Form 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS

SONORO ENERGY LTD.

This Management's Discussion and Analysis ("MD&A") of operations and audited annual consolidated financial statements presented herein are provide 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 August 29, 2016 and was approved by the Board of Directors. This MD&A should be read in conjunction with the Company's unaudited interim financial statements and related notes for the three and six months ended June 30, 2016. The unaudited interim 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.

HIGHLIGHTS

2016

- On April 28, 2016 the Company closed the first tranche (the "First Tranche") of the non-brokered private placement ("the Offering") as announced on March 8, 2016 and further updated on April 26, 2016. Pursuant to the First Tranche, Sonoro issued 48,000,000 common shares (the "Common Shares") at a price of $0.005 per share for gross proceeds of Cdn $240,000. The Common Shares will be subject to a holding period of four months plus one day. The Offering is 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.

- On June 7, 2016 the Company completed and closed; the non-brokered private placement ("offering') for a total of $1,208,675 for both tranches, the proposed acquisition of all of the issued and outstanding shares of Stockbridge Oil and Gas Ltd. ("Stockbridge") (the "Transaction") holding the Budong Budong PSC in Sulawesi Indonesia and the Option Agreement ("Option Agreement") as described further under Overview below and the news release dated June 7, 2016.

- On June 20,2016 the Company held its Annual and Special Meeting. Each of the current directors of Sonoro, namely, Christopher Atkinson, Richard Wadsworth, Bill Marpe, David Robinson and Ryszard Kurr were re-elected for another term. Each of the directors received at least 99% of the votes cast in favour of their re-election.

  Shareholders also voted in favour of the other resolutions voted on at the meeting, being the setting of the number of Company directors at five, the appointment of PricewaterhouseCoopers LLP, Chartered Accountants, as auditors for the financial year ending December 31, 2016, re-approval of the Company's share option plan and for the consolidation of the Company's Shares on a ten for one basis.

OVERVIEW

Sonoro is an international oil and gas resource, exploration, and development company with a focus on SE Asia and its Budong Budong Production Sharing Contract in Sulawesi Indonesia. The Company has commenced planning for a one to two well appraisal drilling program on the LG oil and gas prospect.

OUTLOOK

Budong Budong PSC

On June 7, 2016 the Company closed the announced Acquisition originally announced on March 7, 2016 and entered into a Share Purchase Agreement ("SPA") with Stockbridge and Stockbridge Shareholders to purchase all of the Stockbridge Shares (the "Acquisiton" or "Transaction").

Stockbridge is a private British Virgin Island Company which indirectly wholly owns Stockbridge Budong-Budong BV, a Netherlands Company, that holds a production sharing contract ("PSC") for oil and gas exploration and production rights covering 1,094 km2 onshore, located in the Budong Budong sub district in the province of West Sulawesi, Indonesia.

The Budong Budong PSC relates to property located onshore in the province of West Sulawesi, Indonesia and lies across from the Makassar Straight and to the south and east of Kalimantan, where several oil and gas fields are in production and produce products that are refined locally. Highlights and key terms of the PSC include:

- 1,094.73 km2 area after final relinquishments, representing 20% of the original area
- Stockbridge is operator with a 71.5% working interest. It has the right to another 28% of the working interest, from a third party, to take its full working interest up to 99.5%, and where completion of the transfer of this 28% working interest to Stockbridge is conditional upon SKKMIGAS (the Indonesian government) approving the transfer, where such approval is not expected to be given until drilling activities are commenced in respect of the Budong Budong PSC asset)
- Exploration period ends Jan 15, 2017
- 100% cost recovery (accumulation of approximately US$80mm to date)
    - Newly acquired 600 km of 2D seismic completed in 2008/09
    - 2 wells drilled to date were plugged and abandoned to deeper depths, however shallow prospects were bypassed which had oil and gas shows
- 25% of contractor oil and gas share sold at 25% of benchmark price (holiday for 5 years)
- Production split of 62.5% to contractor for oil and 71.4% for gas (before tax)
- 10% FTP (where the Company wishes to clarify that FTP means flow through production) to government
- Income and distribution tax of 44%
- After cost recovery expended, and after taxes and FTP, contractor take is ~31.5%
- 20 Year production license with plan of development

Transaction Key Terms

Key terms of the Transaction include:

- The Company raised $1.208,657 to meet the terms of the Transaction being contingent on Sonoro completing the Offering for no less than $1,100,000 raised.
- The Company issued 250 million shares to the Stockbridge Shareholders, representing a total value of $2.5 million at a per share value of $0.01 per share (this represents a 100% premium to the closing price of Sonoro shares as of March 7, 2016).
- The Company added Mr. Bill Marpe and Ryszard Kurr to the Board and made Mr. Chris Atkinson the Chairman of the Board to meet the requirements of the PSA that certain changes and additions to the board of directors of Sonoro (the "Board") will be made when the Transaction is completed:
    - Stockbridge will have the right to appoint two Board members, one of which will be Bill Marpe.
    - Chris Atkinson will remain on the Company board and will be appointed Chair of the Board.
- All existing three members of the Board will continue to serve as directors.
- At the time of the closing of the Transaction:
    - The Budong Budong PSC was in good standing.
    - Other typical terms and conditions were satisfied for the benefit of both parties.

Sonoro obtained approval from its shareholders to complete a share consolidation on a ten for one basis at the Annual and Special General Meeting on July 20, 2016 and with this approval will carry out the consolidation within six months of the closing.

The Transaction was approved by the TSXV on June 20, 2016.

Option Agreement

The Company has also agreed to enter into an Option Agreement (the "Option Agreement") with Transition Resources Limited ("Transition") and Merdeka Energy Holdings Limited ("Merdeka"), whereby Transition and Merdeka will grant the Company an option (the "Option") to acquire the benefit of a future contingent payment from ConocoPhillips Petroleum Holdings B.V. ("CPP") of US$15 million (the "Benefit Payment"). The Option Agreement was executed concurrently with the closing of the First Tranche and the Transaction.

The Benefit Payment is payable to Transition and Merdeka if CPP receives approval from the Government of Indonesia for a plan of development for the Kuala Kurun PSC, pursuant to a purchase and sale agreement dated November 20, 2013 among CPP, Transition and Merdeka, as amended on July 11, 2014. Transition and Merdeka agree to hold the Benefit Payment in trust for the benefit of the Company.

Pursuant to the Option Agreement, the Company paid a non-refundable fee of C$250,000 (the "Non-Refundable Fee"), satisfied through the issuance of 25 million Common Shares to the shareholders of Transition and Merdeka, subject to the approval of the TSX Venture which was obtained on June 20, 2016. The Option may be exercised by the Company until September 30, 2016 at an exercise price of US$1 million. If the Option is exercised, the Non-Refundable Fee will be credited towards the exercise price.

Salah ad Din, Iraq

The situation in Salah ad Din with ISIS remains challenging and there is no change in the Force Majeure of the Asphalt License Agreement. The Company hopes to re-establish regular contact once the security situation has stabilised and the government is functioning and back in place. The Company does not have any indications as to how long this will take, but believes it could take significant time. With the Company focus on the Budong Budong PSC in Indonesia and SE Asia, the Company is seeking alternatives for its remaining rights in Iraq.

FINANCIAL PERFORMANCE

Selected Financial Information

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	**2016**	2015
	$	$	**$**	$
Total revenue	**-**	-	**-**	-
Net loss for the period	**168,391**	262,274	**379,941**	515,994
Net loss per share – basic and diluted*	**0.00**	0.00	**0.00**	0.01
Total comprehensive loss	**168,391**	245,274	**379,941**	498,248
Total assets	**3,514,659**	329,266	**3,541,659**	329,266
Total long term financial liabilities	**-**	-	**-**	-
Working capital	**561,706**	(220,518)	**561,706**	(220,518)
Capital expenditures	**-**	-	**-**	-
Cash dividend declared per share	**-**	-	**-**	-

Results from Operations

The following paragraphs provide information about the results of Sonoro's on-going operations for the three and six months ended June 30, 2016 and 2015.

General and administrative expense

For the six months ended June 30, 2016, general and administrative expense totaled $317,662, compared to $463,689 for the corresponding period in 2015.

For the three months ended June 30, 2016, general and administrative expense totaled $105,273, compared to $213,254 for the corresponding period in 2015.

The following table provides a breakdown of general and administrative expense for the three and six months ended June 30, 2016 and 2015:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	**2016**	2015
	$	$	**$**	$
Employee salaries and benefits	**75,205**	101,106	**150,301**	192,499
Share based compensation	**-**	-	**-**	-
Contractors and consultants	**13,810**	17,047	**26,310**	61,073
Travel and accommodation	**10,306**	9,180	**18,996**	14,290
Professional, legal and advisory	**78,352**	44,189	**148,855**	102,749
Office accommodation and administration	**21,102**	41,883	**66,702**	93,079
Other Gain	**(151,428)**		**(151,428)**	
Jakarta office and admin	**57,926**	-	**57,926**	-
	105,273	213,354	**317,662**	463,689

During the three and six months ended June 30, 2016, general and administrative costs decreased when compared to the corresponding period in 2015. As a result of the lawsuit settlement (refer to Commitments section below), the Company reversed an accrual of $151,428 that had been previously recorded. The additional decrease in expenses from the prior year is the result of continued efforts to cut back on headcount, office and contracting costs. Go forward expenses are expected to increase slightly with the acquisition of Stockbridge and further operational increases.

Depreciation and amortization expense

Depreciation and amortization expense the six months ended June 30, 2016 totaled $66,159 compared to $13,352 for the same period in 2015.

Depreciation and amortization expense the three months ended June 30, 2016 totaled $64,326 compared to expense $6,376 for the same period in 2015.

The increase in amortization noted in 2016, is the result of amortizing the Option Agreement over the course of its term.

Net Finance (loss)/income

For the six months ended June 30, 2016, the Company incurred net finance income of $3,880, compared to a income of $23,794, for the same period in 2015.

For the three months ended June 30, 2016, the Company incurred net finance income of $1,208, compared to income of $2,926, for the same period in 2015.

Bad debt expense

During the three and six months ended June 30, 2016, the Company recorded bad debt expense of $nil, compared to $18,354 and $35,451 for the same period of 2015. These amounts related to its receivable balance due from Geopetrol for outstanding cash call balances owed to Sonoro.

Net loss for the year

For the six months ended June 30, 2016, the Company realized a net loss of $379.941 compared to a net loss of $515,994 for the same period in 2015. The net loss per share (basic and diluted) for the six months ended June 30, 2016 was $0.00 as compared to $0.01 per share for the comparable period in 2011.

For the three months ended June 30, 2016, the Company realized a net loss of $168,391 compared to a net loss of $262,274 for the same period in 2015. The net loss per share (basic and diluted) for the three months ended June 30, 2016 was $0.00 as compared to $0.00 per share for the comparable period in 2015.

Other comprehensive loss
For the six months ended June 30, 2016, the Company realized an exchange gain on translation of foreign operations of $nil compared to a gain of $17,746 in the comparable period in 2015.

For the three months ended June 30, 2016, the Company realized an exchange loss on translation of foreign operations of $Nil compared to a gain of $16,677 in the comparable period in 2015.

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. With the addition of the License Agreement in Q4 of 2010, the Company established foreign operations where the functional currencies differ from the Company's reporting currency.

Related party transactions

During the six months ended June 30, 2016, key management personnel compensation and director fees of $111,083 were paid or accrued, compared with $104,418 for the comparable period in 2015.

As at June 30, 2016, $55,540 (December 31, 2015 - $76,729) were owing to directors, officers, with respect to salaries, benefits and consulting fees. These amounts are non-interest bearing, have no specific terms of repayment, were incurred in the normal course of operations and are included in accrued liabilities.

Capital Expenditures

During the three months ended June 30, 2016 and 2015, the Company did not make expenditures related to exploration and evaluation of assets.

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.

	Total revenues $	Loss for the period before discontinued operations $	Loss per share - basic and diluted* $
June 30, 2016	-	168,391	0.00
March 31, 2016	-	211,549	0.00
December 31, 2015	-	73,586	0.01
September 30, 2015	-	206,989	0.00
June 30, 2015	-	262,274	0.00
March 31, 2015	-	253,720	0.00
December 31, 2014	-	956,446	0.02
September 30, 2014	-	628,142	0.01

Liquidity and Capital Resources

Working capital

Sonoro had working capital of $561,706 at June 30, 2016 compared with negative working capital of $478,847 at December 31, 2015. Working capital increased primarily as a result of of the closing of the Private Placement (refer above).

For further information on the private placement, see "Cash Generated by Financing Activities" and "Requirement for Additional Financing" below. The Company has performed analysis on working capital requirements for the following twelve months and expects to be able to meet its requirements for the year, subject to certain cost cutting initiatives and disposal of non-core assets.

Cash

The Company had cash of $727,942 at June 30, 2016, compared to cash of $11,171 at December 31, 2015. 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 of oil and gasresources.

Cash Used in Operating Activities

For the six months ended June 30, 2016, cash used for continuing operating activities was $492,084 as compared to $489,937 for the same period in 2015. Cash used in operating activities decreased as a result of having limited cash to pay current working capital (See subsequent event below).

Cash From/Used in Investing Activities

For the six months ended June 30, 2016, cash used from continuing investing activities was $2,000as compared to cash from investing of $10,975 for the same period in 2015. The decrease is related to the sale of both the technology and drilling rig in the prior year and the stoppage of operations in Iraq (see above).

Cash Generated by Financing Activities

During the six months ended June 30, 2016, the Company generated $1,208,657 through financing activities, as compared to $Nil for 2015. The increase was attributed to the issuance of common shares through the private placement closed in June, 2016.

Requirement of Additional Financing

The Company has relied on equity financings for substantially all funds raised to date for its operations. The Company is currently planning its one to two well appraisal well program on the Budong Budong PSC. This will require additional funding to execute. As at and for the six months ended June 30, 2016, the Company had no revenues, working capital of $561,076, negative cash flows from operations of $8,177 a loss from operations of $211,549 and an accumulated deficit of $75,439,189. The Company intends to rely upon the issuance of securities, debt, farm-in partners and project financing to provide required funding (refer to subsequent event disclosure below and Outlook above). 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. While the Company's unaudited consolidated financial statements for the six months ended June 30, 2016 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. 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 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.

At June 30, 2016, the Company had no remaining options outstanding. During 2015, the Company cancelled all issued and outstanding options that had been granted on the stock option plan.

Outstanding Share Data

Set out below is the outstanding share data of the Company as at August 26, 2016.

At August XX, 2016	Number Outstanding
Common Shares	573,144,643
Options	-
Warrants	-

Commitments

In December 2015, the Company entered into an office lease agreement. Under the terms of the lease, the Company will responsible to pay $3,270 per month until February, 2017. For 2016, the Company anticipates paying gross rent under the lease of $19,620 and $6,541 in 2017. The last two months of rent (in 2017) have been prepaid.

On October 3, 2010, the Company entered into the Asphalt License with the Provincial Government of Salah ad Din. The terms of the Asphalt License require that the Licensee make an investment of US$1,500,000 on exploration activities and construct a topping facility having a minimum 1,000 barrel per day capacity within 18 months from the effective date of April 14, 2011. The Provincial Government has agreed to extend the time limit prescribed in the Asphalt License for construction of the topping facility. As a result, the previous deadline of October, 2012 has changed to a deadline of eighteen months following a commercial discovery. As a result of the Force Majeure declaration in Q2 2014, 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.

Under the Budong Budong PSC in Sulawesi Indonesia, all commitments under the PSC have been met and there are no further obligations. The Company plans to request an extension to the PSC termination date of Jan 15, 2017 which may require further commitments by the Company to the Indonesian government but at this time no such further commitments have been requested or identified and the Company does not expect that such commitments will be required in order to obtain an extension of the Budong Budong PSC.

Contingencies

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 and now removed due to settlement. The Company does not expect to incur any further significant expenditure related to this lawsuit. On May 20, final releases were issued between ABB and Sonoro with final settlements having been reached.

Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet transactions.

Key Personnel Additions/Changes

Directors

At the June 20, 2016 Annual and Special meeting Mr. Bill Marpe and Mr. Ryszard Kurr were elected to the Board.

Mr. Chris Atkinson has assumed the role of Chairman of the Board. While Mr. Richard Wadsworth and Mr. David Robinson also continue to serve on the Company Board of Directors.

Management

Mr. Bill Marpe, through the acquisition of Stockbridge will continue as the President and General Manager of Stockbridge in the Company Jakarta office.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The significant accounting policies are outlined in Note 3 to the consolidated audited financial statements of the Company for the year ended December 31, 2015. These accounting policies have been applied consistently for the year ended December 31, 2015.

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(e) to the consolidated audited financial statements of the Company for the year ended December 31, 2014.

There were no changes to the Company's critical accounting estimates during 2014.

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, 2014.

Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets and liabilities are offset and the net amount is reported on the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

(i) Financial assets and liabilities at fair value through profit or loss:
A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of operations. Gains and losses arising from changes in fair value are presented in the statement of operations within other gains and losses in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the statement of financial position date, which is classified as non-current.

The Company does not have any financial assets or liabilities at fair value through profit or loss.

(ii) Available-for-sale investments:
Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale investments are recognized

initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income.

Available-for-sale investments are classified as non-current, unless the investment matures within twelve months, or management expects to dispose of them within twelve months. Interest on available-for-sale investments, calculated using the effective interest method, is recognized in the statement of operations as part of finance income. Dividends on available-for-sale equity instruments are recognized in the statement of operations as part of other gains and losses when the company's right to receive payment is established. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income to the statement of operations and are included in other gains and losses.

The Company does not have any available-for-sale investments.

(iii) Loans and receivables:
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

The Company's loans and receivables comprise trade receivables, convertible debenture, cash and cash equivalents, and are included in current assets due to their short-term nature.

(iv) Financial liabilities at amortized cost:
Financial liabilities at amortized cost include trade payables, bank debt and long-term debt.

Trade payables are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortized cost using the effective interest method. Bank debt and long-term debt are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

The Company's financial liabilities at amortized cost include trade payables.

BUSINESS RISKS

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

The Company has no cash flow from operations, and current cash resources are insufficient to fund its 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.

Sonoro's exploration, appraisal, development and production of oil and gas and future sales of oil and gas are speculative.

The Company has significant international operations and subsidiaries incorporated outside of Canada. The international operations and earnings of the Company and its affiliates have been, and may in the future be, affected from time to time in varying degree by political developments and laws and regulations, such as forced divestiture of assets; restrictions on production, imports and exports; price controls; tax increases and retroactive tax claims; expropriation of property; cancellation of contract rights and environmental regulations. Both the likelihood of such occurrences and their overall effect upon the Company can vary greatly from country to country and are not predictable.

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. It is difficult to project the costs of implementing any exploratory drilling programs and with the Company's intention to initially drill a limited number of exploration/appraisal wells on the Budong Budon PSC in Indinesia and inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over pressured zones and tools lost in the hole and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof. The long-term commercial success of the Company's oil and gas activities depends on its ability to acquire, develop and commercially produce oil 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, 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 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.

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, technical risks and resource potential of the Company's drilling prospects, licensing or other arrangements and outcome of litigation matters, and other statements that are not historical facts.

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.