CRITERIUM ENERGY LTD.

Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2024 and 2023
(*Expressed in Canadian Dollars*)

Criterium Energy Ltd.

Interim Condensed Consolidated Statement of Financial Position

[in thousands of Canadian dollars, unaudited]

	As at June 30, 2024	As at December 31, 2023
	$	$
Assets		
Current		
Cash and cash equivalents	**5,997**	443
Accounts receivable *[note 5]*	**2,912**	64
Prepaids and deposits *[note 6]*	**1,565**	336
Inventories *[note 7]*	**2,045**	—
Assets held for sale *[note 8]*	**2,247**	2,177
Subscription receipts *[note 14]*	**-**	6,739
Total current assets	**14,766**	9,759
Non-current		
Property, plant and equipment *[note 9]*	**73,790**	—
Right of use assets *[note 10]*	**584**	122
VAT receivable – non-current portion	**7,360**	—
Decommissioning and reclamation deposits *[note 13]*	**3,644**	46
Deposits *[note 6]*	**-**	265
Total current assets	**85,378**	433
Total assets	**100,144**	10,192
Liabilities and shareholders' equity		
Current		
Accounts payable and accrued liabilities	**5,815**	1,221
Current portion of debt *[note 11]*	**7,642**	—
Current portion of taxes payable *[note 12]*	**2,387**	—
Liabilities directly associated with assets held for sale *[note 8]*	**674**	657
Current portion of lease liabilities *[note 10]*	**481**	28
Subscription receipts *[note 14]*	**—**	6,739
Acquisition payable	**—**	397
Decommissioning liabilities *[note 13]*	**31**	31
Total current liabilities	**17,030**	9,073
Non-current		
Long-term debt *[note 11]*	**30,156**	—
Taxes payable – non-current *[note 12]*	**19,629**	—
Deferred tax liabilities	**15,729**	—
Contingent consideration *[note 20]*	**7,675**	—
Decommissioning obligations *[note 13]*	**1,721**	—
Provision for employee benefits	**1,667**	—
Lease liabilities *[note 10]*	**93**	108
Total non-current liabilities	**76,670**	108
Total liabilities	**93,700**	9,181
Shareholders' equity		
Share capital [note 14]	**17,863**	8,694
Contributed surplus *[note 15]*	**767**	682
Deficit	**(12,227)**	(8,329)
Accumulated other comprehensive income (loss)	**41**	(36)
Total shareholders' equity	**6,444**	1,011
Total liabilities and shareholders' equity	**100,144**	10,192

See accompanying notes to the condensed interim-consolidated financial statements

Criterium Energy Ltd.

Interim Condensed Consolidated Statement of Loss and Comprehensive Loss

[in thousands of Canadian dollars, unaudited]

	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
	$	$	$	$
Revenue				
Oil sales	**7,952**	—	**16,117**	—
Royalty expense	**(2,129)**	—	**(4,283)**	—
Royalty revenue	**(4)**	30	**9**	59
Other income	**2**	1	**43**	2
	5,821	**31**	**11,886**	**61**
Expenses and other items				
Operating	**3,386**	4	**7,280**	9
General and administrative	**1,479**	818	**3,141**	1,341
Depreciation and depletion *[notes 9 and 10]*	**1,594**	9	**3,445**	18
Financing costs *[note 16]*	**957**	6	**1,910**	12
Other tax expense	**723**	—	**723**	—
Foreign exchange gain (loss)	**(178)**	1	**(253)**	7
Geological and geophysical expense	**—**	28	**—**	28
Exploration	**—**	202	**—**	234
Share-based compensation *[note 14]*	**43**	74	**85**	147
Transaction costs	**3**	—	**41**	—
	8,007	**1,142**	**16,372**	**1,796**
Net loss for the period before income taxes	**(2,186)**	**(1,111)**	**(4,486)**	**(1,735)**
Current income taxes *[note 12]*	**59**	—	**765**	—
Deferred income taxes (recovery)	**(760)**	—	**(1,353)**	—
Income taxes (recovery)	**(701)**	**—**	**(588)**	**—**
Net loss	**(1,485)**	**(1,111)**	**(3,898)**	**(1,735)**
Other comprehensive income (loss), net of income tax				
Items that recycle through net loss				
Foreign currency translation adjustment	**37**	(18)	**77**	(23)
Total other comprehensive income (loss)	**37**	**(18)**	**77**	**(23)**
Total comprehensive loss	**(1,448)**	**(1,129)**	**(3,821)**	**(1,758)**
Net loss per share				
Basic and diluted	**(0.01)**	(0.03)	**(0.03)**	(0.05)
Weighted average number of shares outstanding (in thousands) *[note 14]*	**132,355**	37,666	**130,291**	37,184

See accompanying notes to the condensed interim-consolidated financial statements

Criterium Energy Ltd.

Interim Condensed Consolidated Statement of Changes in Shareholders' Equity

[in thousands of Canadian dollars, unaudited]

(thousands of Canadian Dollars thousands of shares)	Share Capital # of Shares	Share Capital $	Contributed Surplus	Accumulated Other comprehensive income (loss)	Deficit	Total equity
Balance, December 31, 2022	36,227	8,161	377	(6)	(4,520)	4,012
Share issue costs		(3)				(3)
Exercise of warrants	2,163	541	-	-	-	541
Stock-based compensation	-	-	147	-	-	147
Other comprehensive loss	-	-	-	(23)	-	(23)
Net loss	-	-	-	-	(1,735)	(1,735)
Balance, June 30, 2023	38,390	8,699	524	(29)	(6,255)	2,939
Balance, December 31, 2023	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)	33,056	4,207	-	-	-	4,207
Stock-based compensation	-	-	85	-	-	85
Other comprehensive income	-	-	-	77	-	77
Net loss	-	-	-	-	(3,898)	(3,898)
Balance, June 30, 2024	132,355	17,863	767	41	(12,227)	6,444

See accompanying notes to the condensed interim-consolidated financial statements

Criterium Energy Ltd.

Interim Condensed Consolidated Statement of Cash Flows

[in thousands of Canadian dollars, unaudited]

	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
	$	$	$	$
Operating activities				
Net loss	**(1,485)**	(1,111)	**(3,898)**	(1,735)
Depletion and depreciation *[notes 9 and 10]*	**1,594**	9	**3,445**	18
Accrued Interest on reclamation deposits	**—**	(1)	**—**	(1)
Deferred income taxes (recovery)	**(760)**	—	**(1,353)**	—
Finance cost – non-cash *[note 16]*	**373**	6	**1,179**	12
Unrealized foreign exchange	**(184)**	—	**(237)**	—
Share-based compensation	**43**	74	**85**	147
Change in non-cash working capital *[note 19]*	**3**	505	**(1,715)**	252
Cash provided by (used in) operating activities	**(416)**	(518)	**(2,494)**	(1,307)
Investing activities				
Acquisition *[note 4]*	**—**	—	**(5,494)**	—
Oil and Gas assets additions	**(106)**	—	**(106)**	—
Cash on acquisition *[note 4]*	**(134)**	—	**9,832**	—
Acquisition Payable	**—**	(394)	**—**	(804)
Change in non-cash working capital *[note 19]*	**—**	—	**265**	—
Cash provided by (used in) investing activities	**(240)**	(394)	**4,497**	(804)
Financing activities				
Issuance of common shares, net of costs *[note 14]*	**—**	247	**4,962**	541
Share issue costs	**—**	(2)	**—**	(3)
Principal payments on lease obligations *[note 10]*	**(240)**	(12)	**(253)**	(23)
Payments on long term debt *[note 11]*	**(1,826)**	—	**(1,826)**	—
Change in non-cash working capital *[note 19]*	**—**	—	**280**	—
Cash provided by (used in) financing activities	**(2,066)**	233	**3,163**	515
Net increase (decrease) in cash during the period	(2,722)	(679)	5,166	(1,597)
Effect of foreign exchange	**190**	—	**388**	—
Cash and cash equivalents, beginning of period	**8,529**	2,802	**443**	3,721
Cash and cash equivalents, end of period	**5,997**	2,123	**5,997**	2,124

See accompanying notes to the condensed interim-consolidated financial statements

Notes to interim condensed consolidated financial statements

[amounts in thousands of Canadian dollars, except share or per share amounts, unaudited]

For the three and six months ended June 30, 2024 and 2023

1. Reporting entity

Criterium Energy Ltd. and its subsidiaries, [collectively “Criterium” or the “Company”] and its subsidiaries are currently engaged in the exploration, appraisal and development of petroleum and natural gas in Indonesia. Criterium was incorporated in Alberta, Canada and has subsidiaries in Bermuda, British Virgin Islands, Cyprus, Singapore and New Zealand. The Company changed its name to Criterium Energy Ltd. from Softrock Minerals Ltd. on September 26, 2022. Criterium 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”]. These unaudited interim condensed consolidated financial statements should be read in conjunction with Criterium's audited consolidated financial statements for the year ended December 31, 2023. These unaudited interim condensed consolidated financial statements have been prepared in accordance with IFRS accounting policies and methods of computation as set forth in Criterium'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 condensed consolidated financial statements. In addition, accounting policies first applied during the reporting period have been disclosed under note 3 Accounting Policies.

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 [“CGUs”], 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 Criterium Energy Ltd. Control is achieved where a 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 Criterium Energy Ltd.’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 Criterium Energy Ltd.

These interim condensed consolidated financial statements are presented in Canadian dollars, which is the Criterium Energy Ltd.'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 is 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.

Notes to interim condensed consolidated financial statements

[amounts in thousands of Canadian dollars, except share or per share amounts, unaudited]

For the three and six months ended June 30, 2024 and 2023

3. Adoption of Accounting Pronouncements and New Accounting Pronouncements

New accounting pronouncements

On 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.

Future pronouncements

On April 9, 2024, the IASB issued a new standard, IFRS 18 Presentation and Disclosure in Financial Statements, which introduced new requirements for improved comparability in the statement of profit or loss, enhanced transparency of management-defined performance measures and more useful grouping of information in the financial statements. The standard is effective for annual reporting periods beginning on or after Jan. 1, 2027. The Company is currently evaluating the impacts to the financial statements.

On May 29, 2024, the IASB issued Amendments to the Classification and Measurement of Financial Instruments effective January 1, 2026 impacting IFRS 7 & 9. The IASB amended the requirements related to settling financial liabilities using an electronic payment system; and assessing contractual cash flow characteristics of financial assets, including those with ESG-linked features. The Company is currently evaluating the impacts to the financial statements.

4. Business combinations

On January 4, 2024, Criterium Energy Ltd. 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 onshore Production Sharing Contracts ["PSCs"] in Indonesia. Criterium Energy Ltd. 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 22,235,055 common shares in exchange for the retirement of US$2,250,000 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$4,000,000; and
- An initial deposit of US$100,000

Notes to interim condensed consolidated financial statements

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For the three and six months ended June 30, 2024 and 2023

The acquisition established Criterium Energy Ltd. 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**
Total purchase price	**16,399**
Cash and cash equivalents	**9,832**
Inventory	**1,920**
Accounts receivable	**288**
Prepaids and deposits	**2,070**
VAT receivable	**7,329**
Decommissioning and reclamation deposits	**3,297**
Property, plant and equipment	**75,215**
Right of use asset	**625**
Total identifiable assets	**100,576**
Accounts payable and accrued liabilities	**(4,130)**
Taxes payable – current	**(8,121)**
Current portion of long-term debt	**(5,381)**
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	**(32,427)**
Provision for employee benefits	**(1,629)**
Lease liability	**(224)**
Total identifiable liabilities	**(84,177)**
Net identifiable assets	**16,399**

Notes to interim condensed consolidated financial statements

[amounts in thousands of Canadian dollars, except share or per share amounts, unaudited]

For the three and six months ended June 30, 2024 and 2023

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.

5. Accounts receivable

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

	June 30, 2024 $	December 31, 2023 $
Trade receivables	**2,757**	36
Other receivables	**155**	28
Total accounts receivable	**2,912**	64

6. Prepaids and deposits

	June 30, 2024 $	December 31, 2023 $
Deposits	**1,106**	265
Prepaid expenses	**459**	55
Prepaid share issuance costs	**—**	281
	1,565	601
Current	**1,565**	336
Non-current	**—**	265

7. Inventories

	June 30, 2024 $	December 31, 2023 $
Material	**1,626**	—
Fuels	**75**	—
Produced Oil	**344**	—
	2,045	—

Notes to interim condensed consolidated financial statements

[amounts in thousands of Canadian dollars, except share or per share amounts, unaudited]

For the three and six months ended June 30, 2024 and 2023

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 US$7,750,000. On May 21, 2024, the Company announced the execution of a definitive agreement related to the sale. The Company received C$680,000 [US$500,000] as a non-refundable deposit prior to executing the agreement, which is recorded in Accounts payable and accrued liabilities, with a further with US$1,500,000 to be received as a non-refundable deposit prior to closing. The remaining US$5,750,000 is due upon closing. 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:

	June 30, 2024 $	December 31, 2023 $
Assets held for sale		
Exploration and evaluation assets	**2,247**	2,177
Balance	**2,247**	2,177
Liabilities directly associated with the asset held for sale		
Accounts payable	**674**	657
Balance	**674**	657

Notes to interim condensed consolidated financial statements

[amounts in thousands of Canadian dollars, except share or per share amounts, unaudited]

For the three and six months ended June 30, 2024 and 2023

9. Property, plant and equipment

Property, plant and equipment is as follows:

	$
Balance, December 31, 2023	**1,234**
Acquisition *[note 4]*	**75,215**
Additions	**106**
Effects of movements in exchange rates	**1,875**
Balance, June 30, 2024	**78,430**
Accumulated depletion, depreciation, and amortization	
Balance, December 31, 2023	**1,234**
Depreciation and depletion	**3,380**
Effects of movements in exchange rates	**26**
Balance, June 30, 2024	**4,640**
Net book value	
Balance, December 31, 2023	**—**
Balance, June 30, 2024	**73,790**

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 June 30, 2024, and 2023. Depreciation and depletion for the period include $111,000 recorded in inventory.

10. Right of use assets and lease liabilities

Right of use assets is as follows:

	Office	**Furniture**	**Total**
	$	$	$
Balance, December 31, 2023	92	30	122
Acquisition *[note 4]*	**623**	**—**	**623**
Depreciation	**(174)**	**(2)**	**(176)**
Effects of movements in exchange rates	**15**	**—**	**15**
Balance, June 30, 2024	**556**	**28**	**584**

Notes to interim condensed consolidated financial statements

[amounts in thousands of Canadian dollars, except share or per share amounts, unaudited]

For the three and six months ended June 30, 2024 and 2023

Lease obligations is as follows:

	Office	Furniture	Total
	$	$	$
Balance, December 31, 2023	103	33	136
Acquisition *[note 4]*	**623**	—	**623**
Accretion	**52**	**2**	**54**
Lease payments	**(240)**	**4**	**(236)**
Effects of movements in exchange rates	**(3)**	—	**(3)**
Balance, June 30, 2024	**535**	**39**	**574**
Current	**473**	**8**	**481**
Non-current	**62**	**31**	**93**

11. Long term debt

	Facility 1	Facility 2	Facility 3	Total
	$	$	$	$
Balance, December 31, 2023	—	—	—	—
Acquisition – assumption of debt	**22,764**	**11,695**	**3,349**	**37,808**
Payments	**(1,642)**	**(915)**	—	**(2,557)**
Finance expense	**1,161**	**293**	**139**	**1,593**
Effects of movements in exchange rates	**576**	**294**	**84**	**954**
	22,859	**11,367**	**3,572**	**37,798**
Less: current portion	**(4,454)**	**(3,188)**	—	**(7,642)**
Balance, June 30, 2024	**18,405**	**8,179**	**3,572**	**30,156**

Facility 1 is a debenture agreement between Criterium Energy Ltd.'s subsidiary MOVL and Kendall Court Cambridge Investment Manager Ltd. ["Kendall Court"]. At January 4, US$17,046,000 was outstanding, consisting of principal and prior capitalized interest. An interest rate of 10% applies. In April 2024, the Company commenced monthly payments of US$400,000 applying to both interest and principal. In July 2024, the Company negotiated for the monthly payments to be reduced to US$150,000 for four months, effective July 1st, 2024. Monthly payments of US$400,000 will resume in November 2024.

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 2024 are related party transactions.

Facility 2 is a Redeemable Preferred Share ["RPS"] agreement between Criterium Energy Ltd.'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 June 30, 2024, the accrued unpaid dividends were US$1,867,000. On April 2024, the Company started redeeming shares in the amount of

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US$185,185 per month and pay interest quarterly starting from January 4, 2024. In July 2024, the Company negotiated for the monthly payments to be reduced to US$92,593 for five months, effective July 1st, 2024.

Facility 3 is a US$3,000,000 working capital loan facility between Criterium Energy Ltd.'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$510,000 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$510,000 bonus amount into common shares of Criterium immediately following maturity if the outstanding balance of 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 $3,000,000 was issued to Tourmalet in conjunction with closing to facilitate the conversion feature.

12. Taxes payable

	$
Balance, December 31, 2023	**—**
Acquisition *[note 4]*	**21,092**
Cash tax payments	**(1,102)**
Current tax expense	**765**
Other tax expense	**723**
Effects of movements in exchange rates	**538**
Balance, June 30, 2024	**22,016**
Current	**2,387**
Non-current	**19,629**

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.

Notes to interim condensed consolidated financial statements

[amounts in thousands of Canadian dollars, except share or per share amounts, unaudited]

For the three and six months ended June 30, 2024 and 2023

13. Decommissioning liabilities

	$
Balance, December 31, 2023	**31**
Acquisition *[note 4]*	**1,552**
Accretion	**129**
Effects of movements in exchange rates	**40**
Balance, June 30, 2024	**1,752**
Current	**31**
Non-current	**1,721**

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.

As at June 30, 2024, $3.64 million [December 31, 2023 – $46000] is held as reclamation deposits with applicable regulatory body as security for the settlement of these obligations. Undiscounted decommissioning costs total $6.9 million [December 31, 2023 - $45,000].

14. Share capital

Authorized

Unlimited number of:

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

On January 4, as 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.

Notes to interim condensed consolidated financial statements

[amounts in thousands of Canadian dollars, except share or per share amounts, unaudited]

For the three and six months ended June 30, 2024 and 2023

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]*	**33,056,922**	4,207
Share issue costs	**—**	(1,740)
Balance, June 30, 2024	**132,355,994**	17,863

Weighted average number of common shares

	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Weighted average number of common shares				
Basic	132,355,994	37,665,639	130,290,807	37,183,596
Diluted	—	—	—	—

For the three and six month periods ended June 2024 and 2023, respectively, all equity instruments are considered to be anti-dilutive as the Company is in a loss position.

Stock option plan

For the three and six months ended June 30, 2024, the Company recorded total stock-based compensation of $43,000 [2023 – $74,000], and $85,000 [2023 – $147,000], respectively. At June 30, 2024, the total unvested stock-based compensation with respect to these options was $11,000 [December 31, 2023 – $17,000].

The continuity of stock options at June 30, 2024, was as follows:

	Number #	Weighted average exercise price $
Balance, June 30, 2024, and December 31, 2023	**370,000**	**0.22**

The following stock options were outstanding at June 30, 2024:

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[amounts in thousands of Canadian dollars, except share or per share amounts, unaudited]

For the three and six months ended June 30, 2024 and 2023

	Number	Number exercisable	Exercise price	Remaining life
	#	#	$	[years]
Expiry date				
April 14, 2025	60,000	60,000	0.25	0.79
June 22, 2025	60,000	60,000	0.25	0.98
September 26, 2027	250,000	83,333	0.20	3.24
	370,000	203,333	0.22	2.91

Warrants

The continuity of share purchase warrants at June 30, 2024, was as follows:

	Number	Exercise price	Remaining life
	#	$	[years]
Expiry date			
September 26, 2027	27,155,032	0.20	3.24
January 4, 2029, subscription receipts warrants	60,909,091	0.14	4.52
January 4, 2029, broker warrants	7,309,091	0.14	4.52
Balance, June 30, 2024	95,373,214	0.15	4.09

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 June 30, 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].

For the three and six months ended June 30, 2024, the Company recorded total stock-based compensation of $20,000 [2023 – $67,000] and $40,000 (2023 – $133,244), respectively. At June 30, 2024, total unvested stock-based compensation with respect to these RSUs was $120,035 [December 31, 2023 – $293,000], 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 June 30, 2024, there were 1,030,000 PSUs outstanding and non-exercisable. For the three and six months ended June 30, 2024, the Company recorded total stock-based compensation of $19,000 and $38,000 respectively. At June 30, 2024, the total unvested stock-based compensation with respect to these PSUs was $85,000, calculated using the fair value of the Company's shares at issuance and probabilities of meeting the performance conditions.

[amounts in thousands of Canadian dollars, except share or per share amounts, unaudited]

15. Contributed surplus

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

	$
Balance, December 31, 2023	682
Stock-based compensation	**85**
Balance, June 30, 2024	**767**

16. Finance costs

Finance costs is as follows:

	Three months ended June 30, 2024 $	**Three months ended June 30, 2023** $	**Six months ended June 30, 2024** $	**Six months ended June 30, 2023** $
Lease interest	4	—	61	—
Long term debt interest	803	—	1,594	—
Accretion expense	150	6	255	12
	957	6	1,910	12
Cash	584	—	731	—
Non-cash	373	6	1,179	12

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[amounts in thousands of Canadian dollars, except share or per share amounts, unaudited]

For the three and six months ended June 30, 2024 and 2023

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 analyze 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:

	June 30, 2024 $	December 31, 2023 $
Trade receivables	**2,757**	36
Other	**155**	—
Accounts receivable	**2,912**	36
Taxes receivable non-current portion	**7,544**	—

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 very 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 contingent payment rights to debt holder [note 20] are a level 2 estimate.

Notes to interim condensed consolidated financial statements

[amounts in thousands of Canadian dollars, except share or per share amounts, unaudited]

For the three and six months ended June 30, 2024 and 2023

18. Geographic segmented information

The company currently operates in two geographically based industry segments: Indonesia and Canada. The Company's head office is in Canada.

	Three months ended June 30, 2024 $	**Three months ended June 30, 2023** $	**Six months ended June 30, 2024** $	**Six months ended June 30, 2023** $
Revenue				
Indonesia	5,821	—	11,832	—
Canada	—	30	54	59
	5,821	30	11,886	59
Net income (loss) before taxes				
Indonesia	(827)	(185)	(2,697)	(270)
Canada	(1,359)	(925)	(1,789)	(1,464)
	(2,186)	(1,110)	(4,486)	(1,734)
Income Tax recovery				
Indonesia	(701)	—	(588)	—
Canada	—	—	—	—
	(701)	—	(588)	—
Net loss				
Indonesia	(126)	(185)	(2,109)	(270)
Canada	(1,359)	(925)	(1,789)	(1,464)
	(1,485)	(1,110)	(3,898)	(1,734)

Notes to interim condensed consolidated financial statements

[amounts in thousands of Canadian dollars, except share or per share amounts, unaudited]

For the three and six months ended June 30, 2024 and 2023

	June 30, 2024 $	December 31, 2023 $
Total non-current assets		
Indonesia	85,301	—
Canada	77	122
	85,378	122
Total assets		
Indonesia	93,705	2,177
Canada	6,439	8,015
	100,144	10,192
Total liabilities		
Indonesia	84,082	—
Canada	9,618	9,181
	93,700	9,181

[amounts in thousands of Canadian dollars, except share or per share amounts, unaudited]

19. Supplemental cash flow information

Supplemental cash flow information is as follows:

	Three months ended June 30, 2024 $	Three months ended June 30, 2023 $	Six months ended June 30, 2024 $	Six months ended June 30, 2023 $
Changes in non-cash working capital				
Accounts receivable	71	7	(3,007)	104
Prepaids and deposits	(16)	11	512	(42)
Inventories	(184)	—	(67)	—
Accounts payable and accrued liabilities	(665)	486	(11)	190
Liabilities directly associated with assets held for sale	(9)	—	9	—
Taxes payable	904	—	1,450	—
Acquisition payable	—	(393)	265	—
Movements in exchange rates	(98)	—	(321)	(804)
	3	111	(1,170)	(552)
Cash paid for taxes	590	—	1,102	—
Cash paid for interest	731	—	731	—
The change in non-cash working capital has been allocated to the following activities:				
Operating	3	504	(1,715)	252
Financing	—	—	280	—
Investing	—	(393)	265	(804)

20. Commitments and contingencies

	Contingent liability 1 $	Contingent liability 2 $	Contingent liability 3 $	Total $
Balance, December 31, 2023	—	—	—	—
Acquisition	**3,422**	**668**	**3,275**	**7,365**
Finance expense accrual	—	—	**126**	**126**
Effects of movements in exchange rates	**85**	**17**	**82**	**184**
	3,507	**685**	**3,483**	**7,675**
Less: current portion	—	—	—	—
Balance, June 30, 2024	**3,507**	**685**	**3,483**	**7,675**

Contingent liability 1 and 2 - MOPL contingent payments

Contingent liability 1 is related to the SPA described in note 4 and 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$5,600,000 [$7,500,000] at the acquisition date and recorded a contingent liability of $3,400,000. There is no maximum amount stated in the SPA.

For Contingent liability 2, the Company has assumed a contingent liability as a part of the acquisition of MOPL – see note 4. This is related to a contractual payment upon certain successes at one of the Company's exploration properties.

Contingent liability 3- 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"] 22,235,055 common shares of the Company and 22,235,055 Contingent Payment Rights ["CPR"] in consideration for a US$2,250,000 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 be Kendall Court at that time. The Company has recorded a liability of $3,483,000 for the estimated present value of the contingent payment. The undiscounted cash flows related to this payment are approximately $4,400,000.