



**CRITERIUM**  
ENERGY

## **CRITERIUM ENERGY LTD.**

### **Interim Condensed Consolidated Financial Statements**

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

## Criterion Energy Ltd.

### Interim Condensed Consolidated Statement of Loss and Comprehensive Loss

[in thousands of Canadian dollars, unaudited]

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
	\$	\$	\$	\$
<b>Revenue</b>				
Oil sales	8,240	—	24,357	—
Royalty expense	(2,046)	—	(6,329)	—
Royalty revenue	32	27	41	87
Other income	2	1	45	2
	<u>6,228</u>	<u>28</u>	<u>18,114</u>	<u>89</u>
<b>Expenses and other items</b>				
Operating	2,639	—	9,919	9
General and administrative	1,843	730	4,966	2,069
Restructuring costs	712	—	712	—
Depreciation and depletion (Note 7)	1,667	9	5,112	27
Financing costs (Note 12)	1,300	5	3,210	17
Other tax expense	360	—	1,083	—
Foreign exchange gain (loss)	(257)	1	(493)	8
Geological and exploration expense	—	318	—	581
Share-based compensation (Note 11)	42	73	127	221
Transaction costs	—	—	41	—
	<u>8,306</u>	<u>1,136</u>	<u>24,677</u>	<u>2,932</u>
<b>Net loss for the period before income taxes</b>	<u>(2,078)</u>	<u>(1,108)</u>	<u>(6,563)</u>	<u>(2,843)</u>
Current income taxes (Note 9)	(16)	—	749	—
Deferred income taxes (recovery)	(756)	—	(2,109)	—
<b>Income taxes (recovery)</b>	<u>(772)</u>	<u>—</u>	<u>(1,360)</u>	<u>—</u>
<b>Net loss</b>	<u>(1,306)</u>	<u>(1,108)</u>	<u>(5,203)</u>	<u>(2,843)</u>
<b>Other comprehensive income (loss), net of income tax</b>				
Items that recycle through net loss				
Foreign currency translation adjustment	(8)	23	70	(1)
Total other comprehensive income (loss)	(8)	23	70	(1)
<b>Total comprehensive loss</b>	<u>(1,314)</u>	<u>(1,085)</u>	<u>(5,133)</u>	<u>(2,844)</u>
Net loss per share				
Basic and diluted	(0.01)	(0.03)	(0.04)	(0.08)
Weighted average number of shares outstanding (in thousands) (Note 11)	<u>132,356</u>	<u>38,390</u>	<u>130,984</u>	<u>37,184</u>

See accompanying notes to the interim condensed consolidated financial statements

# Criterion Energy Ltd.

## Interim Condensed Consolidated Statement of Financial Position

[in thousands of Canadian dollars, unaudited]

	As at September 30, 2024 \$	As at December 31, 2023 \$
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	6,135	443
Accounts receivable (Note 4)	2,758	64
Prepays and deposits	1,067	336
Inventories (Note 5)	3,091	—
Assets held for sale (Note 6)	2,215	2,177
Subscription receipts (Note 11)	-	6,739
<b>Total current assets</b>	<b>15,266</b>	<b>9,759</b>
<b>Non-current</b>		
Property, plant and equipment (Note 7)	63,557	—
Right of use assets	489	122
VAT receivable – non-current portion	7,445	—
Decommissioning and reclamation deposits (Note 10)	3,302	46
Deposits	202	265
<b>Total Non-current assets</b>	<b>74,995</b>	<b>433</b>
<b>Total assets</b>	<b>90,261</b>	<b>10,192</b>
<b>Liabilities and shareholders' equity</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	9,876	1,221
Current portion of debt (Note 8)	6,920	—
Current portion of taxes payable (Note 9)	7,499	—
Liabilities directly associated with assets held for sale (Note 6)	674	657
Current portion of lease liabilities	381	28
Subscription receipts (Note 11)	—	6,739
Acquisition payable	—	397
Decommissioning liabilities (Note 10)	31	31
<b>Total current liabilities</b>	<b>25,381</b>	<b>9,073</b>
<b>Non-current</b>		
Long-term debt (Note 8)	23,241	—
Taxes payable – non-current (Note 9)	14,567	—
Deferred tax liabilities	10,908	—
Contingent consideration (Note 16)	8,420	—
Decommissioning obligations (Note 10)	1,762	—
Provision for employee benefits	729	—
Lease liabilities	82	108
<b>Total non-current liabilities</b>	<b>59,709</b>	<b>108</b>
<b>Total liabilities</b>	<b>85,090</b>	<b>9,181</b>
<b>Shareholders' equity</b>		
Share capital (Note 11)	17,861	8,694
Contributed surplus	809	682
Deficit	(13,533)	(8,329)
Accumulated other comprehensive income (loss)	34	(36)
<b>Total shareholders' equity</b>	<b>5,171</b>	<b>1,011</b>
<b>Total liabilities and shareholders' equity</b>	<b>90,261</b>	<b>10,192</b>

See accompanying notes to the interim condensed consolidated financial statements

**Criterion 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	\$	Contributed Surplus	Accumulated Other comprehensive income (loss)	Deficit	Total equity
<b>Balance, December 31, 2022</b>		36,227	8,161	377	(6)	(4,520)	4,012
<b>Share issue costs</b>			(3)				(3)
Exercise of warrants		2,163	541	-	-	-	541
Stock-based compensation		-	-	221	-	-	221
Other comprehensive loss		-	-	-	(1)	-	(1)
Net loss		-	-	-	-	(2,844)	(2,844)
<b>Balance, September 30, 2023</b>		38,390	8,699	598	(7)	(7,364)	1,926
<b>Balance, December 31, 2023</b>		38,390	8,694	682	(36)	(8,330)	1,010
Shares issued, net of share issuance costs (Note 11)		60,909	4,962	-	-	-	4,962
Shares issued, acquisition (Note 3)		33,056	4,205	-	-	-	4,205
Stock-based compensation		-	-	127	-	-	127
Other comprehensive income		-	-	-	70	-	70
Net loss		-	-	-	-	(5,203)	(5,203)
<b>Balance, September 30, 2024</b>		132,355	17,861	809	34	(13,533)	5,171

See accompanying notes to the interim condensed consolidated financial statements

**Criterion Energy Ltd.**

**Interim Condensed Consolidated Statement of Cash Flows**

[in thousands of Canadian dollars, unaudited]

	Three months ended September 30, 2024 \$	Three months ended September 30, 2023 \$	Nine months ended September 30, 2024 \$	Nine months ended September 30, 2023 \$
<b>Operating activities</b>				
Net loss	(1,306)	(1,108)	(5,203)	(2,843)
Depletion and depreciation (Notes 7)	1,667	9	5,112	27
Accrued Interest on reclamation deposits	—	(1)	—	(2)
Deferred income taxes (recovery)	(756)	—	(2,109)	—
Finance cost – non-cash (Note 12)	505	5	1,684	17
Unrealized foreign exchange (gain) loss	(257)	—	(494)	—
Share-based compensation (Note 11)	42	74	127	221
Change in non-cash working capital (Note 15)	1,618	437	(97)	688
<b>Cash provided by (used in) operating activities</b>	<b>1,513</b>	<b>(584)</b>	<b>(980)</b>	<b>(1,892)</b>
<b>Investing activities</b>				
Acquisition (Note 3)	—	—	(5,495)	—
Oil and Gas assets additions (Note 7)	(2,781)	—	(2,887)	—
Cash on acquisition (Note 3)	—	—	9,832	—
Acquisition Payable	—	(7)	—	(811)
Change in non-cash working capital (Note 15)	1,483	—	1,748	—
<b>Cash provided by (used in) investing activities</b>	<b>(1,298)</b>	<b>(7)</b>	<b>3,198</b>	<b>(811)</b>
<b>Financing activities</b>				
Issuance of common shares, net of costs (Note 11)	—	—	4,964	541
Share issue costs	—	—	—	(3)
Principal payments on lease obligations	16	(12)	(237)	(35)
Payments on long term debt (Note 8)	(290)	—	(2,118)	—
Change in non-cash working capital (Note 15)	—	—	280	—
<b>Cash provided by (used in) financing activities</b>	<b>(274)</b>	<b>(12)</b>	<b>2,889</b>	<b>503</b>
<b>Net increase (decrease) in cash during the period</b>	<b>(59)</b>	<b>(603)</b>	<b>5,107</b>	<b>(2,200)</b>
Effect of foreign exchange	197	—	585	—
Cash and cash equivalents, beginning of period	5,997	2,124	443	3,721
<b>Cash and cash equivalents, end of period</b>	<b>6,135</b>	<b>1,521</b>	<b>6,135</b>	<b>1,521</b>

See accompanying notes to the interim condensed consolidated financial statements

## **Criterion Energy Ltd.**

### **Notes to interim condensed consolidated financial statements**

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

For the three and nine months ended September 30, 2024 and 2023

#### **1. Reporting entity**

Criterion Energy Ltd. and its subsidiaries, [collectively “Criterion” or the “Company”] are 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”]. These unaudited interim condensed consolidated financial statements should be read in conjunction with Criterion'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 Criterion's audited consolidated financial statements for the year ended December 31, 2023, with the exception 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.

##### **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 Criterion 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 Criterion 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 Criterion Energy Ltd.

These interim condensed consolidated financial statements are presented in Canadian dollars, which is Criterion Energy Ltd.'s functional currency.

## **Criterion Energy Ltd.**

### **Notes to interim condensed consolidated financial statements**

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

For the three and nine months ended September 30, 2024 and 2023

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.

### **3. Business combinations**

On January 4, 2024, Criterion 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. Criterion 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 8.
- 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 8 for details]
- Cash consideration to a debt holder to extinguish debt in the amount of US\$4,000,000; and
- A non-refundable deposit of US\$100,000

The acquisition established Criterion 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 Criterion's strategy of consolidating a balanced portfolio of producing assets with the opportunity to optimize production and conduct infill drilling and step-out development.

## Criterion Energy Ltd.

### Notes to interim condensed consolidated financial statements

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

For the three and nine months ended September 30, 2024 and 2023

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 <i>[note 18]</i>	4,480
Contingent payment rights to debt holder	2,912
<b>Total purchase price</b>	<b>17,094</b>
Cash and cash equivalents	9,832
Inventory	1,920
Accounts receivable	288
Prepays and deposits	960
VAT receivable	7,329
Decommissioning and reclamation deposits	3,499
Property, plant and equipment	64,944
Right of use asset	625
<b>Total identifiable assets</b>	<b>89,397</b>
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	(350)
Decommissioning liabilities	(1,552)
Long term taxes payable	(12,971)
Deferred tax liabilities	(12,813)
Long term debt	(25,641)
Provision for employee benefits	(721)
Lease liability	(224)
<b>Total identifiable liabilities</b>	<b>(72,303)</b>
<b>Net identifiable assets</b>	<b>17,094</b>

## Criterion Energy Ltd.

### Notes to interim condensed consolidated financial statements

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

For the three and nine months ended September 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 estimated fair value of property plant is classified as a level 3 within the fair value hierarchy as certain key assumptions were not based on observable market data but rather management's best estimates. The most significant input being the discount rate of 24% used to present value the future cash flows. The estimated fair values of the contingent liability and long-term debt are also classified as level 3 within the fair value hierarchy. The future cash flows of these obligations have been present valued using a discount rate of 17% - 24%. 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.

#### 4. 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:

	September 30, 2024	December 31, 2023
	\$	\$
Trade receivables	2,572	45
Other receivables	186	19
<b>Total accounts receivable</b>	<b>2,758</b>	<b>64</b>

#### 5. Inventories

	September 30, 2024	December 31, 2023
	\$	\$
Material	2,112	—
Fuels	242	—
Produced oil	737	—
<b>Balance, September 30, 2024</b>	<b>3,091</b>	<b>—</b>

The total amount of inventory expensed through cost of sales during the three and nine months ended September 30, 2024 was \$371,507 and \$474,400 respectively (three and nine months ended September 30, 2023 - \$nil and \$nil, respectively). No inventory write-downs or reversals of prior write-downs were recorded during the three and nine months ended September 30, 2024 (three and nine months ended September 30, 2023 - \$nil).

#### 6. 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

## Criterion Energy Ltd.

### Notes to interim condensed consolidated financial statements

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

For the three and nine months ended September 30, 2024 and 2023

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. To date the Company has received C\$1,359,000 [US\$1,000,000] as a non-refundable deposit prior to executing the agreement, which is recorded in Accounts payable and accrued liabilities. The remaining US\$6,750,000 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:

	September 30, 2024	December 31, 2023
	\$	\$
<b>Assets held for sale</b>		
Exploration and evaluation assets	2,215	2,177
<b>Balance</b>	<u>2,215</u>	<u>2,177</u>
<b>Liabilities directly associated with the asset held for sale</b>		
Accounts payable	674	657
<b>Balance</b>	<u>674</u>	<u>657</u>

#### 7. Property, plant and equipment

Property, plant and equipment is as follows:

	\$
<b>Balance, December 31, 2023</b>	<u>1,234</u>
Acquisition [note 3]	64,944
Additions	2,887
Effects of movements in exchange rates	807
<b>Balance, September 30, 2024</b>	<u>69,872</u>
<b>Accumulated depletion, depreciation, and amortization</b>	
Balance, December 31, 2023	1,234
Depreciation and depletion	5,126
Effects of movements in exchange rates	(45)
<b>Balance, September 30, 2024</b>	<u>6,315</u>
<b>Net book value</b>	
Balance, December 31, 2023	—
<b>Balance, September 30, 2024</b>	<u>63,557</u>

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 September 30, 2024. Depreciation and depletion for the period included \$279,000 recorded in inventory.

## Criterion Energy Ltd.

### Notes to interim condensed consolidated financial statements

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

For the three and nine months ended September 30, 2024 and 2023

#### 8. Long term debt

	Facility 1	Facility 2	Facility 3	Total
	\$	\$	\$	\$
<b>Balance, December 31, 2023</b>	—	—	—	—
Fair value of debt acquired	19,562	8,949	2,510	31,021
Payments	(2,228)	(1,416)	—	(3,644)
Finance expense	1,743	433	211	2,384
Effects of movements in exchange rates	240	123	34	400
	<b>19,317</b>	<b>8,089</b>	<b>2,755</b>	<b>30,161</b>
Less: current portion	(4,032)	(2,888)	—	(6,920)
<b>Balance, September 30, 2024</b>	<b>15,285</b>	<b>5,201</b>	<b>2,755</b>	<b>23,241</b>
<b>Principal owed, September 30, 2024</b>	<b>22,514</b>	<b>10,830</b>	<b>3,594</b>	<b>36,938</b>

Facility 1 is a debenture agreement between Criterion 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 (CAD\$202,485) for four months, effective July 1<sup>st</sup>, 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.

Facility 2 is a Redeemable Preferred Share ["RPS"] agreement between Criterion 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 September 30 2024, the accrued unpaid dividends were US\$1,867,000 (CAD\$2,520,263). On April 2024, the Company started redeeming shares in the amount of 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 (CAD\$120,991) for five months, effective July 1<sup>st</sup>, 2024.

Facility 3 is a US\$3,000,000 working capital loan facility between Criterion 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 Criterion 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 Criterion 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.

## Criterion Energy Ltd.

### Notes to interim condensed consolidated financial statements

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

For the three and nine months ended September 30, 2024 and 2023

#### 9. Taxes payable

	\$
<b>Balance, December 31, 2023</b>	—
Acquisition <i>[note 3]</i>	21,092
Cash tax payments	(1,686)
Current tax expense	763
Other tax expense	1,083
Effects of movements in exchange rates	814
<b>Balance, September 30, 2024</b>	<b>22,066</b>
Current	7,499
Non-current	14,567

Taxes payable relate to taxes, and penalties, owed for land and building tax and corporate income tax in Indonesia. Current tax expense is corporate income tax in Indonesia. Certain tax balances are not due within a twelve-month period and are accordingly classified as long term. The Company expects to renegotiate its current taxes payable, this is customary with Indonesian tax authorities and the Company has previously been successful in negotiating installment payments below the full current taxes payable amount

#### 10. Decommissioning liabilities

	\$
<b>Balance, December 31, 2023</b>	31
Acquisition <i>[note 3]</i>	1,552
Accretion	197
Effects of movements in exchange rates	13
<b>Balance, September 30, 2024</b>	<b>1,793</b>
Current	31
Non-current	1,762

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. . Undiscounted decommissioning costs total \$6.9 million [December 31, 2023 - \$0.05 million]. 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 September 30, 2024, \$3.30 million [December 31, 2023 – \$0.05 million] is held as reclamation deposits with the applicable regulatory body as security for the settlement of these obligations.

## Criterion Energy Ltd.

### Notes to interim condensed consolidated financial statements

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

For the three and nine months ended September 30, 2024 and 2023

#### 11. Share capital

##### Authorized

Unlimited number of:

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

On January 4, 2024, 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.

##### Issued and outstanding common shares

	Shares #	Amount \$
<b>Balance, December 31, 2023</b>	<b>38,389,981</b>	8,694
Shares issued – subscription receipts	<b>60,909,091</b>	6,702
Shares issued – business combination [note 3]	<b>33,056,922</b>	4,205
Share issue costs	-	(1,740)
<b>Balance, September 30, 2024</b>	<b>132,355,994</b>	17,861

##### Weighted average number of common shares

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
<b>Weighted average number of common shares (000s)</b>				
Basic & diluted	132,356	38,390	130,984	37,710

For the three and nine-month periods ending September 30, 2024 and 2023, respectively, all equity instruments are considered to be anti-dilutive as the Company is in a loss position.

## Criterion Energy Ltd.

### Notes to interim condensed consolidated financial statements

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

For the three and nine months ended September 30, 2024 and 2023

#### Warrants

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

	Number #	Exercise price \$	Remaining life [years]
<b>Expiry date</b>			
September 26, 2027	27,155,032	0.20	2.99
January 4, 2029, subscription receipts warrants	60,909,091	0.14	4.27
January 4, 2029, broker warrants	7,309,091	0.14	4.27
<b>September 30, 2024</b>	<b>95,373,214</b>	<b>0.15</b>	<b>3.84</b>

#### Stock option plan

For the three and nine months ended September 30, 2024, the Company recorded total stock-based compensation of \$3,000 [2023 – \$7,000], and \$9,000 [2023 – \$21,000], respectively.

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

	Number #	Weighted average exercise price \$
<b>Balance, September 30, 2024, and December 31, 2023</b>	<b>370,000</b>	<b>0.22</b>

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

	Number #	Number exercisable #	Exercise price \$	Remaining life [years]
<b>Expiry date</b>				
April 14, 2025	60,000	60,000	0.25	0.54
June 22, 2025	60,000	60,000	0.25	0.73
September 26, 2027	250,000	83,333	0.20	2.99
	<b>370,000</b>	<b>203,333</b>	<b>0.22</b>	<b>2.66</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 September 30, 2024, of the 2,550,000 outstanding RSUs, 1,700,000 were exercisable and 850,000 were non-exercisable [December 31, 2023 – 1,700,000 non-exercisable].

## Criterion Energy Ltd.

### Notes to interim condensed consolidated financial statements

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

For the three and nine months ended September 30, 2024 and 2023

For the three and nine months ended September 30, 2024, the Company recorded total stock-based compensation of \$20,000 [2023 – \$67,000] and \$61,000 (2023 – \$200,000), respectively.

Subsequent to the quarter end, 1.7 million previously issued RSUs were converted into common shares in relation to an executive departure that occurred during Q3.

#### 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 September 30, 2024, there were 1,030,000 PSUs outstanding and non-exercisable. For the three and nine months ended September 30, 2024, the Company recorded total stock-based compensation of \$19,000 and \$57,000 respectively.

## 12. Finance costs

Finance costs is as follows:

	Three months ended September 30, 2024 \$	Three months ended September 30, 2023 \$	Nine months ended September 30, 2024 \$	Nine months ended September 30, 2023 \$
Lease interest	5	—	66	—
Long term debt interest	790	—	2,384	—
Accretion expense	505	—	760	12
	<b>1,300</b>	<b>—</b>	<b>3,210</b>	<b>12</b>
Cash	795	—	1,526	—
Non-cash	505	—	1,684	12

## 13. 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

## Criterion Energy Ltd.

### Notes to interim condensed consolidated financial statements

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

For the three and nine months ended September 30, 2024 and 2023

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:

	September 30, 2024 \$	December 31, 2023 \$
Trade receivables	2,572	36
Other	186	—
Accounts receivable	2,758	36
VAT receivable	7,445	—

#### 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.

## **Criterion Energy Ltd.**

### **Notes to interim condensed consolidated financial statements**

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

For the three and nine months ended September 30, 2024 and 2023

#### **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 9].

#### **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 17] are a level 3 estimate and contingent payment rights to debt holder [note 17] are a level 2 estimate.

**Criterion Energy Ltd.**

**Notes to interim condensed consolidated financial statements**

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

For the three and nine months ended September 30, 2024 and 2023

**14. Geographic segmented information**

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

	<b>Three months ended September 30, 2024</b>	<b>Three months ended September 30, 2023</b>	<b>Nine months ended September 30, 2024</b>	<b>Nine months ended September 30, 2023</b>
	\$	\$	\$	\$
<b>Revenue</b>				
Indonesia	6,196	—	18,028	—
Canada	32	—	86	—
	<u>6,228</u>	<u>—</u>	<u>18,114</u>	<u>—</u>
<b>Net income (loss) before taxes</b>				
Indonesia	242	—	(2,455)	—
Canada	(2,320)	—	(4,108)	—
	<u>(2,078)</u>	<u>—</u>	<u>(6,563)</u>	<u>—</u>
<b>Income Tax recovery</b>				
Indonesia	(771)	—	(1,359)	—
Canada	—	—	—	—
	<u>(771)</u>	<u>—</u>	<u>(1,359)</u>	<u>—</u>
<b>Net loss</b>				
Indonesia	1,014	(352)	(1,095)	(622)
Canada	(2,320)	(757)	(4,108)	(2,221)
	<u>(1,306)</u>	<u>(1,109)</u>	<u>(5,203)</u>	<u>(2,843)</u>

## Criterion Energy Ltd.

### Notes to interim condensed consolidated financial statements

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

For the three and nine months ended September 30, 2024 and 2023

	September 30, 2024	December 31, 2023
	\$	\$
<b>Total non-current assets</b>		
Indonesia	74,929	433
Canada	66	—
	<u>74,995</u>	<u>433</u>
<b>Total assets</b>		
Indonesia	83,830	2,177
Canada	6,431	8,015
	<u>90,261</u>	<u>10,192</u>
<b>Total liabilities</b>		
Indonesia	76,006	—
Canada	9,085	9,181
	<u>85,091</u>	<u>9,181</u>

### 15. Supplemental cash flow information

Supplemental cash flow information is as follows:

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
	\$	\$	\$	\$
Changes in non-cash working capital				
Accounts receivable	415	4	(2,592)	108
Prepays and deposits	515	(14)	1,027	(56)
Inventories	(848)	—	(915)	—
Accounts payable and accrued liabilities	3,953	447	3,942	637
Liabilities directly associated with assets held for sale	17	—	26	—
Taxes payable	(418)	—	1,032	—
Acquisition payable	—	(7)	265	—
Movements in exchange rates	(533)	—	(854)	(811)
	<u>3,101</u>	<u>430</u>	<u>1,931</u>	<u>(122)</u>
Cash paid for taxes	584	—	1,686	—
Cash paid for interest	795	—	1,526	—
The change in non-cash working capital has been allocated to the following activities:				
Operating	1,618	436	(97)	688
Financing	—	—	280	—
Investing	1,483	(6)	1,748	(810)

## Criterion Energy Ltd.

### Notes to interim condensed consolidated financial statements

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

For the three and nine months ended September 30, 2024 and 2023

#### 16. Commitments and contingencies

	Contingent liability 1	Contingent liability 2	Contingent liability 3	Total
	\$	\$	\$	\$
<b>Balance, December 31, 2023</b>	—	—	—	—
Acquisition	4,480	350	2,912	7,742
Accretion expense	353	—	213	566
Effects of movements in exchange rates	39	3	70	112
	<b>4,872</b>	<b>353</b>	<b>3,195</b>	<b>8,420</b>
Less: current portion	—	—	—	—
<b>Balance, September 30, 2024</b>	<b>4,872</b>	<b>353</b>	<b>3,195</b>	<b>8,420</b>

#### 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 and/or discovery of additional commercial oil fields within the West Salawati Production Sharing Contract.

The Company has estimated the undiscounted cash flows related to this contingent payment to be approximately US\$7,971,000 [CAD\$10,765,000] at the acquisition date and recorded a contingent liability of \$4,480,161. 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 explorations properties. The undiscounted cashflow related to this payment are approximately valued at \$500,000 (CAD\$675,000).

#### 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 by Kendall Court at that time. The Company has recorded a liability of \$3,195,000 for the estimated present value of the contingent payment. The undiscounted cash flows related to this payment are approximately \$4,400,000.