

**Coelacanth Energy Inc.**  
**Condensed Interim Statements of Financial Position**  
(unaudited)

| (\$000s)                                       | Note | September 30<br>2023 | December 31<br>2022 |
|--|------|----------------------|---------------------|
| <b>Assets</b>                                  |      |                      |                     |
| Current assets                                 |      |                      |                     |
| Cash and cash equivalents                      |      | 36,457               | 65,410              |
| Current portion of restricted cash deposits    | (4)  | 495                  | 671                 |
| Accounts receivable                            |      | 1,340                | 1,487               |
| Prepaid expenses and deposits                  |      | 512                  | 370                 |
|  |      | <b>38,804</b>        | 67,938              |
| Restricted cash deposits                       | (4)  | 6,781                | 7,389               |
| Property, plant, and equipment                 | (5)  | 42,526               | 19,053              |
| Exploration and evaluation assets              | (6)  | 37,589               | 19,649              |
|  |      | <b>86,896</b>        | 46,091              |
|  |      | <b>125,700</b>       | 114,029             |
| <b>Liabilities</b>                             |      |                      |                     |
| Current liabilities                            |      |                      |                     |
| Accounts payable and accrued liabilities       |      | 21,644               | 7,499               |
| Current portion of lease obligations           | (7)  | 425                  | 90                  |
| Current portion of decommissioning obligations | (8)  | 562                  | 1,312               |
|  |      | <b>22,631</b>        | 8,901               |
| Lease obligations                              | (7)  | 908                  | 450                 |
| Decommissioning obligations                    | (8)  | 7,779                | 7,601               |
|  |      | <b>31,318</b>        | 16,952              |
| <b>Shareholders' Equity</b>                    |      |                      |                     |
| Shareholders' capital                          | (9)  | 116,162              | 115,322             |
| Warrants                                       | (9)  | 4,228                | 4,272               |
| Contributed surplus                            |      | 3,385                | 1,053               |
| Reserve from common-control transaction        |      | (18,063)             | (18,063)            |
| Deficit  |      | (11,330)             | (5,507)             |
|  |      | <b>94,382</b>        | 97,077              |
|  |      | <b>125,700</b>       | 114,029             |
| Commitments                                    | (16) |                      |                     |
| Subsequent events                              | (17) |                      |                     |

*The accompanying notes are an integral part of these condensed interim financial statements.*

**Coelacanth Energy Inc.**  
**Condensed Interim Statements of Operations and Comprehensive Loss**  
(unaudited)

| (\$000s, except per share amounts) | Note | Three Months Ended   |       | Nine Months Ended    |          |
|------------------------------------|------|----------------------|-------|----------------------|----------|
|                                    |      | September 30<br>2023 | 2022  | September 30<br>2023 | 2022     |
| <b>Revenue</b>                     |      |                      |       |                      |          |
| Oil and natural gas sales          | (15) | 679                  | 2,135 | 2,459                | 6,157    |
| Other income                       | (8)  | -                    | 54    | -                    | 98       |
| Royalties                          |      | (152)                | (658) | (623)                | (1,788)  |
|                                    |      | <b>527</b>           | 1,531 | <b>1,836</b>         | 4,467    |
| <b>Expenses</b>                    |      |                      |       |                      |          |
| Operating                          |      | 350                  | 398   | 1,249                | 1,307    |
| Transportation                     |      | 654                  | 210   | 1,250                | 527      |
| Depletion and depreciation         | (5)  | 394                  | 474   | 1,288                | 1,472    |
| General and administrative         |      | 869                  | 1,110 | 3,298                | 3,294    |
| Share based compensation           | (10) | 640                  | 492   | 2,268                | 9,227    |
| Gain on insurance proceeds         | (5)  | -                    | -     | -                    | (657)    |
| Finance income                     |      | (688)                | (500) | (2,066)              | (589)    |
| Finance expense                    |      | 177                  | 177   | 372                  | 324      |
|                                    |      | <b>2,396</b>         | 2,361 | <b>7,659</b>         | 14,905   |
| Net loss and comprehensive loss    |      | <b>(1,869)</b>       | (830) | <b>(5,823)</b>       | (10,438) |
| Net loss per share                 |      |                      |       |                      |          |
| Basic and diluted                  | (11) | (-)                  | (-)   | <b>(0.01)</b>        | (0.03)   |

*The accompanying notes are an integral part of these condensed interim financial statements.*

**Coelacanth Energy Inc.**  
**Condensed Interim Statements of Shareholders' Equity**  
(unaudited)

| (\$000s)   | Note | Share-<br>holders'<br>Capital | Warrants     | Contributed<br>Surplus | Net<br>investment<br>in Two Rivers<br>Assets | Reserve from<br>common-<br>control<br>transaction | Deficit         | Total<br>Equity |
|--|------|-------------------------------|--------------|------------------------|--|---|-----------------|-----------------|
| Balance, December 31, 2021   |      | -                             | -            | -                      | 16,092                                       | -   | -               | 16,092          |
| Net loss   |      | -                             | -            | -                      | (5,656)                                      | -   | (4,782)         | (10,438)        |
| Net contributions from Leucrotta                                   |      | -                             | -            | -                      | 922  | -   | -               | 922             |
| Cash received from Leucrotta                                       |      | -                             | -            | -                      | 44,712                                       | -   | -               | 44,712          |
| Accounts receivable from Leucrotta                                 |      | -                             | -            | -                      | 392  | -   | -               | 392             |
| Issue of share capital   | (9)  | 78,244                        | 556          | -                      | (60,737)                                     | (18,063)  | -               | -               |
| Issue of common shares, flow-through<br>common shares and warrants | (9)  | 22,077                        | 4,272        | -                      | -  | -   | -               | 26,349          |
| Exercise of Arrangement Warrants                                   | (9)  | 15,184                        | (542)        | -                      | -  | -   | -               | 14,642          |
| Expiry of Arrangement Warrants                                     |      | -                             | (14)         | 14                     | -  | -   | -               | -               |
| Flow-through share premium   | (9)  | (183)                         | -            | -                      | -  | -   | -               | (183)           |
| Share based compensation   | (10) | -                             | -            | 497                    | 4,275  | -   | -               | 4,772           |
| <b>Balance, September 30, 2022</b>                                 |      | <b>115,322</b>                | <b>4,272</b> | <b>511</b>             | <b>-</b>                                     | <b>(18,063)</b>                                   | <b>(4,782)</b>  | <b>97,260</b>   |
| <b>Balance, December 31, 2022</b>                                  |      | <b>115,322</b>                | <b>4,272</b> | <b>1,053</b>           | <b>-</b>                                     | <b>(18,063)</b>                                   | <b>(5,507)</b>  | <b>97,077</b>   |
| Net loss   |      | -                             | -            | -                      | -  | -   | (5,823)         | (5,823)         |
| Exercise of warrants   | (9)  | 119                           | (44)         | -                      | -  | -   | -               | 75              |
| Settlement of vested RSUs  | (10) | 721                           | -            | (721)                  | -  | -   | -               | -               |
| Share based compensation   | (10) | -                             | -            | 3,053                  | -  | -   | -               | 3,053           |
| <b>Balance, September 30, 2023</b>                                 |      | <b>116,162</b>                | <b>4,228</b> | <b>3,385</b>           | <b>-</b>                                     | <b>(18,063)</b>                                   | <b>(11,330)</b> | <b>94,382</b>   |

*The accompanying notes are an integral part of these condensed interim financial statements.*

**Coelacanth Energy Inc.**  
**Condensed Interim Statements of Cash Flows**  
(unaudited)

| (\$000s)   | Note | Three Months Ended   |                | Nine Months Ended    |                |
|--|------|----------------------|----------------|----------------------|----------------|
|  |      | September 30<br>2023 | 2022           | September 30<br>2023 | 2022           |
| <b>Operating Activities</b>                                  |      |                      |                |                      |                |
| Net loss   |      | (1,869)              | (830)          | (5,823)              | (10,438)       |
| Depletion and depreciation                                   | (5)  | 394                  | 474            | 1,288                | 1,472          |
| Share based compensation                                     | (10) | 640                  | 492            | 2,268                | 9,227          |
| Finance expense  |      | 177                  | 177            | 372                  | 324            |
| Interest paid  |      | (115)                | (98)           | (188)                | (120)          |
| Gain on insurance proceeds                                   | (5)  | -                    | -              | -                    | (657)          |
| Other income   | (8)  | -                    | (54)           | -                    | (98)           |
| Decommissioning expenditures                                 | (8)  | (925)                | (475)          | (1,677)              | (654)          |
| Restricted cash deposits                                     | (4)  | -                    | (6,432)        | 784                  | (8,060)        |
| Change in non-cash working capital                           | (14) | (855)                | 14             | (854)                | (101)          |
|  |      | <b>(2,553)</b>       | <b>(6,732)</b> | <b>(3,830)</b>       | <b>(9,105)</b> |
| <b>Financing Activities</b>                                  |      |                      |                |                      |                |
| Cash received from Leucrotta                                 |      | -                    | -              | -                    | 44,712         |
| Net contributions from Leucrotta                             |      | -                    | -              | -                    | 922            |
| Issue of common shares, flow-through shares,<br>and warrants | (9)  | -                    | -              | 75                   | 21,894         |
| Exercise of Arrangement Warrants                             | (9)  | -                    | 6,850          | -                    | 14,642         |
| Payment of lease obligations                                 | (7)  | (100)                | -              | (245)                | -              |
| Change in non-cash working capital                           | (14) | -                    | 174            | -                    | -              |
|  |      | <b>(100)</b>         | <b>7,024</b>   | <b>(170)</b>         | <b>82,170</b>  |
| <b>Investing Activities</b>                                  |      |                      |                |                      |                |
| Capital expenditures - property, plant, and equipment        | (5)  | (15,785)             | (3,861)        | (22,344)             | (4,572)        |
| Capital expenditures - exploration and evaluation assets     | (6)  | (15,391)             | -              | (17,613)             | (456)          |
| Insurance proceeds on equipment                              | (5)  | -                    | -              | -                    | 657            |
| Change in non-cash working capital                           | (14) | 20,041               | 322            | 15,004               | 805            |
|  |      | <b>(11,135)</b>      | <b>(3,539)</b> | <b>(24,953)</b>      | <b>(3,566)</b> |
| Change in cash and cash equivalents                          |      | <b>(13,788)</b>      | <b>(3,247)</b> | <b>(28,953)</b>      | 69,499         |
| Cash and cash equivalents, beginning of period               |      | <b>50,245</b>        | <b>72,746</b>  | <b>65,410</b>        | -              |
| Cash and cash equivalents, end of period                     |      | <b>36,457</b>        | <b>69,499</b>  | <b>36,457</b>        | 69,499         |

The accompanying notes are an integral part of these condensed interim financial statements.

**Coelacanth Energy Inc.**  
**Notes to the Condensed Interim Financial Statements**  
**Three and Nine Months Ended September 30, 2023**

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*(unaudited)*

*(Tabular amounts in 000s, unless otherwise stated)*

**1. REPORTING ENTITY**

Coelacanth Energy Inc. ("Coelacanth" or the "Company") is an oil and natural gas company, actively engaged in the acquisition, development, exploration, and production of oil and natural gas reserves in north eastern British Columbia, Canada. Coelacanth was incorporated in Alberta, Canada under the Business Corporations Act (Alberta) on March 24, 2022 under the name of 2418573 Alberta Ltd., and subsequently changed its name to Coelacanth Energy Inc. on April 12, 2022. The Company commenced trading on the TSX Venture Exchange ("TSXV") on June 20, 2022 under the symbol "CEI". The Company's place of business is located at 2110, 530 - 8th Avenue SW, Calgary, Alberta, Canada, T2P 3S8.

On May 31, 2022, the arrangement agreement between Coelacanth, Leucrotta Exploration Inc. ("Leucrotta"), Vermilion Energy Inc. ("Vermilion"), and the shareholders of Leucrotta (the "Arrangement") closed and Vermilion acquired all of the issued and outstanding shares of Leucrotta for \$1.73 cash for each common share of Leucrotta held.

Pursuant to an asset conveyance agreement between Coelacanth and Leucrotta made as of May 31, 2022, and immediately prior to the closing of the Arrangement, Leucrotta transferred approximately \$45.1 million cash, net of transaction costs, and certain oil and natural gas assets primarily located in the Two Rivers area of British Columbia ("Two Rivers Assets") to Coelacanth in exchange for one common share of Coelacanth ("Coelacanth Share"), and 0.1917 of a common share purchase warrant of Coelacanth (one whole warrant being an "Arrangement Warrant") for each common share of Leucrotta outstanding. The Coelacanth Shares and Arrangement Warrants were then transferred to the shareholders of Leucrotta.

Since the shareholders of Coelacanth and Leucrotta were the same both before and after the conveyance of the Two Rivers Assets (at the time Coelacanth was a wholly-owned subsidiary of Leucrotta), this transaction was deemed a common-control transaction. The condensed interim financial statements present the historic financial position, results of operations and cash flows of the transferred Two Rivers Assets for all prior periods up to and including May 31, 2022 on a carve-out basis as if they had operated as a stand-alone entity subject to Leucrotta's control. The financial position, results of operations and cash flows from March 24, 2022 (the date of incorporation of Coelacanth) to May 31, 2022 include both the Two Rivers Assets and Coelacanth on a combined basis and from May 31, 2022 forward include the results of Coelacanth after assuming the Two Rivers Assets upon close of the Arrangement.

**2. BASIS OF PRESENTATION**

**(a) Statement of compliance**

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") Accounting Standards as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, as prescribed by IAS 34, Interim Financial Reporting. The condensed interim financial statements do not include all of the information and disclosure required in annual financial statements and should be read in conjunction with the audited financial statements and related notes for the year ended December 31, 2022.

The condensed interim financial statements were authorized for issuance by the Board of Directors on November 16, 2023.

**(b) Basis of measurement**

The condensed interim financial statements present the historic financial position, results of operations and cash flows of the transferred Two Rivers Assets for all prior periods up to and including May 31, 2022 on a carve-out basis as if they had operated as a stand-alone entity subject to Leucrotta's control ("carve-out financial statements"). The financial position, results of operations and cash flows from March 24, 2022 (the date of incorporation of Coelacanth) to May 31, 2022 include both the Two Rivers Assets and Coelacanth on a combined basis and from May 31, 2022 forward include the results of Coelacanth after assuming the Two Rivers Assets upon close of the Arrangement at the net carrying value of the Two Rivers Assets according to historical cost financial records of Leucrotta. The carve-out financial statements have been prepared by management in accordance with IFRS Accounting Standards as issued by the IASB.

Many of the Company's oil and natural gas activities involve undivided interests in jointly owned assets and these condensed interim financial statements reflect only the Company's proportionate interest in such activities.

**(c) Functional and presentation currency**

The interim financial statements are presented in Canadian dollars, which is the functional currency of the Company.

**(d) Use of estimates and judgments**

The preparation of the condensed interim financial statements in conformity with IFRS Accounting Standards requires management to make estimates and use judgment regarding the reported amounts of assets and liabilities as at the date of the condensed interim financial statements and the reported amounts of revenues and expenses during the period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future periods could require a material change in the financial statements. Accordingly, actual results may differ from the estimated amounts as future confirming events occur. The significant estimates and judgments made by management in the preparation of these condensed interim financial statements were consistent with those applied to the financial statements as at and for the year ended December 31, 2022.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The condensed interim financial statements have been prepared following the same accounting policies as the annual financial statements for the year ended December 31, 2022. The accounting policies have been applied consistently by the Company to all periods presented in these condensed interim financial statements.

### 4. RESTRICTED CASH DEPOSITS

The Company has \$7.3 million in restricted guaranteed investment certificates ("GIC's") with a Canadian chartered bank. These restricted GIC's are being held as security for \$7.3 million of letters of guarantee to third parties relating primarily to firm transportation agreements and decommissioning obligations. Restricted cash deposits will become unrestricted as letters of guarantee are lowered as the result of settlements of decommissioning obligations or if the restricted GIC's are replaced by credit facilities.

|           | September 30, 2023 | December 31, 2022 |
|-----------|--------------------|-------------------|
| Current   | 495                | 671               |
| Long-term | 6,781              | 7,389             |
|           | <b>7,276</b>       | <b>8,060</b>      |

### 5. PROPERTY, PLANT, AND EQUIPMENT

| Cost   | Total         |
|--|---------------|
| Balance, December 31, 2021                                 | 57,796        |
| Additions  | 8,944         |
| Capitalized share based compensation                       | 59            |
| Change in decommissioning obligation estimates (note 8)    | (935)         |
| Balance, December 31, 2022                                 | 65,864        |
| Additions  | 22,344        |
| Disposal of equipment                                      | (62)          |
| Right-of-use asset additions (note 7)                      | 1,038         |
| Capitalized share based compensation                       | 458           |
| Change in decommissioning obligation estimates (note 8)    | 921           |
| <b>Balance, September 30, 2023</b>                         | <b>90,563</b> |
| <b>Accumulated Depletion, Depreciation, and Impairment</b> | <b>Total</b>  |
| Balance, December 31, 2021                                 | 44,926        |
| Depletion and depreciation                                 | 1,885         |
| Balance, December 31, 2022                                 | 46,811        |
| Disposal of equipment                                      | (62)          |
| Depletion and depreciation                                 | 1,288         |
| <b>Balance, September 30, 2023</b>                         | <b>48,037</b> |
| <b>Net Book Value</b>                                      | <b>Total</b>  |
| December 31, 2022  | 19,053        |
| <b>September 30, 2023</b>                                  | <b>42,526</b> |

During the three and nine months ended September 30, 2023, approximately \$0.2 million (September 30, 2022 - \$49 thousand) and \$0.3 million (September 30, 2022 - \$49 thousand), respectively, of directly attributable general and administrative costs were capitalized as expenditures on property, plant, and equipment.

During the nine months ended September 30, 2022, the Company received \$0.7 million from insurance proceeds related to damaged equipment. The equipment that was damaged was previously impaired and had \$nil carrying value resulting in a gain of \$0.7 million.

#### Depletion and depreciation

The calculation of depletion and depreciation expense for the three months ended September 30, 2023 included an estimated \$24.0 million (September 30, 2022 - \$6.3 million) for forecasted future development costs associated with proved and probable undeveloped oil and natural gas reserves and excluded approximately \$1.2 million (September 30, 2022 - \$1.2 million) for the estimated salvage value of production equipment and facilities.

Included in depletion and depreciation expense for the three and nine months ended September 30, 2023, is \$22 thousand (September 30, 2022 - \$22 thousand) and \$65 thousand (September 30, 2022 - \$65 thousand), respectively, related to the right-of-use asset for the Company's head office lease. At September 30, 2023, the net book value of this right-of-use asset is \$0.4 million (December 31, 2022 - \$0.4 million).

Included in depletion and depreciation expense for the three and nine months ended September 30, 2023, is \$87 thousand (September 30, 2022 - \$nil) and \$202 thousand (September 30, 2022 - \$nil), respectively, related to the right-of-use asset for field equipment. At September 30, 2023, the net book value of this right-of-use asset is \$0.8 million (December 31, 2022 - \$nil).

#### Impairment assessment

The Company determined that there were no external or internal indicators of impairment or impairment reversal at September 30, 2023 for its PP&E Two Rivers CGU and no impairment test was required.

## 6. EXPLORATION AND EVALUATION ASSETS

|                                      | <b>Total</b>  |
|--------------------------------------|---------------|
| Balance, December 31, 2021           | 14,612        |
| Additions                            | 4,960         |
| Capitalized share based compensation | 77            |
| Balance, December 31, 2022           | 19,649        |
| Additions                            | <b>17,613</b> |
| Capitalized share based compensation | <b>327</b>    |
| <b>Balance, September 30, 2023</b>   | <b>37,589</b> |

Exploration and evaluation ("E&E") assets consist of the Company's exploration projects which are pending the determination of proved or probable oil and natural gas reserves. Additions represent the Company's share of costs incurred on exploration and evaluation assets during the period, consisting primarily of undeveloped land and drilling costs until the drilling of the well is complete and the results have been evaluated.

During the three and nine months ended September 30, 2023, approximately \$0.2 million (September 30, 2022 - \$nil) and \$0.2 million (September 30, 2022 - \$nil), respectively, of directly attributable general and administrative costs were capitalized as expenditures on E&E assets.

At September 30, 2023, the Company evaluated its E&E assets for indicators of impairment and as a result of this assessment management determined that an impairment test was not required to be performed.

## 7. LEASE OBLIGATIONS

The Company has the following leases in place as at September 30, 2023:

- Office lease commencing December 1, 2021 was transferred to Coelacanth as part of the Arrangement. The lease obligation is discounted with an effective interest rate of 5.5% and the right-of-use asset is amortized based on the lease term. The lease expires November 30, 2027 with a renewal option of an additional five year term. Only the first term of the lease has been recognized as a right-of-use asset and lease.
- Field equipment lease commencing March 1, 2023 expiring February 28, 2026. The lease obligation is discounted with an effective interest rate of 10.0% and the right-of-use asset is amortized based on the lease term.

|                                    | <b>Total</b> |
|------------------------------------|--------------|
| Balance, December 31, 2021         | 520          |
| Lease payments                     | (10)         |
| Interest expense                   | 3            |
| Accretion                          | 27           |
| Balance, December 31, 2022         | 540          |
| Additions                          | <b>1,038</b> |
| Lease payments                     | <b>(322)</b> |
| Interest expense                   | <b>77</b>    |
| <b>Balance, September 30, 2023</b> | <b>1,333</b> |
| Current                            | <b>425</b>   |
| Long-term                          | <b>908</b>   |
|                                    | <b>1,333</b> |

The total undiscounted amount of the estimated future cash flows to settle the lease obligations over the remaining lease terms is \$1.5 million. The Company's minimum lease payments are as follows:

|  | <b>September 30, 2023</b> |
|--|---------------------------|
| Within one year                                    | 520                       |
| Later than one year but not later than three years | 827                       |
| Later than three years                             | 157                       |
| Minimum lease payments                             | 1,504                     |
| Amount representing interest expense               | (171)                     |
| Present value of net lease payments                | <b>1,333</b>              |

## 8. DECOMMISSIONING OBLIGATIONS

The Company's decommissioning obligations result from its ownership interest in development and production assets including well sites and gathering systems. The total decommissioning obligation is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to abandon and reclaim the wells and facilities, and the estimated timing of the costs to be incurred in future periods. The total undiscounted amount of the estimated cash flows, adjusted for inflation at 1.82% per year (December 31, 2022 - 1.84%) required to settle the decommissioning obligations is approximately \$13.8 million (December 31, 2022 - \$11.8 million) which is estimated to be incurred over the next 34 years. At September 30, 2023, a risk-free rate of 3.88% (December 31, 2022 - 2.92%) was used to calculate the net present value of the decommissioning obligations.

|                                   | <b>Nine Months Ended<br/>September 30, 2023</b> | Year Ended<br>December 31, 2022 |
|-----------------------------------|---|---------------------------------|
| Balance, beginning of period      | <b>8,913</b>                                    | 11,142                          |
| Provisions incurred               | <b>933</b>                                      | 215                             |
| Provisions settled                | <b>(1,677)</b>                                  | (1,402)                         |
| Government subsidies              | -   | (143)                           |
| Revisions in estimated cash flows | <b>675</b>                                      | 519                             |
| Revisions due to change of rates  | <b>(687)</b>                                    | (1,669)                         |
| Accretion                         | <b>184</b>                                      | 251                             |
| <b>Balance, end of period</b>     | <b>8,341</b>                                    | 8,913                           |
| Current                           | <b>562</b>                                      | 1,312                           |
| Long-term                         | <b>7,779</b>                                    | 7,601                           |
|                                   | <b>8,341</b>                                    | 8,913                           |

The British Columbia Government's Dormant Sites Reclamation Program ended December 31, 2022, resulting in \$nil reduction from the program for decommissioning obligations during the three and nine months ended September 30, 2023 (September 30, 2022 - \$54 thousand and \$98 thousand, respectively). The offset is recorded as other income in the condensed interim statement of operations and comprehensive loss.

## 9. SHAREHOLDERS' CAPITAL AND WARRANTS

The Company is authorized to issue an unlimited number of voting common shares, an unlimited number of non-voting common shares, Class A preferred shares, issuable in series, Class B preferred shares, issuable in series, and Class C preferred shares, issuable in series. No non-voting common shares or preferred shares have been issued.

| <b>Voting Common Shares</b>                           | <b>Number</b>  | <b>Amount</b>  |
|---|----------------|----------------|
| Balance, December 31, 2021                            | -              | -              |
| Share issuance, Leucrotta common-control transaction  | 289,792        | 78,244         |
| Exercise of Arrangement Warrants                      | 54,230         | 15,184         |
| Issue of common shares and flow-through common shares | 81,084         | 22,077         |
| Flow-through share premium                            | -              | (183)          |
| Balance, December 31, 2022                            | 425,106        | 115,322        |
| Exercise of warrants                                  | <b>278</b>     | <b>119</b>     |
| Settlement of restricted share units                  | <b>1,286</b>   | <b>721</b>     |
| <b>Balance, September 30, 2023</b>                    | <b>426,670</b> | <b>116,162</b> |

| <b>Warrants</b>                    | <b>Number</b> | <b>Amount</b> |
|------------------------------------|---------------|---------------|
| Balance, December 31, 2021         | -             | -             |
| Issue of warrants                  | 27,780        | 4,272         |
| Balance, December 31, 2022         | 27,780        | 4,272         |
| Exercise of warrants               | <b>(278)</b>  | <b>(44)</b>   |
| <b>Balance, September 30, 2023</b> | <b>27,502</b> | <b>4,228</b>  |

| <b>Arrangement Warrants</b>                              | <b>Number</b> | <b>Amount</b> |
|--|---------------|---------------|
| Balance, December 31, 2021                               | -             | -             |
| Issued upon Arrangement                                  | 55,553        | 556           |
| Exercised  | (54,230)      | (542)         |
| Expired  | (1,323)       | (14)          |
| <b>Balance, December 31, 2022 and September 30, 2023</b> | <b>-</b>      | <b>-</b>      |

During the nine months ended September 30, 2023, 0.3 million Flow-through Warrants were exercised into Flow-through Shares. The Company incurred the required CDE expenditures of \$75 thousand related to the Flow-through Shares during the nine months ended September 30, 2023. Effective March 31, 2023, the Minister of Finance (Canada) eliminated the flow-through share regime for oil and gas activities by no longer allowing oil and gas expenditures that are CDE to be renounced to flow-through shareholders in respect of flow-through share agreements made after March 31, 2023. As a result, on March 31, 2023, all unexercised Flow-through Warrants were amended to become Warrants.

## 10. SHARE BASED COMPENSATION PLANS

### Stock options

The Company has authorized and reserved for issuance 42.7 million common shares under a stock option plan enabling certain officers, directors, employees, and consultants to purchase common shares. The Company will not issue options exceeding 10% of the shares outstanding at the time of the option grants (any performance share units "PSUs" or restricted share units "RSUs" described below are aggregated with any stock options for the 10% limit). Under the plan, the exercise price of each option equals the market price of the Company's shares on the date of the grant and an option's maximum term is ten years. At September 30, 2023, 11.2 million options were outstanding at an average exercise price of \$0.65 per share.

|  | <b>Number of<br/>Options</b> | <b>Weighted Average<br/>Exercise Price (\$)</b> |
|--|------------------------------|---|
| Balance, December 31, 2021             | -                            | -   |
| Granted                                | 6,044                        | 0.55  |
| Balance, December 31, 2022             | 6,044                        | 0.55  |
| Granted                                | 5,373                        | 0.76  |
| Forfeited                              | (215)                        | 0.64  |
| <b>Balance, September 30, 2023</b>     | <b>11,202</b>                | <b>0.65</b>                                     |
| <b>Exercisable, September 30, 2023</b> | <b>1,977</b>                 | <b>0.56</b>                                     |

The Company accounts for its share based compensation plans using the fair value method. Under this method, compensation cost is charged to earnings over the vesting period for stock options granted to officers, directors, employees, and consultants with a corresponding increase to contributed surplus. The stock options granted vest one-third on each of the first, second and third anniversaries of the date of grant.

The fair value of the stock options granted were estimated on the date of grant using the Black-Scholes-Merton option pricing model with the following weighted average assumptions:

|  | September 30, 2023 | December 31, 2022 |
|--|--------------------|-------------------|
| Risk-free interest rate (%)                                    | 3.2                | 3.1               |
| Expected life (years)  | 4.0                | 4.0               |
| Expected volatility (%)  | 66.0               | 70.1              |
| Expected dividend yield (%)                                    | -                  | -                 |
| Forfeiture rate (%)  | 1.6                | 1.5               |
| Weighted average fair value of options granted (\$ per option) | 0.40               | 0.30              |

During the three and nine months ended September 30, 2023, the Company recognized \$0.4 million and \$1.5 million, respectively, of share based compensation related to the stock options (for the three months ended September 30, 2023, \$0.3 million was recognized as an expense and \$0.1 million was capitalized and for the nine months ended September 30, 2023, \$1.1 million was recognized as an expense and \$0.4 million was capitalized). During both the three and nine months ended September 30, 2022, the Company recognized \$0.3 million of share based compensation related to the stock options (\$0.3 million was recognized as an expense and \$nil was capitalized). At September 30, 2023 there was \$1.8 million remaining as unrecognized share based compensation related to the stock options.

The fair value of the stock options granted by Leucrotta during periods prior to May 31, 2022 were estimated on the date of grant using the Black-Scholes-Merton option pricing model with the following weighted average assumptions:

|  | May 31, 2022 |
|--|--------------|
| Risk-free interest rate (%)                                    | 1.3          |
| Expected life (years)  | 4.0          |
| Expected volatility (%)  | 66.6         |
| Expected dividend yield (%)                                    | -            |
| Forfeiture rate (%)  | 1.8          |
| Weighted average fair value of options granted (\$ per option) | 0.46         |

Coelacanth allocated \$2.1 million of share based compensation to the Two Rivers Assets for the period from January 1, 2022 to May 31, 2022, of which \$2.1 million was recognized as an expense and \$nil was capitalized.

#### Restricted share units

At September 30, 2023, 4.4 million RSUs were outstanding.

|  | Number of RSUs |
|--|----------------|
| Balance, December 31, 2021             | -              |
| Granted                                | 3,024          |
| Balance, December 31, 2022             | 3,024          |
| Granted                                | 2,669          |
| Exercised for common shares            | (1,286)        |
| <b>Balance, September 30, 2023</b>     | <b>4,407</b>   |
| <b>Exercisable, September 30, 2023</b> | <b>-</b>       |

During the nine months ended September 30, 2023, the Company issued 2.7 million RSUs under its performance and restricted share unit plan. Subject to the terms and conditions of the performance and restricted share unit plan, each RSU award entitles the holder to an award value to be paid as to one-third on each of the first, second and third anniversaries of the date of grant. For the purpose of calculating share based compensation, the fair value of each award is determined at the grant date using the closing price of the Company's common shares. On the date of exercise, the Company has the option of settling the award value in cash (payment is based on the closing price of the Company's common shares on day prior to date of exercise), common shares of the Company (one common share for each RSU), or a combination thereof. The weighted average market price of the Company's common shares used to value the RSUs granted for the nine months ended September 30, 2023 was \$0.77. During the three and nine months ended September 30, 2023, the Company recognized \$0.5 million and \$1.5 million, respectively, of share based compensation related to the RSUs (for the three months ended September 30, 2023, \$0.3 million was recognized as an expense and \$0.1 million was capitalized and for the nine months ended September 30, 2023, \$1.1 million was recognized as an expense and \$0.4 million was capitalized). During both the three and nine months ended September 30, 2022, the Company recognized \$0.2 million of share based compensation related to the RSUs (\$0.2 million was recognized as an expense and \$nil was capitalized). At September 30, 2023, there was \$1.7 million remaining as unrecognized share based compensation related to the RSUs.

For periods prior to May 31, 2022, Leucrotta had issued 1.3 million RSUs expiring December 15, 2025 and vesting one-third on each of the first, second and third anniversaries of the date of grant. Subject to the terms and conditions of the performance and restricted share unit plan, each RSU award entitles the holder to an award value to be paid as to one-third on each of the first, second and third anniversaries of the date of grant. The RSUs were granted under, and contingent upon, the adoption of a new performance and restricted share unit plan of Leucrotta that was approved by the Board and then received the TSXV and shareholder approval concurrent with the approval of the Arrangement. For the purpose of calculating share based compensation, the fair value of each award is determined using the closing price of Leucrotta's common shares. On the date of exercise, Leucrotta had the option of settling the award value in cash, common shares

of Leucrotta, or a combination thereof. Coelacanth allocated \$2.1 million of share based compensation to the Two Rivers Assets for the period from January 1, 2022 to May 31, 2022, of which \$2.1 million was recognized as an expense and \$nil was capitalized.

#### Performance share units

Subject to the terms and conditions of the performance and restricted share unit plan, each PSU award entitles the holder to an award value to be paid as to one-third on each of the first, second and third anniversaries of the date of grant multiplied by a payout multiplier ranging from 0 to 2.0 times and is dependent on the performance of the Company relative to pre-defined corporate performance measures for a particular period. For the purpose of calculating share based compensation, the fair value of each award is determined at the grant date using the closing price of the Company's common shares. On the date of exercise, the Company has the option of settling the award value in cash, common shares of the Company, or a combination thereof.

To date, no PSUs have been granted under the performance and restricted share unit plan.

### 11. PER SHARE AMOUNTS

For the purposes of computing per share amounts, the number of shares outstanding for the periods prior to the Arrangement is deemed to be the number of shares issued by the Company to the shareholders of Leucrotta upon closing of the Arrangement. For the period after the Arrangement, the number of shares outstanding in the computation of per share amounts is the total issued shares of the Company on May 31, 2022 and the shares issued subsequent to May 31, 2022.

The following table summarizes the weighted average number of shares used in the basic and diluted net loss per share calculations:

|   | Three Months Ended |         | Nine Months Ended |         |
|---|--------------------|---------|-------------------|---------|
|   | September 30       |         | September 30      |         |
|   | 2023               | 2022    | 2023              | 2022    |
| Weighted average number of shares - basic         | 426,476            | 418,556 | 425,685           | 343,064 |
| Dilutive effect of share based compensation plans | -                  | -       | -                 | -       |
| Weighted average number of shares - diluted       | 426,476            | 418,556 | 425,685           | 343,064 |

For the three and nine months ended September 30, 2023, 11.2 million stock options, 4.4 million RSUs, and 27.5 million warrants were excluded from the weighted-average share calculation because they were anti-dilutive due to the net loss.

For the three and nine months ended September 30, 2022, 6.0 million stock options, 3.0 million RSUs, and 27.8 million warrants were excluded from the weighted-average share calculation because they were anti-dilutive due to the net loss.

### 12. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production, and financing activities. The Company employs risk management strategies and policies to ensure that any exposure to risk is in compliance with the Company's business objectives and risk tolerance levels. Risk management is ultimately established by the Board of Directors and is implemented by management.

#### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of foreign currency risk, interest rate risk, and other price risk, such as commodity price risk. The objective of market risk management is to manage and control market price exposures within acceptable limits, while maximizing returns. The Company may use financial derivatives or physical delivery sales contracts to manage market risks. All such transactions are conducted within risk management tolerances that are reviewed by the Board of Directors.

#### Foreign exchange risk

The prices received by the Company for the production of oil, natural gas, and NGLs are primarily determined in reference to US dollars, but are settled with the Company in Canadian dollars. The Company's cash flow from commodity sales will therefore be impacted by fluctuations in foreign exchange rates. The Company does not currently have any foreign exchange contracts in place.

#### Interest rate risk

The Company is exposed to interest rate risk on its cash and restricted cash deposit balances. The Company currently does not use interest rate hedges or fixed interest rate contracts to manage the Company's exposure to interest rate fluctuations. The Company does not currently have a credit facility.

#### Commodity price risk

Oil and natural gas prices are impacted by not only the relationship between the Canadian and US dollar but also by world economic events that dictate the levels of supply and demand. The Company's oil, natural gas, and NGLs production is marketed and sold on the spot market to area aggregators based on daily spot prices that are adjusted for product quality and transportation costs. The Company's cash flow from product sales will therefore be impacted by fluctuations in commodity prices. In addition, the Company may enter into commodity price contracts to manage future cash flows.

The Company did not enter into commodity price contracts to manage future cash flows as at September 30, 2023.

## Credit risk

Credit risk represents the financial loss that the Company would suffer if the Company's counterparties to a financial asset fail to meet or discharge their obligation to the Company. A substantial portion of the Company's accounts receivable are with customers and joint interest partners in the oil and natural gas industry and are subject to normal industry credit risks. The Company generally grants unsecured credit but routinely assesses the financial strength of its customers and joint interest partners.

The Company sells the majority of its production to two petroleum and natural gas marketers and therefore is subject to concentration risk. Historically, the Company has not experienced any collection issues with its oil and natural gas marketers. Joint interest receivables are typically collected within one to three months of the joint interest billing being issued to the partner. The Company attempts to mitigate the risk from joint interest receivables by obtaining partner approval for significant capital expenditures prior to the expenditure being incurred. The Company does not typically obtain collateral from petroleum and natural gas marketers or joint interest partners; however, in certain circumstances, the Company may cash call a partner in advance of expenditures being incurred.

The maximum exposure to credit risk is represented by the carrying amount of cash and cash equivalents, restricted cash deposits and accounts receivable on the statement of financial position. At September 30, 2023, \$1.3 million (100%) of the Company's outstanding accounts receivable were current and \$nil (0%) were outstanding for more than 90 days. During the nine months ended September 30, 2023, the Company deemed \$39 thousand of outstanding accounts receivable to be uncollectable (September 30, 2022 - \$38 thousand).

Cash and cash equivalents and restricted cash deposits consist of bank balances placed with a financial institution with strong investment grade ratings which management believes the risk of loss to be remote. The Company manages the credit risk exposure related to risk management contracts by selecting investment grade financial institution counterparties and by not entering into contracts for trading or speculative purposes.

## Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's processes for managing liquidity risk include ensuring, to the extent possible, that it will have sufficient liquidity to meet its liabilities when they become due. The Company prepares annual, quarterly, and monthly capital expenditure budgets, which are monitored and updated as required, and requires authorizations for expenditures on projects to assist with the management of capital. In managing liquidity risk, the Company ensures that it has access to additional financing, including potential equity issuances and additional debt financing. The Company also mitigates liquidity risk by maintaining an insurance program to minimize exposure to insurable losses.

See note 16 for a summary of contractual commitments at September 30, 2023. The Company's accounts payable and accrued liabilities and current portion of lease obligations are all due within the current operating period and the Company's cash balance is sufficient to discharge its current liabilities and commitments due within the upcoming year (see note 17 for details of financings subsequent to September 30, 2023).

## 13. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to maintain a flexible capital structure, which optimizes the cost of capital at an acceptable risk, and to maintain investor, creditor, and market confidence to sustain future development of the business.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company considers its capital structure to include shareholders' equity and adjusted working capital. Adjusted working capital includes current assets and restricted cash deposits less current liabilities, excluding the current portion of decommissioning obligations. To maintain or adjust the capital structure, the Company may, from time to time, issue shares, raise debt, or adjust its capital spending to manage its current and projected debt levels.

|                          | September 30, 2023 | December 31, 2022 |
|--------------------------|--------------------|-------------------|
| Shareholders' equity     | 94,382             | 97,077            |
| Adjusted working capital | 23,516             | 67,738            |

Management uses adjusted working capital as a measure to assess the Company's financial position and is reconciled as follows:

| (\$000s)                                       | September 30, 2023 | December 31, 2022 |
|--|--------------------|-------------------|
| Current assets                                 | 38,804             | 67,938            |
| Less:  |                    |                   |
| Current liabilities                            | (22,631)           | (8,901)           |
| Working capital                                | 16,173             | 59,037            |
| Add:   |                    |                   |
| Restricted cash deposits                       | 6,781              | 7,389             |
| Current portion of decommissioning obligations | 562                | 1,312             |
| Adjusted working capital                       | 23,516             | 67,738            |

In addition, management prepares annual, quarterly, and monthly budgets, which are updated depending on varying factors such as general market conditions and successful capital deployment. The Company's share capital is not subject to external restrictions.

#### 14. SUPPLEMENTAL CASH FLOW INFORMATION

|  | Three Months Ended |         | Nine Months Ended |       |
|--|--------------------|---------|-------------------|-------|
|  | September 30       |         | September 30      |       |
|  | 2023               | 2022    | 2023              | 2022  |
| Accounts receivable                      | (798)              | 1,549   | 147               | (504) |
| Prepaid expenses and deposits            | 47                 | 26      | (142)             | (158) |
| Accounts payable and accrued liabilities | 19,937             | (1,065) | 14,145            | 1,366 |
| Change in non-cash working capital       | 19,186             | 510     | 14,150            | 704   |
| Relating to:                             |                    |         |                   |       |
| Operating                                | (855)              | 14      | (854)             | (101) |
| Financing                                | -                  | 174     | -                 | -     |
| Investing                                | 20,041             | 322     | 15,004            | 805   |
| Change in non-cash working capital       | 19,186             | 510     | 14,150            | 704   |

#### 15. REVENUE

The Company sells its production pursuant to fixed or variable price contracts. The transaction price for variable priced contracts is based on the commodity price, adjusted for quality, location or other factors, whereby each component of the pricing formula can be either fixed or variable, depending on the contract terms. Commodity prices are based on market indices that are determined on a monthly or daily basis. Under the contracts, the Company is required to deliver variable volumes of oil, NGLs or natural gas to the contract counterparty. Revenue is recognized when a unit of production is delivered to the contract counterparty. The amount of revenue recognized is based on the agreed transaction price, whereby any variability in revenue relates specifically to the Company's efforts to transfer production, and therefore the resulting revenue is allocated to the production delivered in the period during which the variability occurs. As a result, none of the variable revenue is considered constrained.

The contracts generally have a term of one year or less, whereby delivery takes place throughout the contract period. Revenues are typically collected on the 25th day of the month following production.

The following table presents the Company's oil and natural gas revenues disaggregated by revenue source:

|                           | Three Months Ended |       | Nine Months Ended |       |
|---------------------------|--------------------|-------|-------------------|-------|
|                           | September 30       |       | September 30      |       |
|                           | 2023               | 2022  | 2023              | 2022  |
| Oil and condensate        | 354                | 548   | 1,171             | 2,114 |
| Other natural gas liquids | 18                 | 88    | 107               | 262   |
| Natural gas               | 307                | 1,499 | 1,181             | 3,781 |
| Total revenue             | 679                | 2,135 | 2,459             | 6,157 |

Under certain marketing arrangements the Company will transfer title of its natural gas production to a third-party marketing company who will subsequently redeliver the natural gas production to an end customer by utilizing the Company's pipeline capacity. This portion representing the sale of transportation services is presented within natural gas revenue which is disaggregated in the below table by type:

|                              | Three Months Ended |       | Nine Months Ended |       |
|------------------------------|--------------------|-------|-------------------|-------|
|                              | September 30       |       | September 30      |       |
|                              | 2023               | 2022  | 2023              | 2022  |
| Natural gas production sales | 187                | 1,301 | 736               | 3,324 |
| Transportation revenue       | 120                | 198   | 445               | 457   |
| Natural gas sales            | 307                | 1,499 | 1,181             | 3,781 |

The Company's revenue was generated entirely in the province of British Columbia. The majority of revenue resulted from sales whereby the transaction price was based on index prices. Of total oil and natural gas sales, two customers represented combined sales of 87% for the nine months ended September 30, 2023 (September 30, 2022 - two customers represented combined sales of 90%).

## 16. COMMITMENTS

The following is a summary of the Company's contractual obligations and commitments at September 30, 2023:

|                                | 2023 | 2024  | 2025  | 2026  | 2027  | Thereafter | Total  |
|--------------------------------|------|-------|-------|-------|-------|------------|--------|
| Operating commitments          | 48   | 194   | 194   | 194   | 178   | -          | 808    |
| Firm transportation agreements | 500  | 2,547 | 3,954 | 5,379 | 5,379 | 55,660     | 73,419 |
| Firm processing agreements     | 70   | -     | -     | -     | -     | -          | 70     |
|                                | 618  | 2,741 | 4,148 | 5,573 | 5,557 | 55,660     | 74,297 |

Operating commitments include the non-lease variable components (operating expenses) of the head office lease (see note 7).

Transportation commitments include contracts to transport natural gas and NGLs through third-party owned pipeline systems. The Company currently has the following firm transportation commitments:

- 1.5 mmcf/d to deliver natural gas to the Alliance Trading Pool (ATP) and then to Chicago through October 31, 2025.
- 10.0 mmcf/d to deliver natural gas to Westcoast Station 2 from January 1, 2023 through December 31, 2037.
- 50.0 mmcf/d to deliver natural gas to Westcoast Station 2 from June 1, 2023 through May 31, 2038.

The Company assigned the following contracts to third parties, thus reducing its commitment:

- 4.4 mmcf/d to deliver natural gas to Westcoast Station 2 from April 1, 2023 through March 31, 2025.
- 10.0 mmcf/d to deliver natural gas to Westcoast Station 2 from June 1, 2023 through May 31, 2025.
- 17.7 mmcf/d to deliver natural gas to Westcoast Station 2 from June 1, 2023 through May 31, 2024.
- 20.0 mmcf/d to deliver natural gas to Westcoast Station 2 from October 1, 2023 through October 31, 2025.

The impact of the reduced commitments are reflected in the table above.

## 17. SUBSEQUENT EVENTS

On November 15, 2023, the Company closed a bought-deal public financing through a syndicate of underwriters. The Company issued 100.0 million units of the Company ("Units") at a price of \$0.80 per Unit for gross proceeds of \$80.0 million. A Unit is comprised of one common share of the Company and 0.33 common share purchase warrants. Each whole common share purchase warrant entitles the holder to purchase one common share at an exercise price of \$1.05 per common share expiring on November 15, 2024.

On November 16, 2023, the Company closed a non-brokered private placement to three employees of 1,875,000 units of the Company ("Private Placement Units"), at a price of \$0.80 per Private Placement Unit, for aggregate proceeds of \$1,500,000. Each Private Placement Unit consists of one common share in the capital of the Company and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share of the Company at a price of \$0.80 per share expiring on November 16, 2028.