

CRITERIUM ENERGY LTD.
FORM 51-102F4
BUSINESS ACQUISITION REPORT

Item 1 Identity of Company

1.1 Name and Address of Company

Criterion Energy Ltd. ("Criterion" or the "Company")
Suite 1120 – 202 6 Avenue S.W.
Calgary, Alberta
T2P 2R9

1.2 Executive Officers

The executive officers of the Company who are knowledgeable about the MOPL Acquisition (as defined herein) and this business acquisition report are as follows:

Matthew Klukas, Interim President and CEO
403-808-2027

Henry Groen, CFO
403-903-2181

Item 2 Details of Acquisition

2.1 Nature of Business Acquired

On June 14, 2023, the Company entered into a definitive agreement (the "Acquisition Agreement") with the shareholders (the "Vendors") of Mont D'Or Petroleum Limited ("MOPL") in respect of the acquisition (the "MOPL Acquisition") of all issued and outstanding shares (the "MOPL Shares") of MOPL for a purchase price of US\$1.00 payable to the Vendors and the assumption of approximately US\$26.0 million in debt. In addition, the Company agreed to make certain contingent payments to the Vendors, as described further below.

In connection with the MOPL Acquisition, Criterion made certain arrangements with lenders of MOPL, which arrangements involved the issuance of securities of Criterion in exchange for the retirement of debt, as described further below.

A copy of the Acquisition Agreement available at www.sedarplus.ca under the Company's SEDAR+ profile.

MOPL is a Southeast Asia focused upstream oil and gas company with assets in Indonesia. MOPL holds 100% operating working interests in two production sharing contracts ("PSCs") in Indonesia, the Tungal PSC in South Central Sumatra and the West Salawati PSC in West Papua province (collectively, the "MOPL Assets"). The MOPL Assets produced an average of 900bbl/d of light crude oil in 2023.

2.2 Acquisition Date

The closing date of the MOPL Acquisition was January 4, 2024.

2.3 Consideration

The consideration paid to the Vendors consisted of US\$1.00 and the assumption of debt equal to approximately US\$26.0 million. In addition, pursuant to the Acquisition Agreement, the Vendors are entitled to certain contingent cash payments (the "Contingent Payments") if Brent crude oil prices exceed US\$80/bbl with average quarterly production over 1,200bbl/d from the MOPL Assets. The Contingent Payments increase with Brent crude oil prices, ranging from US\$3/bbl above US\$80/bbl Brent to US\$7.5/bbl should prices exceed US\$90/bbl. There are also additional Contingent Payments payable by Criterium if prices go above US\$100/bbl, starting at \$1/bbl on all volumes from the MOPL Assets and rising to \$3/bbl at US\$130/bbl. While there is currently no gas production from the MOPL Assets, should sales gas production be brought on stream in the future, the Vendors are entitled to receive 1.82% of gross gas sales revenue.

In connection with the MOPL Acquisition, Criterium made arrangements with certain lenders of MOPL for the partial repayment of outstanding debt. Criterium issued 10,821,273 common shares in the capital of the Company (the "Common Shares") at a deemed value of \$0.11 per Common Share to Tourmalet Holdings Ltd. ("Tourmalet") in exchange for the negotiation of potential debt write downs (which were contingent on a cash payment by Criterium to the lenders prior to March 31, 2024). The Company also issued 27,053,182 units comprised of one Common Share (an "Issuance Share") and one contingent payment right (a "CPR") at a deemed price \$0.11 per unit to Kendall Court Cambridge Investment Manager Ltd. ("Kendall Court") in exchange for the retirement of US\$2.25 million of debt. Each CPR entitles the holder thereof to a cash payment on January 3, 2027 (the "Maturity Date") equal to the sum of \$0.11 plus 15% per annum (compounded monthly) from the issuance date of the CPRs (the "Issuance Date"), which sum shall be proportionately reduced by the number of Issuance Shares sold by Kendall Court from the Issuance Date to the Maturity Date. Lastly, Criterium agreed to the amendment of a credit facility with Summit Investments Pty. Ltd. ("Summit") to provide, among other things: (A) Summit the right to convert the US\$3.0 million loan less a US\$0.5 million write down, plus a bonus amount of US\$0.51 million (together, the "Converted Amount") into Common Shares at the greater of the 20 day volume weighted average trading price prior notice of the conversion or the Discounted Market Price (as defined in the policies of the TSX Venture Exchange) at any time following January 1, 2025; and (B) an automatic conversion of the Converted Amount on December 31, 2025, if such amount is not otherwise converted.

2.4 Effect on Financial Position

Except as otherwise publicly disclosed and in the ordinary course conduct of business by the Company, Criterium does not presently have any plans or proposals for material changes in the business affairs of Criterium or with respect of the MOPL Assets that may have a significant effect on the financial performance and financial position of the Company, including any proposal to liquidate the Company's business, to sell, lease or exchange all or a substantial part of the

Company's interest in the MOPL Assets or the Company's other assets, or to make any material changes to Criterium's business or with respect to the MOPL Assets, including changes in the Company's corporate structure, management or personnel.

The Company funded a portion of the consideration for the MOPL Acquisition with the net proceeds from a bought deal offering of 60,910,000 subscription receipts of the Company (the "Subscription Receipts") at a price of \$0.11 per Subscription Receipt. Each Subscription Receipt was converted on closing of the MOPL Acquisition into one unit of the Company. Each such unit consisted of one Common Share and one Common Share purchase warrant (a "Warrant"). Each Warrant entitled the holder thereof to purchase one Common Share (a "Warrant Share") at an exercise price of \$0.14 per Warrant Share until the date that is 60 months following the issuance of such Warrant Share. The aggregate gross proceeds raised by the Company pursuant to the bought deal offering totaled approximately \$6.7 million.

2.5 Prior Valuations

To the knowledge of the Company, there has not been any valuation opinion obtained within the last twelve months by MOPL or the Company.

2.6 Parties to Transaction

The MOPL Acquisition was not with an "informed person" (as such term is defined in Section 1.1 of National Instrument 51-102 – *Continuous Disclosure Obligations*) ("NI 51-102"), associate or affiliate of the Company. At the time of closing of MOPL Acquisition, MOPL was not a reporting issuer in Canada or any other jurisdiction.

2.7 Date of Report

August 2, 2024.

Item 3 Financial Statements and Other Information

To address the requirements of Part 8 of NI 51-102, attached hereto as Appendix A to this Business Acquisition Report are the audited consolidated financial statements of MOPL for the years ended December 31, 2023 and 2022.

Forward-looking statement advisories: *This Business Acquisition Report contains forward-looking statements. More particularly, this Business Acquisition Report contains forward looking statements regarding: the impact of the MOPL Acquisition on Criterium's operations, opportunities, financial condition and overall strategy; the Contingent Payments; potential debt write downs negotiated with Tourmalet; the CPRs; expectations regarding the Converted Amount under the credit facility with Summit; commodity prices and the MOPL Assets' associated reserves, future net revenues and future production estimates. Statements relating to reserves are by their nature forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves can be profitably produced in the future. It should not be assumed that the estimated future net revenue is representative of the fair market value of the MOPL Assets. The volumes of oil, natural gas liquids and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas liquids and natural gas reserves may be greater than or less than the estimates provided herein. In addition, the use of any of the words "guidance", "initial", "scheduled", "can", "will", "prior to", "estimate", "anticipate", "believe", "potential", "should", "unaudited", "forecast", "future", "continue", "may", "expect", "project", and similar expressions are intended to identify forward-looking statements.*

The actual results could differ materially from those anticipated in these forward-looking statements as a result of various risks as set out herein. Except as required by law, Criterium does not assume any obligation to publicly update or revise any forward-looking information to reflect new events or circumstances.

Appendix A

Mont D'Or Petroleum Limited

AUDITED FINANCIAL STATEMENTS

**FOR THE PERIOD FROM JANUARY 1, 2023 TO
DECEMBER 31, 2023**

(Expressed in US Dollars)

**MONT D'OR PETROLEUM LIMITED
AND ITS SUBSIDIARIES**

**INDEPENDENT AUDITORS' REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2023**

**MONT D'OR PETROLEUM LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS**
For the financial year ended 31 December 2023

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MONT D'OR PETROLEUM LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2023

	<u>Note</u>	<u>2023</u> US\$'000	<u>2022</u> US\$'000
Revenue		18,010	25,169
Operating expenses		(11,902)	(6,818)
Other operating expenses		(8,084)	(7,360)
Depreciation and depletion		(1,834)	(3,975)
Finance expense		(2,681)	(2,755)
Foreign exchange (loss) gain		<u>(523)</u>	<u>231</u>
(Loss)/profit before income tax		(7,014)	4,492
Income tax benefit (expense)	17b	<u>5,313</u>	<u>(771)</u>
(Loss)/profit for the year		<u>(1,701)</u>	<u>3,721</u>
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Profit (loss) on defined benefit obligations		<u>243</u>	<u>(98)</u>
Other comprehensive profit (loss) for the year		<u>243</u>	<u>(98)</u>
Total comprehensive (loss)/profit for the year		<u><u>(1,458)</u></u>	<u><u>3,623</u></u>

The accompanying notes form an integral part of these consolidated financial statements.

MONT D'OR PETROLEUM LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2023

	Note	2023 US\$'000	2022 US\$'000
ASSETS			
Non-current assets			
Intangible assets	5	9,097	8,928
Property, plant and equipment	6	30,832	33,616
Goodwill		-	256
VAT receivables	17a	5,488	6,509
Restricted cash	9	2,469	2,242
Right of use assets	18a	428	-
Total non-current assets		48,314	51,551
Current assets			
Inventories	7	1,438	825
Trade and other receivables	8	7,278	8,652
Cash and cash equivalents	9	2,227	7,906
Total current assets		10,943	17,383
Total assets		59,257	68,934
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	10	21,068	11,309
Borrowings - current portion	11	6,993	-
Contingent consideration	19c	500	500
Lease liability - current	18b	188	-
Total current liabilities		28,749	11,809
Non-current liabilities			
Borrowings - non-current portion	11	19,279	30,848
Deferred income tax liabilities	17c	363	13,954
Decommissioning obligation	13	5,356	5,172
Post employment benefits liability		1,220	1,213
Lease liability - non-current	18b	234	-
Total non-current liabilities		26,452	51,187
Total liabilities		55,201	62,995
Equity			
Share capital	14	21,822	21,822
Treasury shares	15	(3,746)	(3,746)
Share premium	16	21,759	21,759
Redeemable preference shares	12	9,461	9,461
Other reserves		121	(122)
Accumulated losses		(45,361)	(43,236)
Total equity		4,056	5,938
Total liabilities and equity		59,257	68,934

The accompanying notes form an integral part of these consolidated financial statements.

MONT D'OR PETROLEUM LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the financial year ended 31 December 2023

	Share capital US\$'000	Treasury shares US\$'000	Share premium US\$'000	Redeemable preference shares US\$'000	Other reserves US\$'000	Accumulated losses US\$'000	Total equity US\$'000
Balance at 1 January 2022	21,822	(3,746)	21,759	9,461	(24)	(46,548)	2,724
Dividend	-	-	-	-	-	(409)	(409)
Profit/ (loss) for the year	-	-	-	-	(98)	3,721	3,623
Balance at 31 December 2022	<u>21,822</u>	<u>(3,746)</u>	<u>21,759</u>	<u>9,461</u>	<u>(122)</u>	<u>(43,236)</u>	<u>5,938</u>
Dividend	-	-	-	-	-	(424)	(424)
Profit/ (loss) for the year	-	-	-	-	243	(1,701)	(1,458)
Balance at 31 December 2023	<u>21,822</u>	<u>(3,746)</u>	<u>21,759</u>	<u>9,461</u>	<u>121</u>	<u>(45,361)</u>	<u>4,056</u>

The accompanying notes form an integral part of these consolidated financial statements.

MONT D'OR PETROLEUM LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the financial year ended 31 December 2023

	<u>Notes</u>	<u>2023</u> US\$'000	<u>2022</u> US\$'000
Operating activities			
Profit before tax		(7,014)	4,492
Adjustments for:			
- Depreciation and depletion	6,18a	1,834	3,975
- Finance expense		2,681	2,755
- Accretion expense	13	184	336
- Provision for employee benefit		243	(98)
Operating cash flows before movements in working capital		<u>(2,072)</u>	<u>11,460</u>
Changes in working capital:			
- Inventories	7.23	(506)	(782)
- Trade and other receivables		1,637	(3,315)
- VAT receivables	17a	1,021	2,357
- Trade and other payables		16,317	(1,820)
Increase in restricted cash	9	(227)	(161)
Income tax refunded/(paid)		(13,591)	-
Employee benefit paid		-	(74)
Net cash provided by operating activities		<u>2,579</u>	<u>7,665</u>
Investing activities			
Acquisition of property, plant and equipment	6.23	(615)	(832)
Acquisition of exploration and evaluation assets	5.23	(194)	(4,160)
Contingent commercial production	19c	-	(1,500)
Net cash used in investing activities		<u>(809)</u>	<u>(6,492)</u>
Financing activities			
Proceeds from borrowings		-	5,570
Repayment of borrowings	11	(6,000)	(500)
Payment of borrowing costs		(150)	(200)
Interest paid	11	(1,065)	(1,328)
Payment on lease liability	18b	(234)	(242)
Net cash provided by financing activities		<u>(7,449)</u>	<u>3,300</u>
Net (decrease) increase in cash and cash equivalents		(5,679)	4,473
Cash and cash equivalents at beginning of year	9	<u>7,906</u>	<u>3,433</u>
Cash and cash equivalents at end of the year		<u>2,227</u>	<u>7,906</u>

The accompanying notes form an integral part of these consolidated financial statements.

MONT D'OR PETROLEUM LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the financial year ended 31 December 2023

1. General information

Mont D'Or Petroleum Limited (the "Company") is a private limited company incorporated in the British Virgin Islands ("BVI").

The registered office of the Company is 2nd Floor, Abbott Building, Waterfront Drive, 87 Main Street, Road Town, Tortola, BVI. The principal place of operations is in Indonesia as further disclosed in Note 19(a).

The principal activities of the Company and its subsidiaries (the "Group") are to acquire and develop exploration and production assets and to produce hydrocarbons and to increase its oil and gas reserves and resources.

The consolidated financial statements of the Group for the year ended 31 December 2023 were authorised for issue by the Board of Directors on 14 June 2024.

The Company is the ultimate parent of the Group. The Company has no the ultimate parent entity.

2. Significant accounting policies

2.1 Basis of preparation

The consolidated financial statements have been prepared in conformity with International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared under the historical cost convention and using accrual basis, except for certain accounts which are presented based on other measurements as stated in the accounting policies in each account, except for the statement of cash flows. The statement of cash flow is prepared using the indirect method with the classification of cash flows into operating, investing and financing activities.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Those areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.2 Changes in accounting policies

(i) New standards, interpretations and amendments adopted from 1 January 2023

The following amendments are effective for the period beginning 1 January 2023:

- IFRS 17 Insurance Contracts;
- Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements);
- Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes); and
- International Tax Reform - Pillar Two Model Rules (Amendment to IAS 12 Income Taxes) (effective immediately upon the issue of the amendments and retrospectively).

MONT D'OR PETROLEUM LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the financial year ended 31 December 2023

2. Significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

- (i) New standards, interpretations and amendments adopted from 1 January 2023 (continued)

These amendments to various IFRS Accounting Standards are mandatorily effective for reporting periods beginning on or after 1 January 2023.

The Group has applied the same accounting policies and methods of computation in its consolidated financial statements as in its 2022 annual financial statements, except for those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) 1 January 2023, and will be adopted in the 2023 annual financial statements.

Other new and amended standards and interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

- (ii) New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2024:

- Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases);
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 Presentation of Financial Statements);
- Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements); and
- Supplier Finance Arrangements (Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures)

The following amendments are effective for the period beginning 1 January 2025:

- Lack of Exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates)

2.3 Group accounting

- (i) Consolidation

Subsidiaries are all entities over which the Group has obtained control. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the Group from the date that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

MONT D'OR PETROLEUM LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the financial year ended 31 December 2023

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(i) Consolidation (continued)

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company.

(ii) Acquisition

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and due to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at the fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition by acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's net assets.

If a business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of contingent consideration are recognised in profit or loss.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of the non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Intercompany transactions, balances, income and expenses and profits or losses on transactions between Group companies are eliminated on consolidation.

(iii) Changes in ownership interests in subsidiaries without a loss of control

Changes in the Group's ownership interest in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interest in the subsidiaries. Any difference before the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

MONT D'OR PETROLEUM LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the financial year ended 31 December 2023

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(iv) Interests in joint operations

A joint operation is a joint arrangement whereby the Group has rights to assets and obligations for the liabilities relating to the arrangement. Interests in joint operations are accounted for by recognising the Group's share of the assets, liabilities, revenues and expenses.

2.4 Revenue recognition

Revenue from the production and sale of crude oil is recognised based on the respective working interest per the terms of the Production Sharing Contracts ("PSC"). Revenue is recognised when the transfer of control of ownership have been transferred. Title passes to the customer when the fair value of revenue can be reliably measured when the crude oil is physically transferred into a pipeline or other delivery transportation method.

Expenses are recognised when incurred on an accrual basis.

2.5 Property, plant and equipment

(a) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

For plant and equipment, depreciation is charged so as to write-off the cost of the asset over their estimated useful lives, using the reducing balance method, on the following bases:

Plant and equipment: 25% to 50%

The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item for plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

(b) Production assets

Production assets are aggregated exploration and evaluation assets and development expenditures associated with the producing wells. Production assets are depleted using a unit-of-production method on the basis of proved reserves, from the date of commercial production of the respective field. The cost base used in the unit of production calculation includes the net book value of capitalised costs plus the estimated future field development costs. The impact of changes in reserves estimates are accounted for prospectively.

MONT D'OR PETROLEUM LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the financial year ended 31 December 2023

2. Significant accounting policies (continued)

2.5 Property, plant and equipment (continued)

(c) Abandonment and site restoration

The Group's activities give rise to dismantling, decommissioning and site remediation activities. The Group recognises provisions for the estimated cost of site restoration which are capitalised in the relevant asset category.

Decommissioning obligations are measured at the present value of management's best estimates of the expenditures required to settle the present obligation at the date of the statement of financial position. Over time the discounted liability is increased for the changes in present value. Decommissioning obligations are recognised as additions to the corresponding assets in the period they arise unless the obligation results directly from production activities, in which case the charge is recognised as a production expense. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent that the provision was established.

2.6 Intangible assets

(a) Exploration and evaluation assets

Oil and natural gas, exploration and evaluation expenditures are accounted for using the successful efforts method of accounting. Costs are accumulated on a field by field basis or well by well basis.

Geological and geophysical costs are expensed as incurred.

Costs to acquire rights to explore for and produce oil and gas are recorded as unproved property acquisition costs for properties where proved reserves have not yet been discovered, or proved property acquisition costs if proved reserves have been discovered. Proved property acquisition costs are amortised from the date of commercial production based on total estimated units of proved reserves.

The costs of drilling exploratory wells and the costs of drilling exploratory-type stratigraphic test wells are capitalised as part of assets under construction - exploratory and evaluation wells, within oil and gas properties pending determination of whether the wells have found proved reserves. If the wells have found proved reserves, the capitalised costs of drilling the wells are tested for impairment and transferred to assets under construction - development wells (even though the well may not be completed as a production well). If the well has not found proved reserves, the capitalised costs of drilling the well are then charged to profit and loss as a dry hole.

Exploration and evaluation assets are reclassified from exploration and evaluation assets when evaluation procedures have been completed. Exploration and evaluation assets for which commercially-viable reserves have been identified are reclassified to development assets. Exploration and evaluation assets are tested for impairment immediately prior to reclassification out of exploration and evaluation.

MONT D'OR PETROLEUM LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the financial year ended 31 December 2023

2. Significant accounting policies (continued)

2.6 Intangible assets (continued)

(b) Development assets

The costs of drilling development wells including the costs of drilling unsuccessful development wells and development-type stratigraphic wells are capitalised as part of assets under construction of development wells until drilling is completed. When the development well is completed on a specific field, it is transferred to the production wells.

The costs of successful exploration wells and development wells (production wells) are depleted using a units of production method on the basis of proved reserves, from the date of commercial production of the respective field.

2.7 Financial instruments

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial assets are classified, at initial recognition, at amortised cost, financial assets at fair value through profit or loss, fair value through other comprehensive income as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

In order for a financial asset to qualify for measurement as either amortised cost or fair value through other comprehensive income, it has to pass both, the contractual cash flow characteristics test as well as the business model test. Under the contractual cash flow characteristics, an entity has to assess, whether the cash flows resulting from the financial asset are solely payments for principal and interest. The Group has not recognised any financial assets at fair value through other comprehensive income. An election can be made to designate a financial asset as measured at fair value through profit or loss on initial recognition if this significantly reduces an accounting mismatch. The designation at fair value through profit or loss is irrevocable.

The classification and measurement of financial liabilities are at either fair value through profit or loss or amortised cost.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective basis for debt instruments.

MONT D'OR PETROLEUM LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the financial year ended 31 December 2023

2. Significant accounting policies (continued)

2.8 Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value plus transaction costs.

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at banks that are readily convertible within 3 months or less to a known amount of cash and which are subject to an insignificant risk of change in value.

2.10 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect amounts due according to original terms of the receivables.

2.11 Impairment of financial assets

The Group applies the simplified approach and records lifetime expected losses on all financial assets carried at amortised cost. The measurement of expected credit losses is based on the probability of default, the amount of loss given default and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. The Group considers a financial asset to be in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment of a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade or other receivable is uncollectible, it is written-off against the allowance account. Subsequent recoveries of amounts previously written-off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

MONT D'OR PETROLEUM LIMITED AND ITS SUBSIDIARIES
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For the financial year ended 31 December 2023

2. Significant accounting policies (continued)

2.11 Impairment of financial assets (continued)

In a subsequent period, if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

2.12 Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

2.13 Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

The equity instruments issued are recognised and measured initially at fair value at the date when the financial liability was extinguished. If the fair value of the equity instruments cannot be reliably measured, the fair value of the existing financial liability is used to measure the gain or loss.

Preference shares may be issued with various rights. In determining whether a preference share is a financial liability or an equity instrument, an issuer assesses the particular rights attaching to the share to determine whether it exhibits the fundamental characteristic of a financial liability, which is the existence of a contractual obligation of one party to the financial instruments (the issuer) either to deliver cash or another financial asset or financial liabilities with the holder under conditions that are potentially unfavourable to the issuer.

2.14 Borrowings

Interest-bearing loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised in profit or loss in the period in which they are incurred.

2.15 Other financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs. It is then subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

MONT D'OR PETROLEUM LIMITED AND ITS SUBSIDIARIES
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2. Significant accounting policies (continued)

2.16 Leases

At the inception of a contract, the Group assesses whether the contract is, or contains a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has the substantive substitution right, then the asset is not identified;
- The Group has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- The Group has the right to direct the use of the identified asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In certain circumstances where all the decisions about how and for what purpose the asset is used are predetermined, the Group has the right to direct the use of the asset if either:
 - The Company has the right to operate the asset; and
 - The Company has designed the asset in a way that predetermined how and for what purpose it will be used.

At inception or on re-assessment of a contract that contains a lease component, the Group allocates consideration in the contract to each lease component on the basis of their relative stand-alone prices.

At initial recognition, the Group recorded the right-of-use asset and lease liability.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payment made at or before the commencement date, plus any initial direct cost incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset to the condition required by the terms and conditions of the lease, less any lease incentives received.

The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not yet paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

MONT D'OR PETROLEUM LIMITED AND ITS SUBSIDIARIES
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2. Significant accounting policies (continued)

2.16 Leases (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee;
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- Penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

Lease liability remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use assets, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognize right-of use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2.17 Inventories

Inventories are valued at cost less a provision for obsolete and slow-moving inventory. Cost is determined based on the weighted average method. A provision for obsolete and slow-moving inventory is determined on the basis of estimated future usage of individual inventory items.

Crude oil inventories are stated at the lower of cost or net realisable value. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.18 Impairment of non-financial assets

At the end of reporting dates, the Group reviews the carrying amount of non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

MONT D'OR PETROLEUM LIMITED AND ITS SUBSIDIARIES
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2. Significant accounting policies (continued)

2.18 Impairment of non-financial assets (continued)

Estimated recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of a non-financial asset (cash generating unit) is less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount and an impairment loss is recognised immediately against earnings. Accounting policy for impairment of financial assets is discussed in Note 2.11.

2.19 Interests in joint arrangements

A joint arrangement is an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require unanimous consent of the parties sharing control.

The Group's joint operations are non-incorporated entities carrying on operations under PSC in Indonesia. The Group reports its working interests using proportionate consolidation. Working interest refers to the percentage of ownership in a joint operation.

2.20 Reimbursement of costs of the operator of the joint arrangement

When the Group, acting as an operator or manager of a joint arrangement, receives reimbursement of direct costs recharged to the joint arrangement, such recharges represent reimbursements of costs that the operator incurred as an agent for the joint arrangement and therefore have no effect on profit or loss.

When the Group charges a management fee (based on a fixed percentage of total costs incurred for the year) to cover other general costs incurred in carrying out the activities on behalf of the joint arrangement, it is not acting as an agent. Therefore, the general overhead expenses and the management fee are recognised in the statement of profit or loss and other comprehensive income as an expense and income, respectively.

2.21 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, if it remains probable that the Group will be required to settle the obligation with an outflow of cash, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is management's best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows as at the date of the statement of financial position.

MONT D'OR PETROLEUM LIMITED AND ITS SUBSIDIARIES
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2. Significant accounting policies (continued)

2.21 Provisions (continued)

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.22 Provision for decommissioning costs

Decommissioning costs are provided at the present value of expected costs to settle the obligation in accordance with the obligations in the Tungkal Production Sharing Contract ("PSC"), using estimated cash flows. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in the profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the profit or loss.

2.23 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.24 Post employment defined benefit liability

A subsidiary of the Group operates a defined benefit plan of post-employment termination benefits in Indonesia, which are governed by local labour laws.

No funding has been made to the defined benefit plan.

The actuarial valuation method used to determine the present value of the defined benefit liability plan, the related current service costs and the past service costs is determined via the Projected Unit Credit method.

Expenses charged to the statement of comprehensive income includes current service costs, interest expense and past service costs that have vested. Gains or losses on settlement of a defined benefit obligation are recognised within the statement of comprehensive income.

Termination benefits are payable when an employee's employment is terminated by the Group before the normal retirement age or whenever an employee accepts voluntary redundancy in exchange for these benefits.

MONT D'OR PETROLEUM LIMITED AND ITS SUBSIDIARIES
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2. Significant accounting policies (continued)

2.24 Post employment defined benefit liability (continued)

The liability recognised in the statement of financial position in respect of a defined benefit liability plan is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, together with adjustments for any unrecognised past service costs. The defined benefit liability obligation is determined with reference to actuarial valuations issued by an independent actuary on an annual basis using the projected unit credit method of valuation. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yields of high quality corporate bonds that are denominated in the currency in which the benefit will be paid. The resulting defined benefit asset or liability is presented separately as other non-current assets or other non-current liabilities.

Actuarial gains and losses and adjustments arising are charged or credited to equity in other comprehensive income in the period when they arise. Past service costs are recognised immediately in the statement of comprehensive income.

2.25 Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates and tax laws that have been enacted or substantively enacted in countries where the Company and its subsidiaries operate by the end of the reporting period.

The Group recognised deferred income tax liabilities for anticipated corporate tax liabilities due on revenue recognised for the Group's share of First Tranche Petroleum ("FTP") in accordance with the PSC. The deferred income tax liabilities is payable upon reaching the profit oil equity split under the Tungkal PSC.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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2. Significant accounting policies (continued)

2.25 Income taxes (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively). Where current or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2.26 Foreign currency transactions

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group are presented in United States Dollars, which is both the functional and presentation currency of the Group, for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Translation differences arising on the settlement of monetary items, and on re-translation of monetary items are included in profit or loss for the period.

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3. Critical accounting estimates, assumptions and judgements

In the application of the Group's accounting policies, which are described in Note 2 to the consolidated financial statements, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Critical judgements in applying the entity's accounting policies

Information about critical estimates and judgements that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognised in the consolidated financial statements within the next financial year are noted below. The Group reviews its critical judgements in applying the entity's accounting policies on an annual basis.

(a) Reserves base

Oil and gas properties are depreciated on a unit of production basis at a rate calculated by reference to proved and probable reserves independently determined in accordance with the Society of Petroleum Engineers' rules and incorporating the estimated future cost of developing and extracting those reserves. The Group estimates its commercial reserves based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the hydrocarbon body and suitable production techniques and recovery rates. Commercial reserves are determined using estimates of oil in place, recovery factors and future oil prices, the latter having an impact on the proportion of the gross reserves which are attributable to the host government under the terms of the PSC.

Future development costs are estimated using assumptions as to number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs.

The level of estimated commercial reserves (i.e. proved and probable reserves) is also a key determinant in assessing whether the carrying value of any of the Group's development and production assets has been impaired.

(b) Exploration and evaluation expenditure

The Group's accounting policy for exploration and evaluation expenditure results in certain items of expenditure being capitalised for an area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established.

Any such estimates and assumptions may change as new information becomes available. If, after having capitalised the expenditure in accordance with the policy, a judgement is made that recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to the consolidated statement of comprehensive income.

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3. Critical accounting estimates, assumptions and judgements (continued)

(c) Development expenditure

Development activities commence after a project is sanctioned by the appropriate level of management. Judgement is applied by management in determining when a project is economically viable. In exercising this judgement, management is required to make certain estimates and assumptions similar to those described above for capitalised exploration and evaluation expenditures.

(d) Income taxes

Judgement and assumptions are required in determining capital allowances and the deductibility of certain expenses during the estimation of the provision for income taxes for the Group. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, these differences will have an impact on the income tax and deferred income tax provision in the period in which the determination was made.

Deferred income tax liabilities are recognised for the Group's share of FTP in accordance with the PSC. Deferred tax assets, including those arising from unrecouped tax losses, capital allowances and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on managements estimates of future cash flows. These depend on estimates of future production, sales volumes, commodity prices, reserves, operating costs, closure and rehabilitation costs, capital expenditure, dividends and other capital management transactions.

(e) Carrying amount of oil and gas properties

Oil and gas properties are depreciated using the units-of-production method over proved developed and undeveloped reserves.

The calculation of the unit-of-production rate of amortisation could be impacted to the extent that actual production in the future is different from current forecast production based on independently assessed proved and probable reserves. This would generally result from significant changes in any of the factors or assumptions used in estimating reserves.

These factors could include:

- changes in proved and probable reserves;
- the effect on proved and probable reserves of differences between actual commodity prices and commodity price assumptions; and
- unforeseen operational issues.

(f) Impairment indicators

In accordance with the Group's accounting policy, each asset or CGU is evaluated every reporting period to determine whether there is any indication of impairment. If any indication exists, a formal estimate of the recoverable amount is performed and an impairment loss is recognised to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating group of assets is measured at the higher of the fair value less costs to sell or value in use.

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3. Critical accounting estimates, assumptions and judgements (continued)

(f) Impairment indicators (continued)

The determination of fair value and value in use requires management to make estimates and assumptions about expected production and sales volumes, commodity prices (considering current and historical prices, price trends and related factors), reserves, operating costs, closure and rehabilitation costs and future capital expenditure. These estimates and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter these projections, which may have an impact on the recoverable amounts of the assets. In such circumstances, some or all of the carrying value of the assets may be further impaired or the impairment charges reduced with the impact recorded in profit or loss.

(g) Decommissioning costs

Decommissioning costs will be incurred by the Group at the end of the operating life of certain of the Group's facilities and properties. The decommissioning costs regarding the Tungkal PSC and Salawati PSC are in accordance with the Tungkal PSC and Salawati PSC decommissioning obligations. The expected timing and scheduling of decommissioning expenditure may be subject to change in response to changes in global oil and gas prices, changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be adjustments to the provisions established and the timing of such decommissioning which may affect future financial results.

(h) Joint arrangements

The Group has entered into joint arrangements to facilitate the development and production of oil and gas. The joint arrangements are governed by PSC and by joint operating agreements. Management has exercised judgement in concluding that joint arrangements are subject to joint control.

Specifically, judgement has been used in determining that decisions concerning the relevant activities of each arrangement require the unanimous consent of at least two of the specified parties. The Group has classified and accounted for each of its interests in joint arrangements as joint operations in accordance with IFRS 11.

(i) Fair value

An assessment of fair value of assets and liabilities is required in accounting for derivative instruments and other items, principally available for sale financial assets and disclosures related to fair values of financial assets and liabilities. In such instances, fair value measurements are estimated based on the amounts for which the assets and liabilities could be exchanged at the relevant transaction date or reporting period and are therefore, not necessarily reflective of the likely cash flow upon settlements. Where fair value measurements cannot be derived from publicly available information, they are estimated using models and other valuation methods. To the extent possible, the assumptions and inputs used take into account externally verifiable inputs. However, such information is by nature subject to uncertainty particularly where comparable market based transactions may not exist.

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4. Production sharing contract

On 26 August 1992, the Tungal PSC was signed between Perusahaan Pertambangan Minyak dan Gas Bumi Negara ("Pertamina") and Asamera (Tungal) Limited as Contractors, for a period of 30 years.

On 30 December 2003, the West Salawati PSC was signed between Badan Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi ("BP Migas") and Pearl Oil (Salawati) Limited as Contractors, for a period of 30 years.

The subsidiaries have no ownership interest in the producing assets or in the oil reserves, but rather have the rights to jointly operate the assets and receive the economic benefits arising from production and/or sale of oil in accordance with the PSC. Commercial reserves have therefore been determined on a net entitlement basis, which takes into account projections of SKK Migas' and the joint operation partners' share of production calculated on the basis of projected oil prices and expenditure levels. As at the end of the reporting period, all of the Group's activities are located in Indonesia under PSCs with the governmental energy regulator SKK Migas.

PSC are entered into by PSC contractors with the Government through the Special Task Force For Upstream Oil and Gas Business Activities ("SKK MIGAS" - formerly Oil and Gas Upstream Activities Agency/"BP MIGAS") acting on behalf of the Government for a period of 30 years. The period may be extended in accordance with applicable regulations. Of the remaining hydrocarbon proceeds, the Contractors are entitled to receive their share of oil (equity oil) on which they are required to pay their own Indonesian income taxes.

The accounting policies specified by the PSC are subject to interpretation by SKK Migas and the Government of the Republic of Indonesia. The accounting records and reports including tax returns of the subsidiaries and cumulative unrecovered costs are subject to audit by SKK Migas, Tax Authorities and the Government.

(a) Working area

The PSC working area is a designated area in which the PSC contractors may conduct oil and gas operations. PSC contractors must return a certain percentage of this designated working area to SKK MIGAS on behalf of the Government during the term of the PSC.

(b) Crude oil and natural gas production sharing

In Tungal PSC, the Contractor's and the Government's share of equity (profit) of production are 38,4615% and 61,5385% for oil and 57,6923% and 42,3077% for gas production, respectively. In West Salawati PSC, the Contractor's and the Government's share of equity (profit) of production are 62,50% and 37,50% for oil and 71,4286% and 28,5714% for gas production, respectively. Equity oil and gas production is determined annually, representing the total liftings of oil and gas in each period ended 31 December net of investment credit, FTP and cost recovery.

The Group is subject to tax on their taxable income from their PSC operations based on its share of equity oil and gas production, less bonuses, at a combined rate comprising corporate income tax and dividend tax.

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4. Production sharing contract (continued)

(c) Cost recovery

Annual cost recovery comprises:

- i. current year non-capital costs;
- ii. current year amortisation of capital costs; and
- iii. previous years' unrecovered operating costs.

(d) Crude oil and natural gas prices

The PSC contractors' crude oil production is priced at Indonesian Crude Prices ("ICP"). Gas delivered to third parties and related parties is valued based on the prices stipulated in the respective gas sales and purchase contracts.

(e) First Tranche Petroleum (FTP)

The Government and Contractors are entitled to receive an amount of 20% for Tungal PSC and 15% for West Salawati PSC of the total production of oil and gas each year, before any deduction for recovery of operating costs. FTP is shared between the Government and the Contractors in accordance with the entitlements to production in Note 4b above.

(f) Ownership of materials, supplies and equipment

Materials, supplies and equipment acquired by the PSC contractors for oil and gas operations belong to the Government, however, the PSC contractors have the right to utilise such materials, supplies and equipment until they are declared surplus or abandoned with the approval of SKK MIGAS.

On 29 November 2018, the Tungal PSC was signed an amended and restated production sharing contract with SKK Migas, for a period of 20 years from the effective date on 26 August 2022. The contract will be defined as gross split production sharing which have means production sharing principle without operating cost recovery.

The Contractor's and the Government's share of equity (profit) of production are 43% and 57% for oil and 52% and 48% for gas production, respectively.

The Contractor have a firm work commitment in conducting exploration operations pursuant to the terms of this contract during the 5 years after the effective date with the total projected estimated Work Program and Budget of Operating Cost amounting to US\$13,237,000.

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5. Intangible assets

	Exploration and evaluation	Computer license	Total
	US\$'000	US\$'000	US\$'000
<u>Cost:</u>			
At 1 January 2022	4,708	124	4,832
Additions	4,220	-	4,220
At 31 December 2022	8,928	124	9,052
Additions	169	-	169
At 31 December 2023	9,097	124	9,221
<u>Accumulated amortisation:</u>			
At 1 January 2022	-	(124)	(124)
Amortisation	-	-	-
At 31 December 2022	-	(124)	(124)
Amortisation	-	-	-
At 31 December 2023	-	(124)	(124)
<u>Carrying amount:</u>			
At 31 December 2023	9,097	-	9,097
At 31 December 2022	8,928	-	8,928

Management has exercised significant judgment in determining that there are no additional substantive indicators suggesting that the carrying amounts exceed their recoverable amounts. Assessments and estimates include management's current and future capital allocation priorities, the Group's ability to finance its commitments and the licence expiry limitations imposed by the PSC's.

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6. Property, plant and equipment

	<u>Plant and Equipment</u> US\$'000	<u>Oil and gas properties</u> US\$'000	<u>Total</u> US\$'000
<u>Cost:</u>			
At 1 January 2022	16,607	54,883	71,490
Additions	2,569	-	2,569
Reclassification	7,351	(7,351)	-
At 31 December 2022	26,527	47,532	74,059
Additions	573	-	573
Deductions	(1,737)	-	(1,737)
At 31 December 2023	25,363	47,532	72,895
<u>Accumulated depreciation and depletion:</u>			
At 1 January 2022	10,705	25,977	36,682
Depreciation and depletion	1,318	2,443	3,761
Reclassification	9,723	(9,723)	-
At 31 December 2022	21,746	18,697	40,443
Depreciation and depletion	2,727	630	3,357
Deductions	(1,737)	-	(1,737)
At 31 December 2023	22,736	19,327	42,063
<u>Carrying amount</u>			
At 31 December 2023	<u>2,627</u>	<u>28,205</u>	<u>30,832</u>
At 31 December 2022	<u>4,781</u>	<u>28,835</u>	<u>33,616</u>

The Group's depletion rate based upon revised estimated Group 2P (proved and probable reserves) commercial reserves, using the most independent estimates of commercial reserves based upon production forecasts, recovery factors, future development costs and future oil prices certified under an independent reserves report.

7. Inventories

	<u>2023</u> US\$'000	<u>2022</u> US\$'000
Materials	2,031	1,345
Fuel	142	153
Allowance for obsolete inventory	(735)	(673)
Total	<u>1,438</u>	<u>825</u>

Management believes that the allowance for obsolete inventory is adequate to cover allowance for obsolete, unusable and slow-moving materials.

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8. Trade and other receivables

	<u>2023</u>	<u>2022</u>
	US\$'000	US\$'000
Trade receivables	5,653	6,908
Deposits	1,011	1,136
Prepayments	363	413
Other receivables	251	195
Total	<u>7,278</u>	<u>8,652</u>

Management believes trade receivables will be fully collected, and therefore an allowance for impairment losses of trade receivable was not considered necessary.

Trade receivables are non-interest bearing and are generally on 30-day payment term. The carrying amounts presented above are reasonable approximations of their fair value and are not past due or impaired.

9. Cash and cash equivalents

	<u>2023</u>	<u>2022</u>
	US\$'000	US\$'000
Cash on hand	35	20
Cash in bank	2,192	7,886
Bank deposits	2,469	2,242
Total cash and bank balances	<u>4,696</u>	<u>10,148</u>
Less: Decommissioning fund	(2,469)	(2,242)
Cash and cash equivalents	<u>2,227</u>	<u>7,906</u>

Cash and cash equivalents comprise cash and bank deposits. The carrying amounts approximate their fair values.

Included in bank balances are restricted cash deposits of US\$2,468,743 (2022: US\$2,241,936) for the Tungkal PSC and Salawati PSC decommissioning obligations as disclosed in Note 13. The restricted cash is subjected to regulatory restrictions and therefore not available for general use.

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10. Trade and other payables

	<u>2023</u>	<u>2022</u>
	US\$'000	US\$'000
Trade payables	7,408	5,002
Other payables	6,932	1,938
Accrued	4,970	2,936
Redeemable preference share dividend payables (Note 12)	1,758	1,433
Total	<u>21,068</u>	<u>11,309</u>

The carrying amount of trade payables, other payables and accrued as presented approximate their fair values. These amounts are non-interest bearing.

11. Borrowings

	<u>2023</u>	<u>2022</u>
	US\$'000	US\$'000
Secured loan		
- Loan 1	19,279	17,920
- Loan 2	3,987	10,156
- Loan 3	3,006	2,772
Total	<u>26,272</u>	<u>30,848</u>
Current	6,993	-
Non-current	19,279	30,848
Total	<u>26,272</u>	<u>30,848</u>

Loan 1

On 29 May 2015, the Company's subsidiary, Mont D'Or Venture Limited ("MOVL"), entered into a secured term loan facility ("Loan 1") amounting to US\$9,000,000 drawn from a third party finance company ("Lender A"). The secured term loan facility bears a fixed interest rate of 10% per annum and is repayable in equal quarterly instalments of US\$1,125,000 commencing on 3 September 2017.

On 29 May 2015, MOVL entered into a deed poll agreement by issuance of 18 warrants to the lender for an option to exchange the warrants for a maximum of 4.5% of the enlarged issued share capital of a subsidiary, Mont D'Or Asia Limited. The warrants are exercisable upon maturity of the secured term loan facility or upon a liquidity event.

The written put options over the 18 warrants is initially recognised at fair value, with a corresponding charge directly to the borrowing. The liability is subsequently accreted through finance charges up to the redemption amount that is payable at the date at which the option first becomes exercisable. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to profit or loss.

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11. Borrowings (continued)

Loan 1 (continued)

Released its loan and warrants and have executed the re-structuring of the existing loan facility with the US\$12,000,000 of loan to MOAL and extended its maturity date of the loan facility to June 2025. The restructured loan facility bears a fixed interest rate of 10% per annum and is repayable in equal quarterly instalments up to the maturity date. As part of the loan restructuring, the Group recognised gain of US\$4,228,000 which recognised as gain from loan restructuring in profit or loss.

During 2023, MOVL has made a payment of US\$480,000 and during 2022 has no loan repayment.

Loan 2

On 12 February 2018, the Group along with Mont D'Or Venture Limited entered into a facility agreement ("Loan 2") amounting to US\$9,000,000 drawn from a major Singapore bank ("Lender B"). The facility agreement bears a fixed interest rate of 8% per annum and a loan facility acceptance fee of US\$100,000. The final repayment will be failing on one year after utilisation date.

There is mandatory repayment of principal if the Group receive any VAT Refunds, the Group shall notify Lender B and apply an amount equal to all VAT Refunds received by the Group towards repayment of the loan within 5 (five) days of receipt of such VAT Refund.

On 18 July 2018, the Group entered an amendment and restatement agreement dated 12 February 2018 to increase the commitment of Lender B under the term loan facility by US\$2,000,000. The Group has fully used its facility.

On 18 February 2021, the Group entered an amendment loan agreement to extend final repayment date from 19 February 2021 to 18 February 2022 and changes the clause related to payment of interest.

On 18 February 2022, MOVL entered a second amendment loan agreement with Lender B (Loan 2) to extend final repayment date from 18 February 2022 to 19 February 2023 and changes the clause related to payment of interest. On 7 July 2022, the Group entered an amendment loan to increase the commitment of Lender B under the term loan facility by US\$1,000,000 and extend final repayment date to 19 February 2024. The Group has fully used its facility.

During 2023, MOVL has made a payment of US\$6,585,333 including principal and interest loan.

Loan 3

On August 2020, the Company entered a working capital loan facility agreement with Summit Investment Pty Ltd. The loan facility is US\$2,000,000 with interest rate of 8% per annum. Final maturity date will be on 31 December 2021.

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11. Borrowings (continued)

Loan 3 (continued)

On 20 April 2022, the Company entered an amendment of working capital loan facility agreement with Summit Investment Pty Ltd (Loan 3) that increase the loan facility to US\$3,000,000 and final maturity date at 31 December 2024. On 30 April 2022, Summit Investment Pty Ltd agreed to assign entirely the amount due from the Company in the amount of US\$2,625,871 to Tourmalet Holdings Ltd. During 2022, the Company have received the loan facility amounting to US\$1,200,000.

During 2023 and 2022, the Company has no loan repayment.

12. Redeemable preference shares

	2023	2022
	US\$'000	US\$'000
Redeemable preference shares	9,461	9,461

On 4 September 2014, the Company's subsidiary, Mont D'Or Asia Limited ("MOAL"), entered into a secured term loan facility amounting to US\$7,500,000 drawn from a third party finance company ("Lender"). The secured term loan facility bears a fixed interest rate of 10% per annum and is repayable in equal quarterly instalments of US\$937,500 commencing 3 March 2016.

On 4 September 2014, MOAL entered into a deed poll agreement by issuance of 18 warrants to the Lender for an option to exchange the warrants for a maximum of 2% of the enlarged issued share capital of MOAL or 2% of the exchange valuation. The warrants are exercisable upon maturity of the secured term loan facility or upon a liquidity event.

MOAL and the Lender entered into a supplemental deed poll agreement, granting the lender put options over the 18 warrants issued by MOAL which permit the lender to put their warrants back to MOAL at US\$60,000 for each warrant immediately after the expiry date of the warrants exercisable period.

The put options over the 18 warrants was initially recognised at fair value, with a corresponding charge directly to the borrowing. The liability is subsequently accreted through finance charges up to the redemption amount that is payable at the date at which the option first becomes exercisable. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to profit or loss.

On 6 April 2016, MOAL had an event of default under the secured term loan facility with non-payment of quarterly instalment amounting to US\$937,500, which continued to 10 October 2017.

Effective 11 October 2017, MOAL and the Lender executed the restructuring of the secured term loan facility. The Lender waived any events of default, occurred in 6 April 2016, released the lender's security and the lenders warrants and finalised a debt to equity swap arrangement with the issuance of Redeemable Preference Shares ("RPS") on 11 October 2017.

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12. Redeemable preference shares (continued)

On 11 October 2017, MOAL issued 7,000,000 the RPS at par value of US\$1.00 per share with 5% annual non-discretionary dividend entitlement rate. The cumulative unpaid dividend portion amount will be added to the outstanding RPS amount.

The RPS were initially recognised at fair value of US\$9,461,000, net of transaction costs. As of 31 December 2023 and 2022, the accrued dividend for RPS of US\$1,757,789 (full amount) and US\$1,433,006 (full amount) are recognised directly to the retained earnings and were recorded as dividend payables (refer to Note 10).

13. Decommissioning obligation

	<u>2023</u>	<u>2022</u>
	US\$'000	US\$'000
Balance at beginning of the year	5,172	4,836
Accretion expense	<u>184</u>	<u>336</u>
Balance at end of the year	<u>5,356</u>	<u>5,172</u>

The Group has obligations to decommission its oil and gas properties upon cessation of its operations, upon the expiry in August 2022 and will be extended for a period 20 years from the effective dated on 26 August 2022 for the Tungal PSC and the expiry in December 2033 for Salawati PSC. This represents the net present fair value of the costs expected to be incurred by the Group for the abandonment and site restoration of the Tungal PSC and Salawati PSC onshore wells and the production and surface facilities.

The decommissioning requirements and obligations are in accordance with the Tungal PSC, Salawati PSC and governmental regulations. The timing of the decommissioning is also likely to depend on when the fields cease to produce at economically viable rates, which will also depend on future oil and gas prices which are inherently uncertain.

14. Share capital

	Number of ordinary shares		US\$'000	US\$'000
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Ordinary shares of US\$1 each (Class A Shares)	5,885,447	5,885,447	5,886	5,886
Ordinary shares of US\$0.49 each (Class B Shares)	32,523,114	32,523,114	15,936	15,936
Ordinary shares of US\$0.000000422 each (Class ARK Shares)	<u>1,461,441</u>	<u>1,461,441</u>	*	*
At end of the year	<u>39,870,002</u>	<u>39,870,002</u>	<u>21,822</u>	<u>21,822</u>

* Less than US\$1,000

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15. Treasury shares

In 2015, the Group acquired 798,234 of its own shares from its shareholders. The total amount paid to acquire the shares was US\$3,746,000 and has been deducted from shareholder's equity. The shares are held as 'treasury shares'. No Treasury shares were acquired during 2023 and 2022.

16. Share premium

This represents the excess over the issue price versus the par value of shares issued to shareholders as additional capital contributions.

17. Taxation

(a) VAT receivables

	2023	2022
	US\$'000	US\$'000
Reimbursable VAT	8,943	9,964
Provision	(3,455)	(3,455)
Total	5,488	6,509
Less: current portion	-	-
Total non-current portion	5,488	6,509

Reimbursable VAT by SKK Migas represents VAT paid by the contractor in relation to purchase of materials, equipments and services involving the PSC operations.

Management believes that the allowance for impairment of VAT receivables is adequate to cover possible arising losses.

(b) Income tax expense

	2023	2022
	US\$'000	US\$'000
Income tax benefit (expense)	5,313	(771)

The Group recognised deferred tax liabilities for anticipated corporate tax liabilities due on revenue recognised for the Group's share of FTP in accordance with the PSC.

(c) Movement in deferred tax liabilities

	2023	2022
	US\$'000	US\$'000
Beginning of financial year	13,954	14,979
Income tax benefit	(13,591)	(1,025)
End of financial year	363	13,954

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17. Taxation (continued)

(c) Movement in deferred tax liabilities (continued)

The deferred tax liabilities is payable upon reaching the profit oil equity split under the Tungkai PSC and Salawati PSC. As at 31 December 2023, the Tungkai PSC and Salawati PSC have a total gross unrecovered cost pool, which is subject to Government audit of US\$54,125,121 (2022: US\$54,557,016).

(d) Deferred tax assets

As at 31 December 2023, the Group has not recognised deferred tax assets because there is uncertainty regarding that future taxable profits will be available to which the deferred tax assets can be utilised.

18. Leases

(a) Right-of-use assets

	2023	2022
	US\$'000	US\$'000
Balance at 1 January	-	214
Addition	642	-
Depreciation charge for the year	(214)	(214)
Total	428	-

(b) Lease liabilities

	2023	2022
	US\$'000	US\$'000
Office premises		
Current	188	-
Non - current	234	-
Total	422	-

Amounts recognised in profit or loss:

	2023	2022
	US\$'000	US\$'000
Interest on lease liabilities	41	-

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19. Investments in subsidiaries and interests in joint operations

(a) The details of the subsidiaries as at 31 December 2023 are as follows:

Name of subsidiary	Principal activity	Country of incorporation/ operations	Group's effective interest and proportion of voting power held	
			2023 %	2022 %
Mont D'Or Petroleum Singapore Pte Ltd ⁽¹⁾	Management services	Singapore	100	100
Mont D'Or Venture Limited	Exploration and production of	British Virgin Islands	100	100
Mont D'Or Resource Limited	Exploration and production of	British Virgin Islands/New	100	100
<i>Held by MOVL</i>				
Mont D'Or Asia Limited	Exploration and production of	British Virgin Islands	100	100
Mont D'Or Salawati Limited	Exploration and production of	British Virgin Islands/Indonesia	100	100
<i>Held by MOAL</i>				
Mont D'Or Oil Tungal Limited	Exploration and production of oil and gas	Bermuda/Indonesia	100	100
Fuel-X Tungal Limited	Exploration and production of oil and gas	Republic of Cyprus/ Indonesia	100	100

Notes:

(1) *Mont D'Or Petroleum Singapore Pte Ltd, 100% subsidiary of Mont D'Or Petroleum Limited has been strike off.*

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19. Investments in subsidiaries and interests in joint operations (continued)

(b) The details of the joint operations as at 31 December 2023 are as follows:

Contract area/ Date of expiry	Held by	Description	Place of operation	Group's effective working interest	
				2023* %	2022* %
Tungkal PSC 26 August 2042	Fuel-X Tungkal Limited	Production stage	Indonesia	30	30
	Mont D'Or Tungkal Limited	Production stage	Indonesia	70	70
Salawati PSC 30 December 2033	Mont D'Or Salawati Limited	Production stage	Indonesia	100	100
PEP 55789 31 March 2024***	Mont D'Or Resource Limited	Exploration stage	New Zealand	100	100
PEP 60095** 31 March 2028	Mont D'Or Resource Limited	Exploration stage	New Zealand	100	100

Notes:

* Contract areas wherein the Group's effective participating and working interest is at 100% are included in the details of joint operations for presentation purposes in order to disclose a complete list of all contract areas being held by the Group as at the end of the reporting period.

** In April 2016, the Group obtained a petroleum exploration permit ("PEP") 60095 for the right to explore petroleum resources (other than gas hydrates and coal steam gas) in New Zealand ("The Permit"). The Permit is granted subject to the Crown Minerals Act 1991 and all regulations made under that Act, and conditions of the Permit.

*** License PEP 55789 has been relinquished on 17 May 2017. Intangible exploration costs incurred have been fully written off in the 2016 consolidated financial statements (Note 5).

The joint operations are non-incorporated entities carrying on joint operations under PSC and PEP licences under the laws and regulations of Indonesia and New Zealand.

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19. Investments in subsidiaries and interests in joint operations (continued)

(c) Contingent consideration payable

In 2011, the Group acquired 100% of Pearl Oil (Salawati) Limited, a Company holding certain exploration and development licenses.

Under the terms of the acquisition the Group is required to pay an amount of US\$3,500,000 for the contingent commercial production of hydrocarbons from the Group's West Salawati PSC. The estimated fair value of this contingent obligation at the acquisition date was US\$2,032,000 based on a discounted cash flow using a discount rate of 13% per annum.

In July 2022, the Company entered into a settlement deed whereas both parties agreed to amend the US\$3,500,000 liability to become US\$2,000,000 that consist of US\$1,500,000 of cash payment and US\$500,000 of future contingent payment. The fair value of the contingent consideration for the year ended 31 December 2023 is US\$500,000 (2022: US\$500,000).

As at 31 December 2023, the unwinding of discount on the contingent consideration is US\$1,300,577.

20. Commitments and contingent liabilities

In the normal course of operations, the Company may be subject to litigation and claims. In management's estimation, no litigation or claim, individually or in aggregate, would result in a significant adverse effect on the financial position or results of operations of the Company. There were no contingent liabilities as at the date of financial position. At the end of the reporting period, the Group has the following contractual obligations and lease commitments:

Contractual commitments

The Group has entered into agreements which contain provisions for the following commitments:

	2023	2022
	US\$'000	US\$'000
Not later than one year	3,890	3,026

The commitments noted above reflect the Group's execution of currently budgeted and contracted exploration and development activities. Expenditure commitments may be subject to change and may be reduced. Determining expenditure commitments requires the use of estimates and judgments.

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21. Financial instruments, financial risks and capital risks management

(a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	2023 US\$'000	2022 US\$'000
Financial assets		
Cash and cash equivalents	2,227	7,906
Trade and other receivables	6,915	8,239
Restricted cash	2,469	2,242
Total	11,611	18,387
Financial liabilities		
Trade and other payables	21,068	11,309
Borrowings	26,272	30,848
Contingent consideration	500	500
Total	47,840	42,657

(b) Financial risk management policies and objectives

The Group's overall financial risk management seeks to minimise potential adverse effects on the financial performance of the Group. The board of directors reviews and sets policies and procedures for the management of these risks, which are executed by financial management.

The board of directors provides independent oversight to the effectiveness of the risk management process.

The Group does not hold or issue derivative financial instruments for speculative purposes. Market risk exposures are measured using sensitivity analysis indicated below.

(i) Commodity price risk management

The Group has exposure to price risk in its exploration and production of crude oil.

The results of operations and cash flows of the crude oil production can vary significantly with fluctuations in the market prices of crude oil. These are affected by factors outside the Group's control, including the global market forces of supply and demand; regulatory and political actions of governments; and any attempts of international cartels to control or influence prices. Any significant or extended decrease in crude oil prices would adversely affect the profitability, financial condition and operations of the Group's crude oil business.

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21. Financial instruments, financial risks and capital risks management (continued)

(b) Financial risk management policies and objectives (continued)

(i) Commodity price risk management (continued)

However, the management's financial assets as of 31 December 2023 are not significantly affected by the changes of commodity price.

(ii) Foreign exchange risk management

The Group incurs foreign currency risk on transactions and balances that are denominated in currencies other than United States dollar. The currency giving rise to this risk is primarily Indonesian Rupiah.

At the end of the reporting period, the carrying amounts of significant monetary assets and monetary liabilities in currencies other than the respective Group entities' functional currencies are as follows:

	Assets		Liabilities	
	2023	2022	2023	2022
	US\$'000	US\$'000	US\$'000	US\$'000
Indonesian Rupiah	1,385	1,122	9,589	2,688
New Zealand Dollar	4	1	-	-
Singapore Dollar	-	-	23	23

Foreign currency sensitivity

The following table details the sensitivity to a certain percentage increase and decrease in the relevant foreign currencies against the United States dollar. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a certain percentage change in foreign currency rates.

If the relevant foreign currency strengthens/weakens by 10% against the United States dollar, the Group's loss before tax will decrease/ (increase) by:

	2023	2022
	US\$'000	US\$'000
Impact of:		
Indonesian Rupiah	(820)	(157)
New Zealand Dollar	*	*
Singapore Dollar	2	2

* Less than US\$1,000

The opposite applies if the relevant foreign currency weakens by 10% against the United States Dollar.

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21. Financial instruments, financial risks and capital risks management (continued)

(b) Financial risk management policies and objectives (continued)

(iii) Interest rate risk management

The Group's income and operating cash flows are independent of changes in market interest rates, with the exception of interest income from bank deposits with variable rates of interest. The Group is not exposed to significant or material interest rate risk within its borrowings as such facility agreements bear fixed interest rates.

(iv) Credit risk management

Credit risk is managed on a Group basis. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a loss to the Group. The Group has a policy of only dealing with creditworthy counterparties based on their trading and payment history as well as such commercial information which the Group obtains from time to time. Credit exposure is controlled by the counterparty limits that are reviewed and approved by the Group annually.

The Group's exposure to credit risks arises primarily from trade and other receivables. The Group's trade receivables pertain to proceeds from crude oil sales. All trade receivables are neither past due nor impaired. The Group trades only with recognised, creditworthy third parties.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at the end of the financial year in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position.

Cash and bank balances are held with reputable financial institutions.

(v) Liquidity risk management

Liquidity risk management implies maintaining sufficient cash and the ability to secure sufficient funding on a timely basis to meet capital and operating expenditure obligations. Management uses budgets, cash flow models which are regularly updated to monitor liquidity risk.

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents and access to timely funding sources through borrowings and/or additional equity deemed adequate by management to finance the Group and mitigate the effects of fluctuations in cash flows.

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21. Financial instruments, financial risks and capital risks management (continued)

(b) Financial risk management policies and objectives (continued)

(v) Liquidity risk management (continued)

Non-derivative financial assets

All financial assets in 2023 and 2022 are repayable on demand or due within 1 year from the end of the reporting period except for cash and cash equivalents and trade and other receivables as disclosed in Note 9 and 8, respectively.

Non-derivative financial liabilities

The following table detail of the Groups' remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. The contractual maturity is based on the earliest date on which the Group may be required to pay. The "adjustment" column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial liabilities.

	Weighted average effective interest rate	Within 1 year	Within 2 to 5 years	Total
	%	US\$'000	US\$'000	US\$'000
2023				
Trade and other payables	-	21,067	-	21,067
Borrowings	8-10	3,988	22,285	26,273
2022				
Trade and other payables	-	11,309	-	11,309
Borrowings	8-10	-	30,848	30,848

(vi) Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables, and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

Other non-current financial assets and liabilities are not significantly different with their fair value.

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21. Financial instruments, financial risks and capital risks management (continued)

(c) Capital risk management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern in order to provide returns for shareholders and benefits for the other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital and accumulated profits as disclosed in the notes to consolidated financial statements and borrowings.

The management reviews the capital structure on an on-going basis. The Group's overall strategy remains unchanged.

22. Related party transactions

(a) Related party transactions

Related companies in these consolidated financial statements refer to members of Mont D'Or's group of companies.

Management exercised judgment, which was based on its industry specific knowledge and experience to determine that the transactions, did not contain any unusual commercial terms, and the fees charged at arm's length under the agreements were reasonable. The related party balances are unsecured, non-trade, interest-free and repayable on demand unless otherwise stated.

During the financial year, the Group entered into the following trading transactions with related companies:

	2023	2022
	US\$'000	US\$'000
Affiliated entity		
Data processing services	173	173

(b) Compensation of director and key management personnel

In 2023, total employee benefits for key management personnel and the directors amounting to US\$659,357 (2022: US\$679,830) was borne and paid by the Group.

MONT D'OR PETROLEUM LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the financial year ended 31 December 2023

23. Non-cash transactions

	<u>2023</u>	<u>2022</u>
	US\$'000	US\$'000
Increase in intangible assets due to reclass from inventory	119	1,095
Increase in intangible assets due to unpaid trade payables	311	244
Increase in property, plant and equipment due to SKK Migas audit adjustment	1,737	1,737

24. Capital Management

The Group's objectives when managing capital is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

The Group regularly reviews and manages its capital structure to optimize the use of the Group's resources, takes into consideration the future capital requirements of the Group and projected strategic investment opportunities.

The Group also seeks to maintain a balance between its the level of borrowing and the equity position in order to ensure the optimal capital structure and return. There were no changes in the Group's approach to capital management during the year.

25. Subsequent Events

- On 4 January 2024, Loan 2 was repaid in full via a payment of US\$ 4,014,022.
- On 4 January 2024, Criterium Energy Ltd. acquired all issued and outstanding shares of Mont D'Or Petroleum Limited.
- On 3 January 2024, Mont D'Or Petroleum Limited has amended the composition of the Company's Board of Directors.
- On 4 January 2024, Mont D'Or Petroleum Limited entered into restated and amended lending agreements for Loan 1 and 3, as well as the redeemable preference shares.
- Up to the date of financial statements, MOAL has paid dividend payment of US\$483,063 for Redeemable Preference Shares.
- Up to the date of financial statements, MOVL has made a payment of US\$800,000 to Lender A (Loan 1).

**MONT D'OR PETROLEUM LIMITED
AND ITS SUBSIDIARIES**

**INDEPENDENT AUDITORS' REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2022**

**MONT D'OR PETROLEUM LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS**
For the financial year ended 31 December 2022

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MONT D'OR PETROLEUM LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2022

	Note	2022 US\$'000	2021 US\$'000
Revenue		25,169	15,631
Operating expenses		(6,818)	(8,702)
Other operating expenses		(7,360)	(2,729)
Depreciation and depletion	6,18a	(3,975)	(2,686)
Finance expense		(2,755)	(2,168)
Foreign exchange gain		231	41
Profit/(loss) before income tax		4,492	(613)
Income tax expense	17b	(771)	(653)
Profit/(loss) for the year		3,721	(1,266)
<u>Other comprehensive income</u>			
<i>Items that will not be reclassified to profit or loss:</i>			
Loss on defined benefit obligations		(98)	(214)
Other comprehensive loss for the year		(98)	(214)
Total comprehensive income/(loss) for the year		3,623	(1,480)

The accompanying notes form an integral part of these consolidated financial statements.

MONT D'OR PETROLEUM LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Note	2022 US\$'000	2021 US\$'000
ASSETS			
Non-current assets			
Intangible assets	5	8,928	4,708
Property, plant and equipment	6	33,616	34,808
Goodwill		256	256
VAT receivables - non-current portion	17a	6,509	5,119
Restricted cash	9	2,242	2,081
Right of use assets	18a	-	214
Total non-current assets		51,551	47,186
Current assets			
Inventories	7	825	1,138
Trade and other receivables	8	8,652	3,796
VAT receivables - current portion	17a	-	3,747
Cash and cash equivalents	9	7,906	3,433
Total current assets		17,383	12,114
Total assets		68,934	59,300
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	10	11,309	7,442
Borrowings - current portion	11	-	8,339
Contingent consideration	19c	500	3,500
Lease liability - current	18b	-	122
Total current liabilities		11,809	19,403
Non-current liabilities			
Borrowings - non-current portion	11	30,848	16,212
Deferred tax liabilities	17c	13,954	14,979
Decommissioning obligation	13	5,172	4,836
Lease liability - non-current	18b	-	120
Post employment benefits liability		1,213	1,026
Total non-current liabilities		51,187	37,173
Equity			
Share capital	14	21,822	21,822
Treasury shares	15	(3,746)	(3,746)
Share premium	16	21,759	21,759
Redeemable preference shares	12	9,461	9,461
Other reserves		(122)	(24)
Accumulated losses		(43,236)	(46,548)
Total equity		5,938	2,724
Total liabilities and equity		68,934	59,300

The accompanying notes form an integral part of these consolidated financial statements.

MONT D'OR PETROLEUM LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2022

	Share capital US\$'000	Treasury shares US\$'000	Share premium US\$'000	Redeemable preference shares US\$'000	Other reserves US\$'000	Accumulated losses US\$'000	Total US\$'000
Balance at 1 January 2021	21,822	(3,746)	21,759	9,461	190	(44,895)	4,591
Dividend	-	-	-	-	-	(387)	(387)
Loss for the year	-	-	-	-	(214)	(1,266)	(1,480)
Balance at 31 December 2021	21,822	(3,746)	21,759	9,461	(24)	(46,548)	2,724
Dividend	-	-	-	-	-	(409)	(409)
Profit for the year	-	-	-	-	(98)	3,721	3,623
Balance at 31 December 2022	21,822	(3,746)	21,759	9,461	(122)	(43,236)	5,938

The accompanying notes form an integral part of these consolidated financial statements.

MONT D'OR PETROLEUM LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the financial year ended 31 December 2022

	Note	2022 US\$'000	2021 US\$'000
Operating activities			
Profit/(loss) before tax		4,492	(613)
Adjustments for:			
- Depreciation and depletion	6,18a	3,975	2,686
- Finance expense		2,755	2,168
- Accretion expense	13	336	334
- Provision for employee benefit		(98)	(2)
Operating cash flows before movements in working capital		11,460	4,573
Changes in working capital:			
- Inventories	7,23	(782)	(49)
- Trade and other receivables		(3,315)	122
- VAT receivables	17a	2,357	(561)
- Trade and other payables		(1,820)	674
Increase in restricted cash	9	(161)	(109)
Employee benefit paid		(74)	(339)
Net cash provided by operating activities		7,665	4,311
Investing activities			
Acquisition of property, plant and equipment	6,23	(832)	(110)
Acquisition of exploration and evaluation assets	5,23	(4,160)	(843)
Contingent commercial production	19c	(1,500)	-
Net cash used in investing activities		(6,492)	(953)
Financing activities			
Proceeds from borrowings		5,570	-
Repayment of borrowings	11	(500)	-
Payment of borrowing costs		(200)	-
Interest paid	11	(1,328)	-
Payment on lease liability	18b	(242)	(246)
Net cash (used in)/provided by financing activities		3,300	(246)
Net increase in cash and cash equivalents		4,473	3,112
Cash and cash equivalents at beginning of year		3,433	321
Cash and cash equivalents at end of the year	9	7,906	3,433

The accompanying notes form an integral part of these consolidated financial statements.

MONT D'OR PETROLEUM LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the financial year ended 31 December 2022

1. General information

Mont D'Or Petroleum Limited (the "Company") is a private limited company incorporated in the British Virgin Islands ("BVI").

The registered office of the Company is 2nd Floor, Abbott Building, Waterfront Drive, 87 Main Street, Road Town, Tortola, BVI. The principal place of operations is in Indonesia as further disclosed in Note 19(a).

The principal activities of the Company and its subsidiaries (the "Group") are to acquire and develop exploration and production assets and to produce hydrocarbons and to increase its oil and gas reserves and resources.

The consolidated financial statements of the Group for the year ended 31 December 2022 were authorised for issue by the Board of Directors on 26 May 2023.

The Company is the ultimate parent of the Group. The Company has no the ultimate parent entity.

2. Significant accounting policies

2.1 Basis of preparation

The consolidated financial statements have been prepared in conformity with International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared under the historical cost convention and using accrual basis, except for certain accounts which are presented based on other measurements as stated in the accounting policies in each account, except for the statement of cash flows. The statement of cash flow is prepared using the indirect method with the classification of cash flows into operating, investing and financing activities.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Those areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.2 Changes in accounting policies

The Group has applied the same accounting policies and methods of computation in its consolidated financial statements as in its 2021 annual financial statements, except for those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) 1 January 2022, and will be adopted in the 2022 annual financial statements.

MONT D'OR PETROLEUM LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the financial year ended 31 December 2022

2. Significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

Other new and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

2.3 Group accounting

(i) Consolidation

Subsidiaries are all entities over which the Group has obtained control. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the Group from the date that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company.

(ii) Acquisition

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and due to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at the fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition by acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's net assets.

If a business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

MONT D'OR PETROLEUM LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the financial year ended 31 December 2022

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(ii) Acquisition (continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of contingent consideration are recognised in profit or loss.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of the non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Intercompany transactions, balances, income and expenses and profits or losses on transactions between Group companies are eliminated on consolidation.

(iii) Changes in ownership interests in subsidiaries without a loss of control

Changes in the Group's ownership interest in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interest in the subsidiaries. Any difference before the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

(iv) Interests in joint operations

A joint operation is a joint arrangement whereby the Group has rights to assets and obligations for the liabilities relating to the arrangement. Interests in joint operations are accounted for by recognising the Group's share of the assets, liabilities, revenues and expenses.

2.4 Revenue recognition

Revenue from the production and sale of crude oil is recognised based on the respective working interest per the terms of the Production Sharing Contracts ("PSC"). Revenue is recognised when the transfer of control of ownership have been transferred. Title passes to the customer when the fair value of revenue can be reliably measured when the crude oil is physically transferred into a pipeline or other delivery transportation method.

Expenses are recognised when incurred on an accrual basis.

MONT D'OR PETROLEUM LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the financial year ended 31 December 2022

2. Significant accounting policies (continued)

2.5 Property, plant and equipment

(a) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

For plant and equipment, depreciation is charged so as to write-off the cost of the asset over their estimated useful lives, using the reducing balance method, on the following bases:

Plant and equipment: 25% to 50%

The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item for plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

(b) Production assets

Production assets are aggregated exploration and evaluation assets and development expenditures associated with the producing wells. Production assets are depleted using a unit-of-production method on the basis of proved reserves, from the date of commercial production of the respective field. The cost base used in the unit of production calculation includes the net book value of capitalised costs plus the estimated future field development costs. The impact of changes in reserves estimates are accounted for prospectively.

(c) Abandonment and site restoration

The Group's activities give rise to dismantling, decommissioning and site remediation activities. The Group recognises provisions for the estimated cost of site restoration which are capitalised in the relevant asset category.

Decommissioning obligations are measured at the present value of management's best estimates of the expenditures required to settle the present obligation at the date of the statement of financial position. Over time the discounted liability is increased for the changes in present value. Decommissioning obligations are recognised as additions to the corresponding assets in the period they arise unless the obligation results directly from production activities, in which case the charge is recognised as a production expense. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent that the provision was established.

MONT D'OR PETROLEUM LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the financial year ended 31 December 2022

2. Significant accounting policies (continued)

2.6 Intangible assets

(a) Exploration and evaluation assets

Oil and natural gas, exploration and evaluation expenditures are accounted for using the successful efforts method of accounting. Costs are accumulated on a field by field basis or well by well basis.

Geological and geophysical costs are expensed as incurred.

Costs to acquire rights to explore for and produce oil and gas are recorded as unproved property acquisition costs for properties where proved reserves have not yet been discovered, or proved property acquisition costs if proved reserves have been discovered. Proved property acquisition costs are amortised from the date of commercial production based on total estimated units of proved reserves.

The costs of drilling exploratory wells and the costs of drilling exploratory-type stratigraphic test wells are capitalised as part of assets under construction - exploratory and evaluation wells, within oil and gas properties pending determination of whether the wells have found proved reserves. If the wells have found proved reserves, the capitalised costs of drilling the wells are tested for impairment and transferred to assets under construction - development wells (even though the well may not be completed as a production well). If the well has not found proved reserves, the capitalised costs of drilling the well are then charged to profit and loss as a dry hole.

Exploration and evaluation assets are reclassified from exploration and evaluation assets when evaluation procedures have been completed. Exploration and evaluation assets for which commercially-viable reserves have been identified are reclassified to development assets. Exploration and evaluation assets are tested for impairment immediately prior to reclassification out of exploration and evaluation.

(b) Development assets

The costs of drilling development wells including the costs of drilling unsuccessful development wells and development-type stratigraphic wells are capitalised as part of assets under construction of development wells until drilling is completed. When the development well is completed on a specific field, it is transferred to the production wells.

The costs of successful exploration wells and development wells (production wells) are depleted using a units of production method on the basis of proved reserves, from the date of commercial production of the respective field.

MONT D'OR PETROLEUM LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the financial year ended 31 December 2022

2. Significant accounting policies (continued)

2.7 Financial instruments

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial assets are classified, at initial recognition, at amortised cost, financial assets at fair value through profit or loss, fair value through other comprehensive income as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

In order for a financial asset to qualify for measurement as either amortised cost or fair value through other comprehensive income, it has to pass both, the contractual cash flow characteristics test as well as the business model test. Under the contractual cash flow characteristics, an entity has to assess, whether the cash flows resulting from the financial asset are solely payments for principal and interest. The Group has not recognised any financial assets at fair value through other comprehensive income. An election can be made to designate a financial asset as measured at fair value through profit or loss on initial recognition if this significantly reduces an accounting mismatch. The designation at fair value through profit or loss is irrevocable.

The classification and measurement of financial liabilities are at either fair value through profit or loss or amortised cost.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective basis for debt instruments.

MONT D'OR PETROLEUM LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the financial year ended 31 December 2022

2. Significant accounting policies (continued)

2.8 Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value plus transaction costs.

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at banks that are readily convertible within 3 months or less to a known amount of cash and which are subject to an insignificant risk of change in value.

2.10 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect amounts due according to original terms of the receivables.

2.11 Impairment of financial assets

The Group applies the simplified approach and records lifetime expected losses on all financial assets carried at amortised cost. The measurement of expected credit losses is based on the probability of default, the amount of loss given default and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. The Group considers a financial asset to be in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

MONT D'OR PETROLEUM LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the financial year ended 31 December 2022

2. Significant accounting policies (continued)

2.11 Impairment of financial assets (continued)

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment of a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade or other receivable is uncollectible, it is written-off against the allowance account. Subsequent recoveries of amounts previously written-off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

In a subsequent period, if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

2.12 Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

MONT D'OR PETROLEUM LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the financial year ended 31 December 2022

2. Significant accounting policies (continued)

2.13 Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

The equity instruments issued are recognised and measured initially at fair value at the date when the financial liability was extinguished. If the fair value of the equity instruments cannot be reliably measured, the fair value of the existing financial liability is used to measure the gain or loss.

Preference shares may be issued with various rights. In determining whether a preference share is a financial liability or an equity instrument, an issuer assesses the particular rights attaching to the share to determine whether it exhibits the fundamental characteristic of a financial liability, which is the existence of a contractual obligation of one party to the financial instruments (the issuer) either to deliver cash or another financial asset or financial liabilities with the holder under conditions that are potentially unfavourable to the issuer.

2.14 Borrowings

Interest-bearing loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised in profit or loss in the period in which they are incurred.

2.15 Other financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs. It is then subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

2.16 Leases

At the inception of a contract, the Group assesses whether the contract is, or contains a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MONT D'OR PETROLEUM LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the financial year ended 31 December 2022

2. Significant accounting policies (continued)

2.16 Leases (continued)

To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has the substantive substitution right, then the asset is not identified;
- The Group has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- The Group has the right to direct the use of the identified asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In certain circumstances where all the decisions about how and for what purpose the asset is used are predetermined, the Group has the right to direct the use of the asset if either:
 - The Company has the right to operate the asset; and
 - The Company has designed the asset in a way that predetermined how and for what purpose it will be used.

At inception or on re-assessment of a contract that contains a lease component, the Group allocates consideration in the contract to each lease component on the basis of their relative stand-alone prices.

At initial recognition, the Group recorded the right-of-use asset and lease liability.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payment made at or before the commencement date, plus any initial direct cost incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset to the condition required by the terms and conditions of the lease, less any lease incentives received.

The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not yet paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

MONT D'OR PETROLEUM LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the financial year ended 31 December 2022

2. Significant accounting policies (continued)

2.16 Leases (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee;
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- Penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

Lease liability remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use assets, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognize right-of use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2.17 Inventories

Inventories are valued at cost less a provision for obsolete and slow-moving inventory. Cost is determined based on the weighted average method. A provision for obsolete and slow-moving inventory is determined on the basis of estimated future usage of individual inventory items.

Crude oil inventories are stated at the lower of cost or net realisable value. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

MONT D'OR PETROLEUM LIMITED AND ITS SUBSIDIARIES
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2. Significant accounting policies (continued)

2.18 Impairment of non-financial assets

At the end of reporting dates, the Group reviews the carrying amount of non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Estimated recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of a non-financial asset (cash generating unit) is less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount and an impairment loss is recognised immediately against earnings. Accounting policy for impairment of financial assets is discussed in Note 2.11.

2.19 Interests in joint arrangements

A joint arrangement is an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require unanimous consent of the parties sharing control.

The Group's joint operations are non-incorporated entities carrying on operations under PSC in Indonesia. The Group reports its working interests using proportionate consolidation. Working interest refers to the percentage of ownership in a joint operation.

2.20 Reimbursement of costs of the operator of the joint arrangement

When the Group, acting as an operator or manager of a joint arrangement, receives reimbursement of direct costs recharged to the joint arrangement, such recharges represent reimbursements of costs that the operator incurred as an agent for the joint arrangement and therefore have no effect on profit or loss.

When the Group charges a management fee (based on a fixed percentage of total costs incurred for the year) to cover other general costs incurred in carrying out the activities on behalf of the joint arrangement, it is not acting as an agent. Therefore, the general overhead expenses and the management fee are recognised in the statement of profit or loss and other comprehensive income as an expense and income, respectively.

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2. Significant accounting policies (continued)

2.21 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, if it remains probable that the Group will be required to settle the obligation with an outflow of cash, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is management's best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows as at the date of the statement of financial position.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.22 Provision for decommissioning costs

Decommissioning costs are provided at the present value of expected costs to settle the obligation in accordance with the obligations in the Tungkal Production Sharing Contract ("PSC"), using estimated cash flows. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in the profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the profit or loss.

2.23 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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2. Significant accounting policies (continued)

2.24 Post employment defined benefit liability

A subsidiary of the Group operates a defined benefit plan of post-employment termination benefits in Indonesia, which are governed by local labour laws.

No funding has been made to the defined benefit plan.

The actuarial valuation method used to determine the present value of the defined benefit liability plan, the related current service costs and the past service costs is determined via the Projected Unit Credit method.

Expenses charged to the statement of comprehensive income includes current service costs, interest expense and past service costs that have vested. Gains or losses on settlement of a defined benefit obligation are recognised within the statement of comprehensive income.

Termination benefits are payable when an employee's employment is terminated by the Group before the normal retirement age or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The liability recognised in the statement of financial position in respect of a defined benefit liability plan is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, together with adjustments for any unrecognised past service costs. The defined benefit liability obligation is determined with reference to actuarial valuations issued by an independent actuary on an annual basis using the projected unit credit method of valuation. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yields of high quality corporate bonds that are denominated in the currency in which the benefit will be paid. The resulting defined benefit asset or liability is presented separately as other non-current assets or other non-current liabilities.

Actuarial gains and losses and adjustments arising are charged or credited to equity in other comprehensive income in the period when they arise. Past service costs are recognised immediately in the statement of comprehensive income.

2.25 Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates and tax laws that have been enacted or substantively enacted in countries where the Company and its subsidiaries operate by the end of the reporting period.

MONT D'OR PETROLEUM LIMITED AND ITS SUBSIDIARIES
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2. Significant accounting policies (continued)

2.25 Income taxes (continued)

The Group recognised deferred income tax liabilities for anticipated corporate tax liabilities due on revenue recognised for the Group's share of First Tranche Petroleum ("FTP") in accordance with the PSC. The deferred income tax liabilities is payable upon reaching the profit oil equity split under the Tungkal PSC.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively). Where current or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

MONT D'OR PETROLEUM LIMITED AND ITS SUBSIDIARIES
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2. Significant accounting policies (continued)

2.26 Foreign currency transactions

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group are presented in United States Dollars, which is both the functional and presentation currency of the Group, for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Translation differences arising on the settlement of monetary items, and on re-translation of monetary items are included in profit or loss for the period.

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3. Critical accounting estimates, assumptions and judgements

In the application of the Group's accounting policies, which are described in Note 2 to the consolidated financial statements, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Critical judgements in applying the entity's accounting policies

Information about critical estimates and judgements that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognised in the consolidated financial statements within the next financial year are noted below. The Group reviews its critical judgements in applying the entity's accounting policies on an annual basis.

(a) Reserves base

Oil and gas properties are depreciated on a unit of production basis at a rate calculated by reference to prove and probable reserves independently determined in accordance with the Society of Petroleum Engineers' rules and incorporating the estimated future cost of developing and extracting those reserves. The Group estimates its commercial reserves based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the hydrocarbon body and suitable production techniques and recovery rates. Commercial reserves are determined using estimates of oil in place, recovery factors and future oil prices, the latter having an impact on the proportion of the gross reserves which are attributable to the host government under the terms of the PSC.

Future development costs are estimated using assumptions as to number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs.

The level of estimated commercial reserves (i.e. proved and probable reserves) is also a key determinant in assessing whether the carrying value of any of the Group's development and production assets has been impaired.

(b) Exploration and evaluation expenditure

The Group's accounting policy for exploration and evaluation expenditure results in certain items of expenditure being capitalised for an area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established.

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3. Critical accounting estimates, assumptions and judgements (continued)

(b) Exploration and evaluation expenditure (continued)

Any such estimates and assumptions may change as new information becomes available. If, after having capitalised the expenditure in accordance with the policy, a judgement is made that recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to the consolidated statement of comprehensive income.

(c) Development expenditure

Development activities commence after a project is sanctioned by the appropriate level of management. Judgement is applied by management in determining when a project is economically viable. In exercising this judgement, management is required to make certain estimates and assumptions similar to those described above for capitalised exploration and evaluation expenditures.

(d) Income taxes

Judgement and assumptions are required in determining capital allowances and the deductibility of certain expenses during the estimation of the provision for income taxes for the Group. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, these differences will have an impact on the income tax and deferred income tax provision in the period in which the determination was made.

Deferred income tax liabilities are recognised for the Group's share of FTP in accordance with the PSC. Deferred tax assets, including those arising from unrecouped tax losses, capital allowances and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on managements estimates of future cash flows. These depend on estimates of future production, sales volumes, commodity prices, reserves, operating costs, closure and rehabilitation costs, capital expenditure, dividends and other capital management transactions.

(e) Carrying amount of oil and gas properties

Oil and gas properties are depreciated using the units-of-production method over proved developed and undeveloped reserves.

The calculation of the unit-of-production rate of amortisation could be impacted to the extent that actual production in the future is different from current forecast production based on independently assessed proved and probable reserves. This would generally result from significant changes in any of the factors or assumptions used in estimating reserves.

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3. Critical accounting estimates, assumptions and judgements (continued)

(e) Carrying amount of oil and gas properties (continued)

These factors could include:

- changes in proved and probable reserves;
- the effect on proved and probable reserves of differences between actual commodity prices and commodity price assumptions; and
- unforeseen operational issues.

(f) Impairment indicators

In accordance with the Group's accounting policy, each asset or CGU is evaluated every reporting period to determine whether there is any indication of impairment. If any indication exists, a formal estimate of the recoverable amount is performed and an impairment loss is recognised to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating group of assets is measured at the higher of the fair value less costs to sell or value in use.

The determination of fair value and value in use requires management to make estimates and assumptions about expected production and sales volumes, commodity prices (considering current and historical prices, price trends and related factors), reserves, operating costs, closure and rehabilitation costs and future capital expenditure. These estimates and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter these projections, which may have an impact on the recoverable amounts of the assets. In such circumstances, some or all of the carrying value of the assets may be further impaired or the impairment charges reduced with the impact recorded in profit or loss.

(g) Decommissioning costs

Decommissioning costs will be incurred by the Group at the end of the operating life of certain of the Group's facilities and properties. The decommissioning costs regarding the Tungkal PSC and Salawati PSC are in accordance with the Tungkal PSC and Salawati PSC decommissioning obligations. The expected timing and scheduling of decommissioning expenditure may be subject to change in response to changes in global oil and gas prices, changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be adjustments to the provisions established and the timing of such decommissioning which may affect future financial results.

(h) Joint arrangements

The Group has entered into joint arrangements to facilitate the development and production of oil and gas. The joint arrangements are governed by PSC and by joint operating agreements. Management has exercised judgement in concluding that joint arrangements are subject to joint control.

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3. Critical accounting estimates, assumptions and judgements (continued)

(h) Joint arrangements (continued)

Specifically, judgement has been used in determining that decisions concerning the relevant activities of each arrangement require the unanimous consent of at least two of the specified parties. The Group has classified and accounted for each of its interests in joint arrangements as joint operations in accordance with IFRS 11.

(i) Fair value

An assessment of fair value of assets and liabilities is required in accounting for derivative instruments and other items, principally available for sale financial assets and disclosures related to fair values of financial assets and liabilities. In such instances, fair value measurements are estimated based on the amounts for which the assets and liabilities could be exchanged at the relevant transaction date or reporting period and are therefore, not necessarily reflective of the likely cash flow upon settlements. Where fair value measurements cannot be derived from publicly available information, they are estimated using models and other valuation methods. To the extent possible, the assumptions and inputs used take into account externally verifiable inputs. However, such information is by nature subject to uncertainty particularly where comparable market based transactions may not exist.

4. Production sharing contract

On 26 August 1992, the Tungkal PSC was signed between Perusahaan Pertambangan Minyak dan Gas Bumi Negara ("Pertamina") and Asamera (Tungkal) Limited as Contractors, for a period of 30 years.

On 30 December 2003, the West Salawati PSC was signed between Badan Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi ("BP Migas") and Pearl Oil (Salawati) Limited as Contractors, for a period of 30 years.

The subsidiaries have no ownership interest in the producing assets or in the oil reserves, but rather have the rights to jointly operate the assets and receive the economic benefits arising from production and/or sale of oil in accordance with the PSC. Commercial reserves have therefore been determined on a net entitlement basis, which takes into account projections of SKK Migas' and the joint operation partners' share of production calculated on the basis of projected oil prices and expenditure levels. As at the end of the reporting period, all of the Group's activities are located in Indonesia under PSCs with the governmental energy regulator SKK Migas.

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4. Production sharing contract (continued)

PSC are entered into by PSC contractors with the Government through the Special Task Force For Upstream Oil and Gas Business Activities (“SKK MIGAS” - formerly Oil and Gas Upstream Activities Agency/“BP MIGAS”) acting on behalf of the Government for a period of 30 years. The period may be extended in accordance with applicable regulations. Of the remaining hydrocarbon proceeds, the Contractors are entitled to receive their share of oil (equity oil) on which they are required to pay their own Indonesian income taxes.

The accounting policies specified by the PSC are subject to interpretation by SKK Migas and the Government of the Republic of Indonesia. The accounting records and reports including tax returns of the subsidiaries and cumulative unrecovered costs are subject to audit by SKK Migas, Tax Authorities and the Government.

(a) Working area

The PSC working area is a designated area in which the PSC contractors may conduct oil and gas operations. PSC contractors must return a certain percentage of this designated working area to SKK MIGAS on behalf of the Government during the term of the PSC.

(b) Crude oil and natural gas production sharing

In Tungkal PSC, the Contractor’s and the Government’s share of equity (profit) of production are 38,4615% and 61,5385% for oil and 57,6923% and 42,3077% for gas production, respectively. In West Salawati PSC, the Contractor’s and the Government’s share of equity (profit) of production are 62,50% and 37,50% for oil and 71,4286% and 28,5714% for gas production, respectively. Equity oil and gas production is determined annually, representing the total liftings of oil and gas in each period ended 31 December net of investment credit, FTP and cost recovery.

The Group is subject to tax on their taxable income from their PSC operations based on its share of equity oil and gas production, less bonuses, at a combined rate comprising corporate income tax and dividend tax.

(c) Cost recovery

Annual cost recovery comprises:

- i. current year non-capital costs;
- ii. current year amortisation of capital costs; and
- iii. previous years’ unrecovered operating costs.

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4. Production sharing contract (continued)

(d) Crude oil and natural gas prices

The PSC contractors' crude oil production is priced at Indonesian Crude Prices ("ICP"). Gas delivered to third parties and related parties is valued based on the prices stipulated in the respective gas sales and purchase contracts.

(e) First Tranche Petroleum (FTP)

The Government and Contractors are entitled to receive an amount of 20% for Tungkal PSC and 15% for West Salawati PSC of the total production of oil and gas each year, before any deduction for recovery of operating costs. FTP is shared between the Government and the Contractors in accordance with the entitlements to production in Note 4b above.

(f) Ownership of materials, supplies and equipment

Materials, supplies and equipment acquired by the PSC contractors for oil and gas operations belong to the Government, however, the PSC contractors have the right to utilise such materials, supplies and equipment until they are declared surplus or abandoned with the approval of SKK MIGAS.

On 29 November 2018, the Tungkal PSC was signed an amended and restated production sharing contract with SKK Migas, for a period of 20 years from the effective date on 26 August 2022. The contract will be defined as gross split production sharing which have means production sharing principle without operating cost recovery.

The Contractor's and the Government's share of equity (profit) of production are 43% and 57% for oil and 52% and 48% for gas production, respectively.

The Contractor have a firm work commitment in conducting exploration operations pursuant to the terms of this contract during the 5 years after the effective date with the total projected estimated Work Program and Budget of Operating Cost amounting to US\$13,237,000.

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5. Intangible assets

	<u>Exploration and evaluation</u> US\$'000	<u>Computer license</u> US\$'000	<u>Total</u> US\$'000
<u>Cost:</u>			
At 1 January 2021	2,460	124	2,584
Additions	2,248	-	2,248
At 31 December 2021	<u>4,708</u>	<u>124</u>	<u>4,832</u>
Additions	4,220	-	4,220
At 31 December 2022	<u>8,928</u>	<u>124</u>	<u>9,052</u>
<u>Accumulated amortisation:</u>			
At 1 January 2021	-	(124)	(124)
Amortisation	-	-	-
At 31 December 2021	<u>-</u>	<u>(124)</u>	<u>(124)</u>
Amortisation	-	-	-
At 31 December 2022	<u>-</u>	<u>(124)</u>	<u>(124)</u>
<u>Carrying amount:</u>			
At 31 December 2022	<u>8,928</u>	-	<u>8,928</u>
At 31 December 2021	<u>4,708</u>	-	<u>4,708</u>

Management has exercised significant judgment in determining that there are no additional substantive indicators suggesting that the carrying amounts exceed their recoverable amounts. Assessments and estimates include management's current and future capital allocation priorities, the Group's ability to finance its commitments and the licence expiry limitations imposed by the PSC's.

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6. Property, plant and equipment

	<u>Plant and equipment</u> US\$'000	<u>Oil and gas properties</u> US\$'000	<u>Total</u> US\$'000
<u>Cost:</u>			
At 1 January 2021	16,688	54,883	71,571
Additions	85	-	85
Written off	(166)	-	(166)
At 31 December 2021	16,607	54,883	71,490
Additions	2,569	-	2,569
Reclassification	7,351	(7,351)	-
At 31 December 2022	26,527	47,532	74,059
<u>Accumulated depreciation and depletion:</u>			
At 1 January 2021	9,760	24,451	34,211
Depreciation and depletion	945	1,526	2,471
At 31 December 2021	10,705	25,977	36,682
Depreciation and depletion	1,318	2,443	3,761
Reclassification	9,723	(9,723)	-
At 31 December 2022	21,746	18,697	40,443
<u>Carrying amount</u>			
At 31 December 2022	4,781	28,835	33,616
At 31 December 2021	5,902	28,906	34,808

The Group's depletion rate based upon revised estimated Group 2P (proved and probable reserves) commercial reserves, using the most independent estimates of commercial reserves based upon production forecasts, recovery factors, future development costs and future oil prices certified under an independent reserves report.

7. Inventories

	<u>2022</u> US\$'000	<u>2021</u> US\$'000
Materials	1,345	1,739
Fuel	153	72
Allowance for obsolete inventory	(673)	(673)
Total	825	1,138

Management believes that the allowance for obsolete inventory is adequate to cover allowance for obsolete, unusable and slow-moving materials.

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8. Trade and other receivables

	<u>2022</u>	<u>2021</u>
	US\$'000	US\$'000
Trade receivables	6,908	1,181
Deposits	1,136	1,336
Prepayments	413	439
Other receivables	195	840
Total	8,652	3,796

The aging analysis of trade receivable is as follows:

	<u>2022</u>	<u>2021</u>
	US\$'000	US\$'000
Current	6,908	1,181
Overdue by 1 - 30 days	-	-
Overdue by 31 - 60 days	-	-
Overdue by 61 - 90 days	-	-
Overdue by more than 90 days	-	-
Total	6,908	1,181

Management believes that these trade receivable will be fully collected, and therefore an allowance for impairment losses of trade receivable was not considered necessary.

Trade receivables are non-interest bearing and are generally on 30-day payment term. The carrying amounts presented above are reasonable approximations of their fair value and are not past due or impaired.

9. Cash and cash equivalents

	<u>2022</u>	<u>2021</u>
	US\$'000	US\$'000
Cash on hand	20	11
Cash in bank	7,886	3,422
Bank deposits	2,242	2,081
Total cash and bank balances	10,148	5,514
Less: Decommissioning fund	(2,242)	(2,081)
Cash and cash equivalents	7,906	3,433

Cash and cash equivalents comprise cash and bank deposits. The carrying amounts approximate their fair values.

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9. Cash and cash equivalents (continued)

Included in bank balances are restricted cash deposits of US\$2,241,936 (2021: US\$2,081,177) for the Tungkai PSC and Salawati PSC decommissioning obligations as disclosed in Note 13. The restricted cash is subjected to regulatory restrictions and therefore not available for general use.

10. Trade and other payables

	2022 US\$'000	2021 US\$'000
Trade payables	5,002	1,609
Accrued	2,936	4,701
Other payables	1,938	108
Redeemable preference share dividend payables (Note 12)	1,433	1,024
Total	11,309	7,442

The carrying amount of trade payables, other payables and accrued as presented approximate their fair values. These amounts are non-interest bearing.

11. Borrowings

	2022 US\$'000	2021 US\$'000
Secured loan		
- Loan 1	17,920	16,212
- Loan 2	10,156	6,953
- Loan 3	2,772	1,386
Total	30,848	24,551
Current	-	8,339
Non-current	30,848	16,212
Total	30,848	24,551

Loan 1

On 29 May 2015, the Company's subsidiary, Mont D'Or Venture Limited ("MOVL"), entered into a secured term loan facility ("Loan 1") amounting to US\$9,000,000 drawn from a third party finance company ("Lender A"). The secured term loan facility bears a fixed interest rate of 10% per annum and is repayable in equal quarterly instalments of US\$1,125,000 commencing on 3 September 2017.

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11. Borrowings (continued)

Loan 1 (continued)

On 29 May 2015, MOVL entered into a deed poll agreement by issuance of 18 warrants to the lender for an option to exchange the warrants for a maximum of 4.5% of the enlarged issued share capital of a subsidiary, Mont D'Or Asia Limited. The warrants are exercisable upon maturity of the secured term loan facility or upon a liquidity event.

The written put options over the 18 warrants is initially recognised at fair value, with a corresponding charge directly to the borrowing. The liability is subsequently accreted through finance charges up to the redemption amount that is payable at the date at which the option first becomes exercisable. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to profit or loss.

Released its loan and warrants and have executed the re-structuring of the existing loan facility with the US\$12,000,000 of loan to MOAL and extended its maturity date of the loan facility to June 2022. The restructured loan facility bears a fixed interest rate of 10% per annum and is repayable in equal quarterly instalments up to the maturity date. As part of the loan restructuring, the Group recognised gain of US\$4,228,000 which recognised as gain from loan restructuring in profit or loss.

During 2022 and 2021, MOVL has no loan repayment.

Loan 2

On 12 February 2018, the Group along with Mont D'Or Venture Limited entered into a facility agreement ("Loan 2") amounting to US\$9,000,000 drawn from a major Singapore bank ("Lender B"). The facility agreement bears a fixed interest rate of 8% per annum and a loan facility acceptance fee of US\$100,000. The final repayment will be failing on one year after utilisation date.

There is mandatory repayment of principal if the Group receive any VAT Refunds, the Group shall notify Lender B and apply an amount equal to all VAT Refunds received by the Group towards repayment of the loan within 5 (five) days of receipt of such VAT Refund.

On 18 July 2018, the Group entered an amendment and restatement agreement dated 12 February 2018 to increase the commitment of Lender B under the term loan facility by US\$2,000,000. The Group has fully used its facility.

On 18 February 2021, the Group entered an amendment loan agreement to extend final repayment date from 19 February 2021 to 18 February 2022 and changes the clause related to payment of interest.

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11. Borrowings (continued)

Loan 2 (continued)

On 18 February 2022, MOVL entered a second amendment loan agreement with Lender B (Loan 2) to extend final repayment date from 18 February 2022 to 19 February 2023 and changes the clause related to payment of interest. On 7 July 2022, the Group entered an amendment loan to increase the commitment of Lender B under the term loan facility by US\$1,000,000 and extend final repayment date to 19 February 2024. The Group has fully used its facility.

During 2022, MOVL has made a payment of US\$1,828,389 including principal and interest loan.

Loan 3

On August 2020, the Company entered a working capital loan facility agreement with Summit Investment Pty Ltd. The loan facility is US\$2,000,000 with interest rate of 8% per annum. Final maturity date will be on 31 December 2021.

On 20 April 2022, the Company entered an amendment of working capital loan facility agreement with Summit Investment Pty Ltd (Loan 3) that increase the loan facility to US\$3,000,000 and final maturity date at 31 December 2024. On 30 April 2022, Summit Investment Pty Ltd agreed to assign entirely the amount due from the Company in the amount of US\$2,625,871 to Tourmalet Holdings Ltd. During 2022, the Company have received the loan facility amounting to US\$1,200,000.

During 2022 and 2021, the Company has no loan repayment.

12. Redeemable preference shares

	2022 US\$'000	2021 US\$'000
Redeemable preference shares	9,461	9,461

On 4 September 2014, the Company's subsidiary, Mont D'Or Asia Limited ("MOAL"), entered into a secured term loan facility amounting to US\$7,500,000 drawn from a third party finance company ("Lender"). The secured term loan facility bears a fixed interest rate of 10% per annum and is repayable in equal quarterly instalments of US\$937,500 commencing 3 March 2016.

On 4 September 2014, MOAL entered into a deed poll agreement by issuance of 18 warrants to the Lender for an option to exchange the warrants for a maximum of 2% of the enlarged issued share capital of MOAL or 2% of the exchange valuation. The warrants are exercisable upon maturity of the secured term loan facility or upon a liquidity event.

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12. Redeemable preference shares (continued)

MOAL and the Lender entered into a supplemental deed poll agreement, granting the lender put options over the 18 warrants issued by MOAL which permit the lender to put their warrants back to MOAL at US\$60,000 for each warrant immediately after the expiry date of the warrants exercisable period.

The put options over the 18 warrants was initially recognised at fair value, with a corresponding charge directly to the borrowing. The liability is subsequently accreted through finance charges up to the redemption amount that is payable at the date at which the option first becomes exercisable. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to profit or loss.

On 6 April 2016, MOAL had an event of default under the secured term loan facility with non-payment of quarterly instalment amounting to US\$937,500, which continued to 10 October 2017.

Effective 11 October 2017, MOAL and the Lender executed the restructuring of the secured term loan facility. The Lender waived any events of default, occurred in 6 April 2016, released the lender's security and the lenders warrants and finalised a debt to equity swap arrangement with the issuance of Redeemable Preference Shares ("RPS") on 11 October 2017.

On 11 October 2017, MOAL issued 7,000,000 the RPS at par value of US\$1.00 per share with 5% annual non-discretionary dividend entitlement rate. The cumulative unpaid dividend portion amount will be added to the outstanding RPS amount.

The RPS were initially recognised at fair value of US\$9,461,000, net of transaction costs. As of 31 December 2022 and 2021, the accrued dividend for RPS of US\$1,433,006 (full amount) and US\$1,024,210 (full amount) are recognised directly to the retained earnings and were recorded as dividend payables (refer to Note 10).

13. Decommissioning obligation

	2022 US\$'000	2021 US\$'000
Balance at beginning of the year	4,836	4,502
Accretion expense	336	334
Balance at end of the year	5,172	4,836

The Group has obligations to decommission its oil and gas properties upon cessation of its operations, upon the expiry in August 2022 and will be extended for a period 20 years from the effective dated on 26 August 2022 for the Tungkal PSC and the expiry in December 2033 for Salawati PSC. This represents the net present fair value of the costs expected to be incurred by the Group for the abandonment and site restoration of the Tungkal PSC and Salawati PSC onshore wells and the production and surface facilities.

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13. Decommissioning obligation (continued)

The decommissioning requirements and obligations are in accordance with the Tungkal PSC, Salawati PSC and governmental regulations. The timing of the decommissioning is also likely to depend on when the fields cease to produce at economically viable rates, which will also depend on future oil and gas prices which are inherently uncertain.

14. Share capital

	Number of ordinary shares		US\$'000	US\$'000
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Ordinary shares of US\$1 each (Class A Shares)	5,885,447	5,885,447	5,886	5,886
Ordinary shares of US\$0.49 each (Class B Shares)	32,523,114	32,523,114	15,936	15,936
Ordinary shares of US\$0.000000422 each (Class ARK Shares)	1,461,441	1,461,441	*	*
At end of the year	<u>39,870,002</u>	<u>39,870,002</u>	<u>21,822</u>	<u>21,822</u>
* Less than US\$1,000				

15. Treasury shares

In 2015, the Group acquired 798,234 of its own shares from its shareholders. The total amount paid to acquire the shares was US\$3,746,000 and has been deducted from shareholder's equity. The shares are held as 'treasury shares'. No Treasury shares were acquired during 2022 and 2021.

16. Share premium

This represents the excess over the issue price versus the par value of shares issued to shareholders as additional capital contributions.

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17. Taxation

(a) VAT receivables

	2022 US\$'000	2021 US\$'000
Reimbursable VAT	9,964	8,866
Provision	(3,455)	-
Total	6,509	8,866
Less: current portion	-	(3,747)
Total non-current portion	6,509	5,119

Reimbursable VAT by SKK Migas represents VAT paid by the contractor in relation to purchase of materials, equipments and services involving the PSC operations.

Management believes that the allowance for impairment of VAT receivables is adequate to cover possible arising losses.

(b) Income tax expense

	2022 US\$'000	2021 US\$'000
Deferred tax expense	(771)	(653)

The Group recognised deferred tax liabilities for anticipated corporate tax liabilities due on revenue recognised for the Group's share of FTP in accordance with the PSC.

(c) Movement in deferred tax liabilities

	2022 US\$'000	2021 US\$'000
Beginning of financial year	14,979	14,326
Income tax (benefit)/expense	(1,025)	653
End of financial year	13,954	14,979

The deferred tax liabilities is payable upon reaching the profit oil equity split under the Tungal PSC and Salawati PSC. As at 31 December 2022, the Tungal PSC and Salawati PSC have a total gross unrecovered cost pool, which is subject to Government audit of US\$54,557,016 (2021: US\$60,744,667).

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17. Taxation (continued)

(d) Deferred tax assets

As at 31 December 2022, the Group has not recognised deferred tax assets because there is uncertainty regarding that future taxable profits will be available to which the deferred tax assets can be utilised.

18. Leases

(a) Right-of-use assets

	2022 US\$'000	2021 US\$'000
Balance at 1 January	214	429
Depreciation charge for the year	(214)	(215)
Total	-	214

(b) Lease liabilities

	2022 US\$'000	2021 US\$'000
Office premises		
Current	-	122
Non - current	-	120
Total	-	242

Amounts recognised in profit or loss :

	2022 US\$'000	2021 US\$'000
Interest on lease liabilities	-	22

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19. Investments in subsidiaries and interests in joint operations

(a) The details of the subsidiaries as at 31 December 2022 are as follows:

<u>Name of subsidiary</u>	<u>Principal activity</u>	<u>Country of incorporation/ operations</u>	<u>Group's effective interest and proportion of voting power held</u>	
			<u>2022</u> %	<u>2021</u> %
Mont D'Or Petroleum Singapore Pte Ltd ⁽¹⁾	Management services	Singapore	100	100
Mont D'Or Venture Limited	Exploration and production of hydrocarbons	British Virgin Islands	100	100
Mont D'Or Resource Limited	Exploration and production of hydrocarbons	British Virgin Islands/New Zealand	100	100
<i><u>Held by MOVL</u></i>				
Mont D'Or Asia Limited	Exploration and production of hydrocarbons	British Virgin Islands	100	100
Mont D'Or Salawati Limited	Exploration and production of hydrocarbons	British Virgin Islands/ Indonesia	100	100
<i><u>Held by MOAL</u></i>				
Mont D'Or Oil Tungkal Limited	Exploration and production of oil and gas	Bermuda/ Indonesia	100	100
Fuel-X Tungkal Limited	Exploration and production of oil and gas	Republic of Cyprus/ Indonesia	100	100

Notes:

(1) *Mont D'Or Petroleum Singapore Pte Ltd, 100% subsidiary of Mont D'Or Petroleum Limited has been strike off.*

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19. Investments in subsidiaries and interests in joint operations (continued)

(b) The details of the joint operations as at 31 December 2022 are as follows:

<u>Contract area/ Date of expiry</u>	<u>Held by</u>	<u>Description</u>	<u>Place of operation</u>	<u>Group's effective working interest</u>	
				<u>2022*</u> %	<u>2021*</u> %
Tungkal PSC 26 August 2042	Fuel-X Tungkal Limited	Production stage	Indonesia	30	30
	Mont D'Or Tungkal Limited	Production stage	Indonesia	70	70
Salawati PSC 30 December 2033	Mont D'Or Salawati Limited	Production stage	Indonesia	100	100
PEP 55789 31 March 2024***	Mont D'Or Resource Limited	Exploration stage	New Zealand	100	100
PEP 60095** 31 March 2028	Mont D'Or Resource Limited	Exploration stage	New Zealand	100	100

Notes:

* Contract areas wherein the Group's effective participating and working interest is at 100% are included in the details of joint operations for presentation purposes in order to disclose a complete list of all contract areas being held by the Group as at the end of the reporting period.

** In April 2016, the Group obtained a petroleum exploration permit ("PEP") 60095 for the right to explore petroleum resources (other than gas hydrates and coal steam gas) in New Zealand ("The Permit"). The Permit is granted subject to the Crown Minerals Act 1991 and all regulations made under that Act, and conditions of the Permit.

*** License PEP 55789 has been relinquished on 17 May 2017. Intangible exploration costs incurred have been fully written off in the 2016 consolidated financial statements (Note 5).

The joint operations are non-incorporated entities carrying on joint operations under PSC and PEP licences under the laws and regulations of Indonesia and New Zealand.

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19. Investments in subsidiaries and interests in joint operations (continued)

(c) Contingent consideration payable

In 2011, the Group acquired 100% of Pearl Oil (Salawati) Limited, a Company holding certain exploration and development licenses.

Under the terms of the acquisition the Group is required to pay an amount of US\$3,500,000 for the contingent commercial production of hydrocarbons from the Group's West Salawati PSC. The estimated fair value of this contingent obligation at the acquisition date was US\$2,032,000 based on a discounted cash flow using a discount rate of 13% per annum.

In July 2022, the Company entered into a settlement deed whereas both parties agreed to amend the US\$3,500,000 liability to become US\$2,000,000 that consist of US\$1,500,000 of cash payment and US\$500,000 of future contingent payment. The fair value of the contingent consideration for the year ended 31 December 2022 is US\$500,000 (2021: US\$3,500,000).

As at 31 December 2022, the unwinding of discount on the contingent consideration is US\$1,300,577.

20. Commitments and contingent liabilities

In the normal course of operations, the Company may be subject to litigation and claims. In management's estimation, no litigation or claim, individually or in aggregate, would result in a significant adverse effect on the financial position or results of operations of the Company. There were no contingent liabilities as at the date of financial position. At the end of the reporting period, the Group has the following contractual obligations and lease commitments:

Contractual commitments

The Group has entered into agreements which contain provisions for the following commitments:

	2022 US\$'000	2021 US\$'000
Not later than one year	3,026	2,588

The commitments noted above reflect the Group's execution of currently budgeted and contracted exploration and development activities. Expenditure commitments may be subject to change and may be reduced. Determining expenditure commitments requires the use of estimates and judgments.

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21. Financial instruments, financial risks and capital risks management

(a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	2022 US\$'000	2021 US\$'000
Financial assets		
Cash and cash equivalents	7,906	3,433
Trade and other receivables	8,239	3,357
Restricted cash	2,242	2,081
Total	18,387	8,871
Financial liabilities		
Trade and other payables	11,309	7,442
Borrowings	30,848	24,551
Contingent consideration	500	3,500
Total	42,657	35,493

(b) Financial risk management policies and objectives

The Group's overall financial risk management seeks to minimise potential adverse effects on the financial performance of the Group. The board of directors reviews and sets policies and procedures for the management of these risks, which are executed by financial management.

The board of directors provides independent oversight to the effectiveness of the risk management process.

The Group does not hold or issue derivative financial instruments for speculative purposes. Market risk exposures are measured using sensitivity analysis indicated below.

(i) Commodity price risk management

The Group has exposure to price risk in its exploration and production of crude oil.

The results of operations and cash flows of the crude oil production can vary significantly with fluctuations in the market prices of crude oil. These are affected by factors outside the Group's control, including the global market forces of supply and demand; regulatory and political actions of governments; and any attempts of international cartels to control or influence prices. Any significant or extended decrease in crude oil prices would adversely affect the profitability, financial condition and operations of the Group's crude oil business.

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21. Financial instruments, financial risks and capital risks management (continued)

(b) Financial risk management policies and objectives (continued)

(i) Commodity price risk management (continued)

However, the management's financial assets as of 31 December 2022 are not significantly affected by the changes of commodity price.

(ii) Foreign exchange risk management

The Group incurs foreign currency risk on transactions and balances that are denominated in currencies other than United States dollar. The currency giving rise to this risk is primarily Indonesian Rupiah.

At the end of the reporting period, the carrying amounts of significant monetary assets and monetary liabilities in currencies other than the respective Group entities' functional currencies are as follows:

	<u>Assets</u>		<u>Liabilities</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	US\$'000	US\$'000	US\$'000	US\$'000
Indonesian				
Rupiah	1,122	2,008	2,688	4,738
New Zealand				
Dollar	1	1	-	-
Singapore				
Dollar	-	-	23	-

Foreign currency sensitivity

The following table details the sensitivity to a certain percentage increase and decrease in the relevant foreign currencies against the United States dollar. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a certain percentage change in foreign currency rates.

If the relevant foreign currency strengthens/weakens by 10% against the United States dollar, the Group's loss before tax will decrease/ (increase) by:

	<u>2022</u>	<u>2021</u>
	US\$'000	US\$'000
Impact of:		
Indonesian Rupiah	(157)	(273)
New Zealand Dollar	*	*
Singapore Dollar	2	-

* Less than US\$1,000

The opposite applies if the relevant foreign currency weakens by 10% against the United States Dollar.

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21. Financial instruments, financial risks and capital risks management (continued)

(b) Financial risk management policies and objectives (continued)

(iii) Interest rate risk management

The Group's income and operating cash flows are independent of changes in market interest rates, with the exception of interest income from bank deposits with variable rates of interest. The Group is not exposed to significant or material interest rate risk within its borrowings as such facility agreements bear fixed interest rates.

(iv) Credit risk management

Credit risk is managed on a Group basis. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a loss to the Group. The Group has a policy of only dealing with creditworthy counterparties based on their trading and payment history as well as such commercial information which the Group obtains from time to time. Credit exposure is controlled by the counterparty limits that are reviewed and approved by the Group annually.

The Group's exposure to credit risks arises primarily from trade and other receivables. The Group's trade receivables pertain to proceeds from crude oil sales. All trade receivables are neither past due nor impaired. The Group trades only with recognised, creditworthy third parties.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at the end of the financial year in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position.

Cash and bank balances are held with reputable financial institutions.

(v) Liquidity risk management

Liquidity risk management implies maintaining sufficient cash and the ability to secure sufficient funding on a timely basis to meet capital and operating expenditure obligations. Management uses budgets, cash flow models which are regularly updated to monitor liquidity risk.

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents and access to timely funding sources through borrowings and/or additional equity deemed adequate by management to finance the Group and mitigate the effects of fluctuations in cash flows.

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21. Financial instruments, financial risks and capital risks management (continued)

(b) Financial risk management policies and objectives (continued)

(v) Liquidity risk management (continued)

Non-derivative financial assets

All financial assets in 2022 and 2021 are repayable on demand or due within 1 year from the end of the reporting period except for cash and cash equivalents and trade and other receivables as disclosed in Note 9 and 8, respectively.

Non-derivative financial liabilities

The following table detail of the Groups' remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. The contractual maturity is based on the earliest date on which the Group may be required to pay. The "adjustment" column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial liabilities.

	Weighted average effective interest rate %	Within 1 year US\$'000	Within 2 to 5 years US\$'000	Total US\$'000
2022				
Trade and other payables	-	11,309	-	11,309
Borrowings	8-10	-	30,848	30,848
2021				
Trade and other payables	-	7,442	-	7,442
Borrowings	8-10	8,339	16,212	24,551

(vi) Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables, and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

Other non-current financial assets and liabilities are not significantly different with their fair value.

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21. Financial instruments, financial risks and capital risks management (continued)

(c) Capital risk management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern in order to provide returns for shareholders and benefits for the other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital and accumulated profits as disclosed in the notes to consolidated financial statements and borrowings.

The management reviews the capital structure on an on-going basis. The Group's overall strategy remains unchanged.

22. Related party transactions

(a) Related party transactions

Related companies in these consolidated financial statements refer to members of Mont D'Or's group of companies.

Management exercised judgment, which was based on its industry specific knowledge and experience to determine that the transactions, did not contain any unusual commercial terms, and the fees charged at arm's length under the agreements were reasonable. The related party balances are unsecured, non-trade, interest-free and repayable on demand unless otherwise stated.

During the financial year, the Group entered into the following trading transactions with related companies:

	2022 US\$'000	2021 US\$'000
Affiliated entity		
Data processing services	173	172

(b) Compensation of director and key management personnel

In 2022, total employee benefits for key management personnel and the directors amounting to US\$679,830 (2021: US\$664,388) was borne and paid by the Group.

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23. Non-cash transactions

	2022 US\$'000	2021 US\$'000
Increase in intangible assets due to reclass from inventory	1,095	126
Increase in intangible assets due to unpaid trade payables	244	1,757
Decrease in intangible assets through deposits	-	478
Increase in property, plant and equipment due to SKK Migas audit adjustment	1,737	922

24. Capital Management

The Group's objectives when managing capital is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

The Group regularly reviews and manages its capital structure to optimize the use of the Group's resources, takes into consideration the future capital requirements of the Group and projected strategic investment opportunities.

The Group also seeks to maintain a balance between its the level of borrowing and the equity position in order to ensure the optimal capital structure and return. There were no changes in the Group's approach to capital management during the year.

25. Subsequent Events

- On 17 January 2023, MOVL entered an amendment and restatement deed agreement with Lender A (Loan 1) which effective date from 1 July 2022 to extend final repayment date to 30 June 2025.
- Up to the date of financial statements, MOAL has paid dividend payment of US\$100,000 for Redeemable Preference Shares.
- Up to the date of financial statements, MOVL has made a payment of US\$480,000 to Lender A (Loan 1).
- Up to the date of financial statements, MOVL has made a payment of US\$2,802,111 including principal and interest loan to Lender B (Loan 2).