



# **CRITERIUM ENERGY LTD.**

## **Interim Condensed Consolidated Financial Statements**

**For the Three Months Ended March 31, 2024**

(Expressed in Canadian Dollars)

*(Unaudited)*

## CRITERIUM ENERGY LTD.

### Interim Condensed Consolidated Statement of Loss and Comprehensive Loss (unaudited)

(thousands of Canadian Dollars)	For the Three Months Ended March 31	
	2024	2023
<b>Revenue</b>		
Oil sales	\$ 8,165	\$ -
Royalty expense	(2,154)	-
Royalty revenue	13	29
Other income	41	1
	6,065	30
<b>Expenses and other items</b>		
Operating	3,894	5
General and administrative	1,662	523
Depreciation and depletion (Note 9, 10)	1,851	9
Financing costs (Note 16)	953	6
Foreign exchange (gain)/loss	(75)	6
Exploration	-	32
Share-based compensation (Note 14)	42	74
Transaction costs	38	-
	8,365	655
<b>Net loss for the period before income taxes</b>	(2,300)	(625)
Current income taxes (Note 12)	706	-
Deferred income taxes (recovery)	(593)	-
<b>Income taxes</b>	113	-
<b>Net loss</b>	(2,413)	(625)
<b>Other comprehensive income (loss), net of income tax</b>		
Items that recycle through net income		
Foreign currency translation adjustment	40	(5)
<b>Total comprehensive loss</b>	\$ (2,373)	\$ (630)
Net loss per share		
Basic and diluted	\$ (0.02)	\$ (0.02)
Weighted average number of shares outstanding (thousands) (Note 14)	132,831	36,431

See accompanying notes to the interim condensed consolidated financial statements.

## CRITERIUM ENERGY LTD.

### Interim Condensed Consolidated Statement of Financial Position (unaudited)

	As at	
(thousands of Canadian Dollars)	March 31 2024	December 31 2023
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 8,529	\$ 443
Accounts receivable (Note 5)	3,340	64
Prepays and deposits (Note 6)	1,481	336
Inventories (Note 7)	1,942	-
Assets held for sale (Note 8)	2,234	2,177
Subscription receipts (Note 14)	-	6,739
	17,526	9,759
Non-current assets		
Property, plant and equipment (Note 9)	74,551	-
Right of use assets (Note 10)	668	122
VAT receivable - non-current portion	7,473	-
Decommissioning and reclamation deposits (Note 13)	3,397	46
Deposits (Note 6)	-	265
	\$ 103,615	\$ 10,192
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 6,262	\$ 1,220
Current portion of debt (Note 11)	6,223	-
Current portion of taxes payable (Note 12)	7,743	-
Liabilities directly associated with assets held for sale (Note 8)	674	657
Current portion of lease liabilities (Note 10)	487	28
Subscription receipts (Note 14)	-	6,739
Acquisition payable	-	397
Decommissioning liabilities (Note 13)	31	31
	21,420	9,073
Long-term debt (Note 11)	32,999	-
Taxes payable - non-current (Note 12)	13,896	-
Deferred tax liabilities	16,353	-
Contingent consideration (Note 20)	7,432	-
Decommissioning obligations (Note 13)	1,684	-
Provision for employee benefits	1,653	-
Lease liabilities (Note 10)	329	108
	95,766	9,181
<b>Shareholders' equity (Note 14)</b>		
Share capital	17,863	8,694
Contributed surplus (Note 15)	724	682
Deficit	(10,742)	(8,329)
Accumulated other comprehensive income (loss)	4	(36)
	7,849	1,011
	\$ 103,615	\$ 10,192

See accompanying notes to the interim condensed consolidated financial statements.

## CRITERIUM ENERGY LTD.

### Interim Condensed Consolidated Statement of Cash Flows (unaudited)

(thousands of Canadian Dollars)	For the Three Months Ended March 31	
	2024	2023
<b>Operating activities:</b>		
Net loss	\$ (2,413)	\$ (625)
Depletion and depreciation (Note 9, 10)	1,851	9
Deferred income taxes (recovery)	(593)	-
Finance cost - non-cash (Note 16)	806	6
Unrealized foreign exchange	(53)	-
Share-based compensation	42	74
Change in non-cash working capital (Note 19)	(1,718)	(253)
Net cash flows used in operating activities	(2,078)	(789)
<b>Financing activities:</b>		
Issuance of common shares, net of costs (Note 14)	4,962	293
Principal payments on lease obligations (Note 10)	(12)	(12)
Change in non-cash working capital (Note 19)	280	-
Net cash flows from financing activities	5,230	281
<b>Investing activities:</b>		
Acquisition (Note 4)	(5,494)	-
Cash on acquisition (Note 4)	9,965	-
Change in non-cash working capital (Note 19)	265	(411)
Net cash flows from (used in) investing activities	4,736	(411)
<b>Net change in cash and cash equivalents</b>	<b>7,888</b>	<b>(919)</b>
<b>Effect of foreign exchange</b>	<b>198</b>	<b>-</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>443</b>	<b>3,721</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 8,529</b>	<b>\$ 2,802</b>

See accompanying notes to the condensed interim-consolidated financial statements.

## CRITERIUM ENERGY LTD.

### Interim Condensed Consolidated Statement of Changes in Shareholders' Equity (unaudited)

(thousands of Canadian Dollars thousands of shares)	Share capital		Contributed	Accumulated Other	Deficit	Total equity
	# of Shares	\$	Surplus	comprehensive income (loss)		
<b>Balance, December 31, 2022</b>	181,137	8,161	377	(6)	(4,520)	4,012
Exercise of warrants	5,864	293	-	-	-	293
Stock-based compensation	-	-	74	-	-	74
Other comprehensive loss	-	-	-	(5)	-	(5)
Net loss	-	-	-	-	(625)	(625)
<b>Balance, March 31, 2023</b>	187,001	8,454	451	(11)	(5,145)	3,749
<b>Balance, December 31, 2023</b>	38,390	8,694	682	(36)	(8,329)	1,011
Shares issued, net of share issuance costs (Note 14)	60,909	4,962	-	-	-	4,962
Shares issued, Acquisition (Note 4)	37,874	4,207	-	-	-	4,207
Stock-based compensation	-	-	42	-	-	42
Other comprehensive income	-	-	-	40	-	40
Net loss	-	-	-	-	(2,413)	(2,413)
<b>Balance, March 31, 2024</b>	137,174	17,863	724	4	(10,742)	7,849

# CRITERIUM ENERGY LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

### For the Three Months Ended March 31, 2024 and 2023

*(tabular amounts in thousands of Canadian dollars, except share or per share amounts, unaudited)*

#### 1. Reporting Entity

Criterion Energy Ltd., (“Criterion” or the “Company”) and its subsidiaries are currently engaged in the exploration, appraisal and development of petroleum and natural gas in Indonesia. Criterion was incorporated in Alberta, Canada and has subsidiaries in Bermuda, British Virgin Islands, Cyprus, Singapore and New Zealand. The Company changed its name to Criterion Energy Ltd. from Softrock Minerals Ltd. on September 26, 2022. Criterion is a public company with its shares traded on the TSX Venture Exchange. The registered and head office address of the Company is Suite 1120, 202 – 6th Ave SW, Calgary, Alberta T2P 2R9.

#### 2. Basis of presentation

##### Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standards (“IAS 34”) - Interim Financial Reporting of the International Financial Reporting Standards (“IFRS”). The attached unaudited interim condensed consolidated financial statements should be read in conjunction with Criterion's audited consolidated financial statements and MD&A for the year ended December 31, 2023. The unaudited interim condensed consolidated financial statements have been prepared in accordance with IFRS accounting policies and methods of computation as set forth in Criterion's audited consolidated financial statements for the year ended December 31, 2023, with the exception, as noted below, of certain disclosures that are normally required to be included in annual consolidated financial statements which have been condensed or omitted in the interim statements. In addition, accounting policies first applied during the reporting period have been disclosed under Note 3 Accounting Policies.

Certain comparative figures have been reclassified to conform with the presentation adopted in the current period.

The unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on May 29, 2024.

##### Going concern and liquidity risk

These interim condensed consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operations for the foreseeable future and will be able to realize its assets and discharge its obligations in the normal course of operations. The Company's ability to maintain its current level of operations is dependent on its ability to generate sufficient cash to fund its operations and future business plans.

The Company is dependent on its revenue from the sale of petroleum and natural gas from its Indonesian operations. This revenue stream is highly dependent on global commodity prices and exchange rates which are outside of the control of management. The volatility of commodity prices and capital markets will continue to have a significant impact on the Company's revenue and ability to access capital in the future. While Management believes the Company will have sufficient cash to discharge its obligations in the normal course of operations for the short-term, future operations will be dependent upon the raising of sufficient capital, the development of profitable operations and the corresponding generation of future cash flows.

The Company has been successful to date in obtaining financing. However, there is no assurance that it will be able to generate sufficient cash flow or obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. If the going concern assumption were not appropriate for the interim condensed consolidated financial statements, adjustments might be necessary to the carry value of assets and liabilities, reported revenues and expenses and the statement of financial position classifications used.

### **Estimation uncertainty**

Management makes judgements and assumptions about the future in deriving estimates used in preparation of these interim condensed consolidated financial statements in accordance with IFRS. Sources of estimation uncertainty include estimates used to determine the values in the purchase price allocation for the business combination, economical viability of exploration and evaluation costs, the recoverable amount of long-lived assets or cash generating units ("GCUs"), the fair value of financial instruments, the provision for decommissioning liabilities, the provision for income taxes and the related deferred tax assets and liabilities, and the expenses recorded for stock-based compensation.

### **Basis of consolidation and functional and presentation currency**

These interim condensed consolidated financial statements include the accounts of the Company and its subsidiaries, which are entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from the entity's activities. The financial statements of subsidiaries are included in the consolidated financial statements as at the date that control commences until the date that control ceases. If the Company's interest in a subsidiary that it has determined it controls, is less than 100%, the interest attributable to non-controlling shareholders is recognized as non-controlling interest.

When necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with those of the Company.

These interim condensed consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. The functional currency of a subsidiary is the currency of the primary economic environment in which the subsidiary operates. Transactions denominated in a currency other than the functional currency are translated at the prevailing rates on the date of the transaction. Any monetary items held in a currency which is not the functional currency of the subsidiary are translated to the functional at the prevailing rate as the date of the statement of financial position. All exchange differences arising as a result of the translation to the functional currency of the subsidiary are recorded in earnings.

Translation of all assets and liabilities from the respective functional currencies to the reporting currency are performed using the rates prevailing at the statement of financial position date. The differences arising upon translation from the functional currency to the reporting currency are recorded as currency translation adjustments in other comprehensive income or loss ("OCI") and are held within accumulated other comprehensive income or loss ("AOCI") until a disposition or partial disposal of a subsidiary. A disposal or partial disposal will then give rise to a realized foreign exchange gain or loss which is recorded in earnings.

At March 31, 2024, the Company's wholly-owned subsidiaries are as follows:

<b>Entity</b>	<b>Country of Incorporation</b>	<b>Principal Activity</b>	<b>Functional Currency</b>
Criterion Holdings Pte Ltd.	Singapore	Holding	US Dollar
AWE Asia Limited	New Zealand	Holding	US Dollar
AWE (Satria) NZ Limited	New Zealand	Operating	US Dollar
Mont D'Or Petroleum Limited	British Virgin Islands	Holding	US Dollar
Mont D'Or Ventures Limited	British Virgin Islands	Holding	US Dollar
Mont D'Or Resources Limited	British Virgin Islands	Holding	US Dollar
Fuel-X Tungkal Limited	Cyprus	Operating	US Dollar
Mont D'Or Oil Tungkal Limited	Bermuda	Operating	US Dollar
Mont D'Or Salawati Limited	British Virgin Islands	Operating	US Dollar

### 3. Accounting Policies

The accounting policies, critical accounting judgements and significant estimates used in these interim condensed consolidated financial statements are consistent with those used the preparation of the 2023 annual consolidated financial statements except as noted below.

#### Amendments to IAS 1 Presentation of Financial Statements

In January 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements, to clarify its requirements for the presentation of liabilities as current or non-current in the statements of financial position and clarify its requirements for the disclosure of Accounting Policies. In October 2022, the IASB issued amendments to IAS 1, which specify the classification and disclosure of a liability with covenants. Both amendments were adopted on January 1, 2024. There was no material impact to the Company's financial statements.

### 4. Business Combinations

On January 4, 2024, the Company closed a Share and Purchase Agreement ("SPA") to acquire all issued and outstanding shares of Mont D'Or Petroleum Limited ("MOPL"), a private company with two on-shore Production Sharing Contracts ("PSCs") in Indonesia. The Company provided the following consideration in connection with the closing of the MOPL acquisition:

- A US\$1 cash payment to current MOPL shareholders;
- Issuance of 10,821,273 common shares at \$0.11 per share to Tourmalet Holdings Ltd. ("Tourmalet") in satisfaction of the fee payable by MOPL to Tourmalet for support in connection with negotiating potential write-downs to current MOPL lenders;
- Issuance of 27,053,182 common shares in exchange for the retirement of US\$2.25 million of debt, along with the contingent payment rights to debt holders described in note 20.
- A contingent payment to MOPL shareholders with respect to future production in the event that oil prices, gas prices, and/or production volumes exceed minimum thresholds (see note 20 for details)
- Cash consideration to a debt holder to extinguish debt in the amount of US\$4 million; and
- An initial deposit of US\$0.1 million

The acquisition established the Company as an operator in the Southeast Asia region, and provides a foundation for organic growth and asset consolidation in the region. The acquisition is a first step in Criterium's strategy of consolidating a balanced portfolio of producing assets with the opportunity to optimize production and conduct infill drilling and step-out development.

The SPA has been accounted for as a business combination under IFRS 3. The preliminary purchase price has been allocated based on the best information available as of January 4, 2024, is as follows:

Initial deposit	\$	134
Cash consideration for debt reduction		5,361
Share consideration for debt reduction		4,207
MOPL contingent payments (note 20)		3,422
Contingent payment rights to debt holder		3,275
<b>Total purchase price</b>	<b>\$</b>	<b>16,399</b>
Cash and cash equivalents	\$	9,965
Inventory		2,059
Accounts receivable		288
Prepays and deposits		2,070
VAT Receivable		7,329
Decommissioning and reclamation deposits		3,297
Property, Plant and Equipment		75,088
Right of use asset		625
<b>Total Identifiable Assets</b>	<b>\$</b>	<b>100,721</b>
Accounts payable and accrued liabilities	\$	(4,130)
Taxes payable - current		(8,121)
Current portion of long term debt		(6,123)
Current portion of lease liability		(399)
Contingent liability		(668)
Decommissioning liabilities		(1,552)
Long term taxes payable		(12,971)
Deferred tax liabilities		(16,675)
Long term debt		(31,830)
Provision for employee benefits		(1,629)
Lease liability		(224)
<b>Total identifiable liabilities</b>	<b>\$</b>	<b>(84,322)</b>
<b>Net identifiable assets</b>	<b>\$</b>	<b>16,399</b>

The identifiable assets and liabilities have been measured at their individual fair values on the date of acquisition. Determinations of fair value often require management to make assumptions and estimates about future events. The above preliminary purchase price allocation is based on management's best estimate at the time of the preparation of these financial statements. The purchase price allocation is not final as the Company is continuing to obtain and verify information required, including those from internal and external specialists, to determine the fair value of certain assets and liabilities including property, plant and equipment, decommissioning obligations, income taxes payable, long term debt and the deferred tax liability, as well as the finalization of working capital adjustments. Upon finalizing the value of the net assets acquired, liabilities assumed and total consideration adjustments may be required as values subject to estimate are finalized. As new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, then the accounting for the acquisition will be revised.

Income amounts included in the statement of profit and loss since the acquisition date are as follows:

Revenue		
Oil sales	\$	8,165
Royalty expense		(2,154)
		6,011
Expenses and other items		
Operating		3,894
General and administrative		1,254
Depreciation, depletion		1,841
Financing costs		791
Foreign exchange (gain)/loss		(52)
		7,728
Net loss for the period before income taxes		(1,717)
Current income taxes		706
Deferred income taxes (recovery)		(593)
Income taxes		113
Net Loss		(1,830)
Other comprehensive income, net of income tax		
Foreign currency translation adjustment		41
Total comprehensive loss	\$	(1,789)

#### 5. Accounts receivable

The Company's amounts receivable are non-interest bearing and generally on a 30-day payment term. The carry amounts presented are reasonable approximations of their fair market balance and are not past due or impaired. A breakdown is as follows:

	<b>March 31</b>	December 31
	<b>2024</b>	2023
Trade receivables	\$ 3,095	\$ 36
Other receivables	245	28
	\$ 3,340	\$ 64

#### 6. Prepaids and deposits

	<b>March 31</b>	December 31
	<b>2024</b>	2023
Deposits	\$ 842	\$ 265
Prepaid expenses	639	55
Prepaid share issuance costs	-	281
	\$ 1,481	\$ 601
<b>Current</b>	<b>\$ 1,481</b>	<b>\$ 336</b>
<b>Non Current</b>	<b>\$ -</b>	<b>\$ 265</b>

## 7. Inventories

	<b>March 31</b>	December 31
	<b>2024</b>	2023
Material	\$ 1,783	\$ -
Fuels	159	-
	<b>\$ 1,942</b>	<b>\$ -</b>

## 8. Assets held for sale

On December 14, 2023, the Company announced the execution of a non-binding Letter of Intent ("LOI") for the arm's length sale of its wholly-owned subsidiary which holds a 42.5% non-operated working interest in the Bulu PSC (the "Transaction") for total cash consideration of C\$10.52 million (US\$7.75 million). On May 21, 2024, the Company announced the execution of a definitive agreement related to the sale. The Company received C\$0.68 million (US\$0.50 million) as a non-refundable deposit prior to executing the agreement and a further with C\$2.03 million (US\$1.50 million) to be received as a non-refundable deposit prior to closing. The remaining C\$7.80 million (US\$5.75 million) is due upon closing, which is expected on or before August 31, 2024. There are no finder fees payable under the Transaction. Deal completion is subject to regulatory approvals and the purchaser's ability to secure the necessary financing.

Assets and liabilities held for sale include the assets and liabilities of AWE Asia Ltd as a disposal group. The following table summarizes the major classes:

	<b>March 31</b>	December 31
	<b>2024</b>	2023
<b>Assets held for sale</b>		
Exploration and evaluation assets	\$ 2,234	\$ 2,177
<b>Balance</b>	<b>\$ 2,234</b>	<b>\$ 2,177</b>
<b>Liabilities directly associated with the asset held for sale</b>		
Exploration and evaluation assets	\$ 674	\$ 657
<b>Balance</b>	<b>\$ 674</b>	<b>\$ 657</b>

## 9. Property, plant and equipment

	Total
Cost	
Balance, December 31, 2023	\$ 1,234
Acquisition (Note 4)	75,088
Effects of movements in exchange rates	1,237
<b>Balance, March 31, 2024</b>	<b>\$ 77,559</b>
Accumulated depletion, depreciation, and amortization	
Balance, December 31, 2023	\$ 1,234
Depreciation and depletion	1,763
Effects of movements in exchange rates	11
<b>Balance, March 31, 2024</b>	<b>\$ 3,008</b>
Net book value	
Balance, December 31, 2023	\$ -
<b>Balance, March 31, 2024</b>	<b>\$ 74,551</b>

The Company conducted an assessment of impairment indicators and concluded there were no indicators of impairment with respect to the Company's property, plant, and equipment as at March 31, 2024 and 2023.

## 10. Right of use assets and lease liabilities

Right of use assets

		Office		Furniture		Total
Balance, December 31, 2023	\$	92	\$	30	\$	122
Acquisition (Note 4)		624		-		624
Depreciation		(86)		(2)		(88)
Effects of movements in exchange rates		10		-		10
<b>Balance, March 31, 2024</b>	<b>\$</b>	<b>640</b>	<b>\$</b>	<b>28</b>	<b>\$</b>	<b>668</b>

Lease obligation

		Office		Furniture		Total
Balance, December 31, 2023	\$	103	\$	33	\$	136
Acquisition (Note 4)		625		-		625
Accretion		52		-		52
Lease payments		-		(7)		(7)
Effects of movements in exchange rates		10		-		10
<b>Balance, March 31, 2024</b>	<b>\$</b>	<b>790</b>	<b>\$</b>	<b>26</b>	<b>\$</b>	<b>816</b>
<b>Current</b>					<b>\$</b>	<b>487</b>
<b>Non Current</b>					<b>\$</b>	<b>329</b>

## 11. Long term debt

As a consequence of Company's MOPL acquisition, existing MOPL borrowing facilities were assumed. A breakdown and continuity of these facilities is as follows:

		Facility 1		Facility 2		Facility 3		Total
Balance, December 31, 2023	\$	-	\$	-	\$	-	\$	-
Acquisition - assumption of debt		22,763		11,841		3,349		37,953
Finance expense accrual		561		-		83		644
Effects of movements in exchange rates		380		191		54		625
		23,704		12,032		3,486		39,222
Less: current portion		(3,207)		(3,016)		-		(6,223)
<b>Balance, March 31, 2024</b>	<b>\$</b>	<b>20,497</b>	<b>\$</b>	<b>9,016</b>	<b>\$</b>	<b>3,486</b>	<b>\$</b>	<b>32,999</b>

Facility 1 is a debenture agreement between the Company's subsidiary MOVL and Kendall Court Cambridge Investment Manager Ltd. ("Kendall Court") At January 4, US\$17.046 million was outstanding, consisting of principal and prior capitalized interest. An interest rate of 10% applies and starting April 2024, monthly payments of US\$400 thousand will commence applying to both interest and principal.

As a result of shares issued in the business combination described in note 4, Kendall Court holds 16.8% of common shares outstanding and are therefore a related party. All activity related to Kendall Court in Q1 are related party transactions.

Facility 2 is a Redeemable Preferred Share ("RPS") agreement between the Company's subsidiary MOAL and Eastspring ASEAN Mezzanine Debt Master Fund. Under this agreement, MOAL has issued 7,000,000 RPSs at a par value of US\$1.00 per share with a 5% annual non-discretionary dividend entitlement. The Company treats the annual dividend entitlement as financing expense in the Consolidated Statement of Loss. The cumulative unpaid dividend portion is added to the outstanding RPS amount. As at March 31, 2024, the accrued unpaid dividends were US\$1.867 million. Starting in April 2024, the Company will redeem shares in the amount of US\$185,185 per month and pay interest quarterly starting from January 4, 2024.

Facility 3 is a US\$3.0 million working capital loan facility between the Company's subsidiary MOPL and Tourmalet Holdings Ltd. The facility is subject to interest at 8% per annum which is capitalized. No payments are due until maturity which is December 31, 2025. The facility contains an option, at the discretion of the lender to convert the outstanding balance plus a US\$0.51 million bonus amount into common shares of Criterium during the period January 1, 2025, until December 30, 2025. The facility also provides for an automatic conversion of the outstanding balance plus a US\$0.51 million bonus amount into common shares of Criterium immediately following maturity if the outstanding balance if the loan has not been paid in full previously. The conversion is subject to no control person being created as a result. A convertible note of \$3 million was issued to Tourmalet in conjunction with closing to facilitate the conversion feature.

## 12. Taxes payable

	<b>Total</b>
Balance, December 31, 2023	\$ -
Acquisition (Note 4)	21,092
Cash tax payments	(512)
Current tax expense	706
Effects of movements in exchange rates	353
<b>Balance, March 31, 2024</b>	<b>\$ 21,639</b>
<b>Current</b>	<b>\$ 7,743</b>
<b>Non Current</b>	<b>\$ 13,896</b>

Taxes payable relate to taxes and related interest and penalties for land and building tax and corporate income tax in Indonesia. Current tax expense is corporate income tax in Indonesia.

## 13. Decommissioning liabilities

	<b>Total</b>
Balance, December 31, 2023	\$ 31
Acquisition (Note 4)	1,552
Accretion	105
Effects of movements in exchange rates	27
<b>Balance, March 31, 2024</b>	<b>\$ 1,715</b>
<b>Current</b>	<b>\$ 31</b>
<b>Non Current</b>	<b>\$ 1,684</b>

The Company's decommissioning obligations result primarily from its ownership interest in petroleum and natural gas assets. The total decommissioning obligation is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years. The Company used a credit adjusted interest rate of 16.36% and an inflation rate of 3.69% when measuring the present value of its long term decommissioning obligation. Undiscounted decommissioning costs total \$5.1 million.

As at March 31, 2024, \$3.397 million (December 31, 2023 - \$45 thousand) is held as reclamation deposits with applicable regulatory body as security for the settlement of these obligations.

## 14. Share capital

### Authorized Share Capital

Unlimited number of :

- Common shares without nominal or par-value
- First and second preferred shares issuable in series

On January 4, a result of the satisfaction of the escrow release conditions under the subscription receipt agreement entered into among the Company, Research Capital Corporation (“RCC”) and Odyssey Trust Company, 60,909,091 subscription receipts (the “Subscription Receipts”) under the Offering were converted, without payment of any additional consideration and with no further action on the part of the holder thereof, into one unit of the Company (a “Unit”). Each Unit consists of one Common Share in the capital of the Company (a “Common Share”) and one Common Share purchase warrant (a “Warrant”). Each Warrant will entitle the holder to purchase one Common Share at an exercise price of C\$0.14 per Warrant Share until the date that is 60 months following issuance. At the same time, 7,309,091 broker warrants under the same terms as the Warrants were issued to RCC and other capital brokers.

### Issued and Outstanding Common Shares

	Shares	Amount
Balance, December 31, 2023	38,389,981	\$ 8,694
Shares issued - subscription receipts	60,909,091	6,702
Shares issued - business combination (Note 4)	37,874,455	4,207
Share issue costs	-	(1,740)
<b>Balance, March 31, 2024</b>	<b>137,173,527</b>	<b>\$ 17,863</b>

### Loss per share

The basic loss per share as calculated was based on the weighted average number of shares outstanding as follows:

<b>Weighted average number of common shares - basic and diluted</b>	<b>132,831,393</b>	<b>36,430,673</b>
---	--------------------	-------------------

For the three months ended March 31, 2024 and 2023, all equity instruments are considered to be anti-dilutive as the Company is in a loss position.

## Stock Option Plan

For the three months ended March 31, 2024, the Company recorded total stock-based compensation of \$3 thousand (March 31, 2023 - \$7 thousand). At March 31, 2024, the total unvested stock-based compensation with respect to these options was \$14 thousand (December 31, 2023 - \$17 thousand).

	Number	Weighted average exercise price \$
<b>Balance, March 31, 2024 and December 31, 2023</b>	<b>370,000</b>	<b>0.22</b>

The following stock options were outstanding at March 31, 2024:

Expiry date	Number	Number exercisable	Exercise price \$	Remaining life (years)
April 14, 2025	60,000	60,000	0.25	1.04
June 22, 2025	60,000	60,000	0.25	1.23
September 26, 2027	250,000	83,333	0.20	3.49
	<b>370,000</b>	<b>203,333</b>	<b>0.22</b>	<b>2.73</b>

## Warrants

The continuity of share purchase warrants at March 31, 2024 was as follows:

Expiry Date	Number	Exercise Price	Remaining Contractual life (years)
September 26, 2027	27,155,032	0.20	3.49
January 4, 2029 subscription receipts warrants	60,909,091	0.14	4.77
January 4, 2029 broker warrants	7,309,091	0.14	4.77
<b>Balance, March 31, 2024</b>	<b>95,373,214</b>	<b>0.15</b>	<b>4.04</b>

## Restricted share units

On September 26, 2022, 2,550,000 RSUs were issued pursuant to the terms of the Share Incentive Award Plan (the "Award Plan") at a price of \$0.20 per common share. The RSUs vest one-third on each of the first, second, and third anniversary of the grant date and each is redeemable for one common share of the Company at the time of vesting. The RSUs expire December 15, 2025. At March 31, 2024, of the 2,550,000 outstanding RSUs, 850,000 were exercisable and 1,700,000 were non-exercisable (December 31, 2023 - 1,700,000 non-exercisable).

At March 31, 2024, the Company recorded total stock-based compensation of \$20 thousand (2023 - \$67 thousand). At March 31, 2024, the total unvested stock-based compensation with respect to these RSUs was \$140 thousand (2023 - \$361 thousand), calculated using the fair value of the Company's shares at issuance.

## Performance share units

On November 16, 2023, 1,030,000 performance share units ("PSUs") were issued pursuant to the terms of the Award Plan at a price of \$0.13 per common share. The PSUs vest one-third on each of the first, second, and third anniversary of the grant date and each is redeemable for one common share of the Company at the time of vesting. The PSUs expire January 15, 2027. At March 31, 2024, there were 1,030,000 PSUs outstanding and non-exercisable. At March 31, 2024, the Company recorded total stock-based compensation of \$19 thousand. At March 31, 2024, the total unvested stock-based compensation with respect to these PSUs was \$105 thousand, calculated using the fair value of the Company's shares at issuance and probabilities of meeting the performance conditions.

## 15. Contributed surplus

A summary of the changes in contributed surplus is presented below:

Balance, December 31, 2023	\$	682
Stock-based compensation		42
<b>Balance, March 31, 2024</b>	<b>\$</b>	<b>724</b>

## 16. Finance Costs

<b>For the three months ended March 31</b>	<b>2024</b>		<b>2023</b>	
Lease interest	\$	57	\$	6
Long term debt interest		791		-
Accretion expense		105		-
	<b>\$</b>	<b>953</b>	<b>\$</b>	<b>6</b>
<b>Cash</b>	<b>\$</b>	<b>147</b>	<b>\$</b>	<b>-</b>
<b>Non cash</b>	<b>\$</b>	<b>806</b>	<b>\$</b>	<b>6</b>

## 17. Financial risk and capital management

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production, and financing activities such as:

- Credit risk
- Market risk
- Liquidity risk

This note presents information about the Company's exposure to each of the above risk, the Company's objectives, policies, and processes for measuring risks, and the Company's management of capital.

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

## Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from oil marketing. The Company has a one year contract in partnership with Petrochina to sell all of its oil to a refinery in Thailand. The maximum exposure to credit risk is as follows:

	March 31 2024	December 31 2023
Trade receivables	\$ 3,128	\$ 44
Taxes receivable	81	20
Other	131	-
Accounts receivable	3,340	64
Taxes receivable non-current portion	7,473	-

## Market risk

### *Foreign currency risk:*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk in changes in foreign exchange rates relates primarily to the Company's operating activities and the Company's net investments in foreign subsidiaries and joint ventures. The Company's transactions are principally denominated in United States Dollars. However, payments to governments such as royalties and taxes are paid in local currency in Indonesia.

### *Commodity price risk:*

The Company has exposure to price risk in its exploration, development, and production of petroleum and natural gas business. The Company has not used derivative financial instruments to hedge exposure to petroleum and natural gas price fluctuations. The results of operations and cash flows of petroleum and natural gas production can vary significantly with the fluctuations in the market prices of hydrocarbons. These are affected by factors outside of the Company's control, including market forces of supply and demand and regulatory and political actions of government.

### *Interest rate risk:*

Interest rate risk is the risk that future cash flows or valuations of assets or liabilities will fluctuate as a result of changes in market interest rates. Currently, the Company's borrow facilities have fixed interest rates. However, when these facilities mature, they may be replaced with facilities subject to future market interest rates which may increase or decrease the Company's cost of capital.

## Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with the financial liabilities. The Company's financial liabilities consist of accounts payable, taxes payable and amounts due under borrowing facilities. Accounts payable consists of invoices payable to trade supplies for office, field operating activities and capital expenditures. The Company processes invoices within a normal payment period. Accounts payable have contractual maturities of less than one year. The Company maintains and monitors a certain level of cash which is used to finance all operating and capital expenditures. Amounts due under borrowing facilities consist of cash advances drawn plus accumulated interest.

## Capital management

The Company's capital structure includes working capital, shareholders' equity, and amounts available under borrowing facilities. The Company's objective when managing capital is to maintain a flexible capital structure which allows it to execute its growth strategy through expenditures on property, plant, and equipment and exploration and development activities while maintaining a strong financial position. Currently, total capital resources available include working capital and debt (see Note 11).

### *Fair value of financial assets and liabilities:*

The Company's fair value measurement are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 - inputs represent unadjusted quoted prices in active markets for identical assets or liabilities. An active market is characterized by a high volume of transactions that provides pricing information on an ongoing basis.
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These valuations are based on inputs that can be observed or corroborated in the marketplace, such as market interest rates or forecasted commodity prices.
- Level 3 - inputs for the asset or liability are not based on observable market data.

The Company aims to maximise the use of observable inputs when preparing calculations of fair value. Classification of each measurement into the fair value hierarchy is based on the lowest level of input that is significant to the fair value calculation.

The fair value of cash and cash equivalents, accounts receivable, prepaids and deposits, accounts payable and accrued liabilities, and current portion of taxes payable, approximate their carrying amounts due to their short terms to maturity.

MOPL Contingent payments (Note 20) are a level 3 estimate and Congtingent payment rights to debt holder (Note 20) are a level 2 estimate.



## 19. Supplemental Cash Flow Information

Three months ended	March 31 2024	March 31 2023
Changes in non-cash working capital		
Accounts receivable	\$ (3,078)	\$ 97
Prepays and deposits	528	(53)
Inventories	117	-
Accounts payable and accrued liabilities	654	(296)
Liabilities directly associated with assets held for sale	17	-
Taxes payable	546	-
Acquisition payable	265	(411)
Movements in exchange rates	(222)	-
	\$ (1,173)	\$ (663)
Cash paid for taxes	\$ 512	\$ -
The change in non-cash working capital has been allocated to the following activities:		
Operating	\$ (1,718)	\$ (252)
Financing	280	-
Investing	265	(411)

## 20. Commitments and contingencies

### MOPL Contingent Payments

The Share and Purchase Agreement ("SPA") the Company entered into in respect of the acquisition of Mont D'Or Petroleum Limited ("MOPL") (see Note 4) provides for future contingent payments to MOPL's prior owners in respect of the Tungkal and West Salawati Production Sharing Contracts. The contingent payment obligations will arise with respect to future production in the event that oil prices, gas prices, and/or production volumes exceed minimum thresholds. Contingent payments may also arise in the event of a future disposition of these Production Sharing Contracts.

The Company has estimated the undiscounted cash flows related to this contingent payment to be approximately US\$5.6 million (\$7.5 million) at the acquisition date, and recorded a contingent liability of \$3.4 million. There is no maximum amount stated in the SPA.

### Contingent Payment Rights to Debt Holder

As a condition of the Company's acquisition of MOPL, the Company issued Kendall Court Cambridge Investment Manager Ltd. ("Kendall Court") 27,053,182 common shares of the Company and 27,053,182 Contingent Payment Rights ("CPR") in consideration for a US\$2.25 million reduction in a MOPL borrowing facility. The CPR's provide that the Company will make a cash payment on January 3, 2027 equal to \$0.1957 per CPR multiplied by the issued common shares of the Company still held by Kendall Court at that time. The Company has recorded a liability of \$3.3 million for the estimated present value of the contingent payment. The undiscounted cash flows related to this payment are approximately \$4.4 million.

## **21. Subsequent Events**

### **Excess Share Correction**

As per the Company's press release dated April 25, 2024 , the Company corrected the number of common shares in the Company's share capital (the "Lender Shares") issued to one of the lenders (the "MOPL Lender") of MOPL, to 22,235,055 at a deemed price of approximately \$0.13 per share (the "Issuance Price"). As indicated in the press release, 27,053,182 shares were originally issued the Lender. The excess shares of 4,818,127 were returned by the MOPL lender and cancelled. The MOPL Lender currently holds approximately 16.8% of the issued and outstanding common shares of the Company