or all of the impaired asset costs. No amounts have been accumulated or accrued to the E&E asset in 2015.

On October 3, 2010, the Company entered into the License with the Provincial Government. On January 5, 2012, the Company, through its wholly-owned subsidiary, Sonoro Iraq entered into a Farmout with Geopetrol. Subsequent to the Farmout, the Company holds a 40 percent participating interest in the License and is operator. Berkeley holds a 20 percent participating interest and Geopetrol holds a 40 percent participating interest. The License provides for an initial exploration period of 5 years followed by a 30 year exploitation period with extensions for any carved out exploitation areas to develop asphalts and related organics. The Licensee is committed to a minimum initial investment commitment of US$1,500,000 and the construction of a 1,000 barrel per day topping facility. During the exploration period, including the construction of the initial topping facility, the Company and Geopetrol have agreed to carry Berkeley's 20 percent participating interest pertaining to exploration operations.

All costs from the date of signing the Farmout associated with License activities have been capitalized to E&E assets (see below). Costs incurred prior to signing the License have been expensed.

13. 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

There were no transactions for the three and nine months ended September 30, 2015 or year ended December 31, 2014 (see Note 18).

(iii) Per share information

At September 30, 2015 and 2014, all share options and warrants were excluded from the calculation of diluted average shares outstanding as they were anti-dilutive.

	2015	2014
Basic common shares outstanding	**56,413,243**	56,413,243
Dilutive effect of :		
Share options outstanding	**-**	-
Total possible common shares outstanding	**56,413,243**	56,413,243

	2015	2014
Weighted average shares outstanding	**56,413,243**	56,413,243
Diluted weighted average shares outstanding	**56,413,243**	56,413,243

14. Share based payments

(i) Share options

The Company amended its share purchase option plan on June 29, 2010, whereby 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 Plan Shares that may be reserved for issuance under the Company's Plan is 10 percent of the number of Common Shares outstanding.

Options vest according to the length of service as follows:

Service greater than six months	Service less than six months
33.3% of options vest after six months	33.3% of options vest after twelve months
33.3% of options vest after twelve months	33.3% of options vest after eighteen months
33.4% of options vest after eighteen months	33.4% of options vest after twenty-four months

Movements in the number of stock options outstanding and their related weighted average exercise prices for the nine months ended September 30, 2015 and the year ended December 31, 2014 are summarized as follows:

	September 30, 2015			December 31, 2014		
	Number of options		**Weighted average exercise price**	Number of options		Weighted average exercise price
Outstanding - beginning of year	**672,500**	**$**	**1.70**	1,264,000	$	1.85
Cancelled	**(622,500)**		**1.72**	-		-
Granted	**-**		**-**	-		-
Forfeited	**-**		**-**	(406,500)		2.08
Expired	**(50,000)**		**1.50**	(185,000)		1.88
Outstanding - end of period/year	**-**	**$**	**-**	672,500	$	1.70

During the nine months ended September 30, 2015, the Company cancelled all issued and outstanding options that had been granted on the stock option plan.

(ii) Share based payments

Share based payments expense is determined using the fair value method. The fair value of options granted is measured at the date of the grant and is determined using the Black-Scholes option pricing model. There were no options granted in the nine months ended September 30, 2015 or year ended December 31, 2014 during the year.

During the nine months ended September 30, 2015, share based payments expense totaled $Nil (2014 - $7,356) of which $Nil (2014 - $1,369) was capitalized.

15. 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.

As a result of the Private Placement in December 2013, Geopetrol International Holding Inc. became the holder of 54.77% of the Company’s common shares.

During the nine months ended September 30, 2015, key management personnel compensation and director fees of $172,190 were paid or accrued, compared with $555,093 for the comparable period in 2014. In addition, for the nine months ended September 30, 2015, share based payments expense of $Nil was recognized for options issued to directors and officers compared with $5,023 for the same period in 2014.

On November 10, 2011, the Company signed a Promissory Note with Berkeley in favour of the Company, for the amount of $500,000 in United States currency. The outstanding portion of the Principal Amount will bear interest at the rate of six per cent (6%) per annum, compounded monthly from and including the Commencement Date to and including the Maturity Date of June 30, 2013. This Maturity Date had been granted an extension by the Company from the previous Maturity Date of July 31, 2012, as disclosed in the financial statement for the period ending June 30, 2012. A further extension was granted by the Company to June 30, 2013. Total interest in the amount of $43,346 USD was accrued to June 30, 2013 (2012 - $11,780) and this interest was deducted from May 2013 consulting fees paid to the AMIRA Management BV, a related company.

At June 30, 2013 Berkeley had not made payment on the note. As a result, the Company issued a Notice of Default and Request for Payment to Berkeley in July 2013. Under IAS 39 – Financial Instruments, the Company is required to recognize a financial asset as impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset. One of these events is "a breach of contract, such as default or delinquency in interest or principal payments". Given the issuance by the Company of the aforementioned Notice of Default, this asset requires a review for impairment.

Further, IFRS 7 – Financial Instruments: Disclosure requires "an analysis of financial assets that are individually determined to be impaired as at the end of the reporting period, including the factors the entity considered in determining that they are impaired." The factors for the impairment are indicated above. As a result, a charge to income of $592,410 was recorded against Bad debt expense in 2013.

The Company retains a valid and legally-binding contract with Berkeley regarding this loan. The Company will continue to pursue Berkeley for full payment of the principal and outstanding interest.

During the nine months ended September 30, 2015, Geopetrol Iraq Corp. reimbursed US$Nil (2014 - $436,845) as part of the carry that was agreed to in the Farmout. During 2015 shared costs of $41,254 were charged to the Geopetrol account, however, these amounts have been impaired due to collection uncertainty (see note 9).

As at September 30, 2015, no amounts (December 31, 2014 - no amounts) 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.

As at September 30, 2015, there is a $10,000 (2014 - $788,500) commitment relating to change of control or termination of employment without cause of the key management personnel.

16. Contingencies and commitments

i) In September 2010, the Company entered into a lease agreement for the Calgary corporate offices. The term of the lease agreement is five years beginning January 1, 2011 and as at December 31, 2014, the future lease obligations are as follows:

	$
2015	29,311
2016	-
2017	-
2018	-
2019	-
	29,311

i) On October 3, 2010, the Company entered into a License with the provincial government. The terms of the license require that the licensee make an investment of US$1,500,000 on exploration activities and construct a 1,000 barrel per day topping facility within the first 18 months from the effective date. The effective date license has been determined to be April 14, 2011. The provincial government has agreed to extend the time limit prescribed in the license for construction of the topping facility. The previous deadline of October, 2012 has been extended to eighteen months following a commercial discovery. As a result of the Force Majeure declaration, all commitments and work programs have been deferred. Once full operations are restored, the forward work program and commitment timeline will be reviewed with the Government (Note 1).

ii) In 2007 the Company filed a construction lien and claim for payment against Hazco Environmental Services Ltd. ("Hazco"), a division of CCA Income Trust Inc., CCS Inc. and ABB Inc. ("ABB") in respect of Sonoro's supply of labour, services and materials related to the treatment and remediation of contaminated soil at a site owned by ABB Inc. located at 2401 Dixie Road in Mississauga, Ontario. Subsequently XCG Consultants Ltd. ("XCG") and Hazco also filed lien claims against ABB. Hazco and ABB have defended themselves against Sonoro's claims and ABB have filed counterclaims against XCG, Hazco, Sonoro and Church and Trout ("CTI") that certain work was performed improperly and/or that deficiencies existed in said work. Sonoro is defending the ABB counterclaims in respect of Sonoro and Sonoro's insurers at the time, Zurich Insurance, are paying a majority of the costs related to this defence. Sonoro believes that there is no reliable estimate of the potential outcome of the case, therefore no provision is made in the financial statements for the claim.

ABB also claimed against Sonoro for the removal of contaminated filters allegedly left at the site. ABB is seeking $550,000 from the Company in relation to the identification of the problem and the removal of the filters and the material contained therein. Management estimates the cost to remove the filters to be $151,428, which has been accrued as a liability. The Company does not expect to incur any further expenditure related to this lawsuit. As of the date of these consolidated financial statements, discovery sessions are completed, with a pre-trial scheduled for December 5 -6, 2015 and full trial in February 2015 subject to any settlements prior to this time.

17. Supplemental cash flow information

Non-cash working capital components:

	For the nine months ended September 30,	
	2015	2014
	$	$
Net change in non-cash working capital related to operations:		
Accounts receivable	**140,503**	32,706
Prepaid expenses	**7,537**	(59,156)
Note Receivable	**-**	28,618
Accounts payable and accrued liabilities	**(15,564)**	86,719
	132,476	88,887
Net change in non-cash working capital related to investing:		
Accounts receivable	**-**	(151,109)
Prepaid expenses	**44,862**	(53,800)
Accounts payable and accrued liabilities	**(69,874)**	(9,429)
	(25,012)	(214,338)

18. Subsequent Event

Subsequent to the period ended September 30, 2015, the Company announced that it intends to raise up to $500,000 by way of a non-brokered private placement (the "Offering") of common shares ("Common Shares") of the Company at a price of $0.005 per Common Share. The Offering is being made pursuant to a waiver granted by the TSX Venture Exchange ("TSX Venture") which permits the

Company to offer the Common Shares at a price below the TSX Venture's $0.05 minimum pricing requirement.

Subject to certain limitations discussed below, the Offering is open to all existing shareholders of the Company, and any existing shareholders interested in participating in the Offering should contact the Company pursuant to the contact information set forth below. The Offering was expected to close on or about November 27, 2015.

The maximum offering is 100,000,000 Common Shares for gross proceeds of $500,000. The offering is not subject to any minimum aggregate subscription. The proceeds of the Offering will be used primarily for corporate transactions that may include asset acquisitions, mergers and take overs, and for general corporate working purposes.

The securities issued in connection with the Offering will be subject to a four month and one day hold period from the date of issuance of such securities.