

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

(\$000s)	Note	September 30 2024	December 31 2023
Assets			
Current assets			
Cash		47,253	82,568
Current portion of restricted cash deposits	(4)	260	492
Accounts receivable		1,585	4,139
Prepaid expenses and deposits		807	417
		49,905	87,616
Restricted cash deposits	(4)	10,001	6,784
Property, plant, and equipment	(5)	43,438	45,711
Exploration and evaluation assets	(6)	88,935	68,883
		142,374	121,378
		192,279	208,994
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		12,170	26,376
Current portion of lease obligations	(7)	472	435
Current portion of decommissioning obligations	(8)	1,593	1,943
		14,235	28,754
Lease obligations	(7)	436	795
Decommissioning obligations	(8)	7,492	6,926
		22,163	36,475
Shareholders' Equity			
Shareholders' capital	(9)	174,985	173,918
Warrants	(9)	6,562	6,562
Contributed surplus		6,643	4,119
Deficit		(18,074)	(12,080)
		170,116	172,519
		192,279	208,994
Commitments	(16)		
Subsequent events	(4,6,9,17)		

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 2024	2023	September 30 2024	2023
Revenue					
Oil and natural gas sales	(15)	2,362	679	9,192	2,459
Royalties		(383)	(152)	(1,878)	(623)
		1,979	527	7,314	1,836
Expenses					
Operating		767	350	2,549	1,249
Transportation		1,055	654	2,426	1,250
Depletion and depreciation	(5,6)	1,135	394	3,713	1,288
General and administrative		955	869	3,509	3,298
Share based compensation	(10)	1,052	640	3,211	2,268
Finance income		(727)	(688)	(2,533)	(2,066)
Finance expense		206	177	433	372
		4,443	2,396	13,308	7,659
Net loss and comprehensive loss		(2,464)	(1,869)	(5,994)	(5,823)
Net loss per share					
Basic and diluted	(11)	(-)	(-)	(0.01)	(0.01)

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	Shareholders' Capital	Warrants	Contributed Surplus	Deficit	Total Equity
Balance, December 31, 2022		97,259	4,272	1,053	(5,507)	97,077
Net loss		-	-	-	(5,823)	(5,823)
Exercise of warrants		119	(44)	-	-	75
Settlement of vested RSUs		721	-	(721)	-	-
Share based compensation		-	-	3,053	-	3,053
Balance, September 30, 2023		98,099	4,228	3,385	(11,330)	94,382
Balance, December 31, 2023		173,918	6,562	4,119	(12,080)	172,519
Net loss		-	-	-	(5,994)	(5,994)
Settlement of vested RSUs	(9)	1,067	-	(1,067)	-	-
Settlement of stock options and RSUs	(10)	-	-	(288)	-	(288)
Share based compensation	(10)	-	-	3,879	-	3,879
Balance, September 30, 2024		174,985	6,562	6,643	(18,074)	170,116

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 2024	2023	September 30 2024	2023
Operating Activities					
Net loss		(2,464)	(1,869)	(5,994)	(5,823)
Depletion and depreciation	(5,6)	1,135	394	3,713	1,288
Share based compensation	(10)	1,052	640	3,211	2,268
Finance expense		206	177	433	372
Interest paid		(136)	(115)	(230)	(188)
Decommissioning expenditures	(8)	(790)	(925)	(1,266)	(1,677)
Change in restricted cash deposits	(4)	(2,139)	-	(2,985)	784
Change in non-cash working capital	(14)	(594)	(855)	2,164	(854)
		(3,730)	(2,553)	(954)	(3,830)
Financing Activities					
Exercise of warrants		-	-	-	75
Settlement of stock options and RSUs	(10)	(243)	-	(288)	-
Payment of lease obligations	(7)	(110)	(100)	(322)	(245)
Change in non-cash working capital	(14)	(237)	-	(465)	-
		(590)	(100)	(1,075)	(170)
Investing Activities					
Capital expenditures - property, plant, and equipment	(5)	(396)	(15,785)	(973)	(22,344)
Capital expenditures - exploration and evaluation assets	(6)	(15,364)	(15,391)	(18,572)	(17,613)
Change in non-cash working capital	(14)	9,440	20,041	(13,741)	15,004
		(6,320)	(11,135)	(33,286)	(24,953)
Change in cash		(10,640)	(13,788)	(35,315)	(28,953)
Cash, beginning of period		57,893	50,245	82,568	65,410
Cash, end of period		47,253	36,457	47,253	36,457

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, 2024

(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 northeastern 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.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") 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, 2023.

Certain comparative amounts in the statement of financial position and statement of shareholders' equity have been adjusted to conform with the current period presentation. Specifically, the Reserve from common-control transaction of \$(18,063) that was previously presented as its own account has been re-presented to be reflected as a reduction of Shareholders' capital. There were no changes to the operating results, cash flows or financial position of the Company as a result of this presentation change.

The condensed interim financial statements were authorized for issuance by the Board of Directors on November 20, 2024.

(b) Basis of measurement

The condensed interim financial statements have been prepared on the historical cost basis.

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 condensed 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 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, 2023.

3. MATERIAL 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, 2023, except as noted below. The accounting policies have been applied consistently by the Company to all periods presented in these condensed interim financial statements.

IAS 1 Presentation of Financial Statements was amended in January 2020 and October 2022 by the IASB to clarify the presentation requirements of liabilities as either current or non-current within the statement of financial position. The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2024. The Company adopted these amendments effective January 1, 2024 and the adoption did not have an impact on the Company's condensed interim financial statements.

4. RESTRICTED CASH DEPOSITS

The Company has \$10.3 million in restricted guaranteed investment certificates ("GIC's") with a Canadian chartered bank. These restricted GIC's are being held as security for \$10.3 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 a credit facility.

	September 30, 2024	December 31, 2023
Current	260	492
Long-term	10,001	6,784
	10,261	7,276

Subsequent to September 30, 2024, the Company secured two credit facilities (refer to note 17) resulting in \$5.4 million of GIC's being redeemed to cash and lowering the amount available on its \$7.0 million credit facility.

5. PROPERTY, PLANT, AND EQUIPMENT

Cost	Total
Balance, December 31, 2023	94,783
Additions	973
Capitalized share based compensation	111
Change in decommissioning obligation estimates (note 8)	330
Balance, September 30, 2024	96,197
Accumulated Depletion, Depreciation, and Impairment	
Balance, December 31, 2023	49,072
Depletion and depreciation	3,687
Balance, September 30, 2024	52,759
Net Book Value	
December 31, 2023	45,711
September 30, 2024	43,438

During the three and nine months ended September 30, 2024, approximately \$16 thousand (September 30, 2023 - \$0.2 million) and \$38 thousand (September 30, 2023 - \$0.3 million), respectively, of directly attributable general and administrative costs were capitalized as expenditures on property, plant, and equipment ("PP&E").

Depletion and depreciation

The calculation of depletion and depreciation expense for the three months ended September 30, 2024 included an estimated \$19.4 million (September 30, 2023 - \$24.0 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, 2023 - \$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, 2024, is \$108 thousand (September 30, 2023 - \$109 thousand) and \$324 thousand (September 30, 2023 - \$267 thousand), respectively, related to the Company's right-of-use assets. At September 30, 2024, the net book value of the right-of-use assets is \$0.8 million (December 31, 2023 - \$1.1 million).

Impairment assessment

The Company determined that there were no external or internal indicators of impairment or impairment reversal at September 30, 2024 for its PP&E Two Rivers CGU and no impairment test was required.

6. EXPLORATION AND EVALUATION ASSETS

	Total
Balance, December 31, 2023	68,883
Additions	18,572
Change in decommissioning obligation estimates (note 8)	949
Capitalized share based compensation	557
Lease expiries	(26)
Balance, September 30, 2024	88,935

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 and an assessment of technical feasibility and commercial viability. Additions represent the Company's share of costs incurred on E&E assets during the period, consisting primarily of undeveloped land, drilling costs, and facility costs until the drilling of the well is complete and the results have been evaluated. Included in E&E assets at September 30, 2024 is approximately \$70.2 million relating to pad drilling and completions and preliminary facility construction costs related to the Company's Two Rivers East project (December 31, 2023 - \$50.1 million). Subsequent to September 30, 2024, the Company negotiated a reduction in royalty on certain lands in return for a royalty on additional lands.

During the three and nine months ended September 30, 2024, approximately \$0.2 million (September 30, 2023 - \$0.2 million) and \$0.3 million (September 30, 2023 - \$0.2 million), respectively, of directly attributable general and administrative costs were capitalized as expenditures on E&E assets.

During the three and nine months ended September 30, 2024, approximately \$nil (September 30, 2023 - \$nil) and \$26 thousand (September 30, 2023 - \$nil), respectively, of land lease expiries have been included in depletion and depreciation expense.

At September 30, 2024, 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, 2024:

- Office lease commencing December 1, 2021. 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 obligation.
- 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.

	Total
Balance, December 31, 2023	1,230
Lease payments	(390)
Interest expense	68
Balance, September 30, 2024	908
Current	472
Long-term	436
	908

The total undiscounted amount of the estimated future cash flows to settle the lease obligations over the remaining lease terms is \$1.0 million. The Company's minimum lease payments are as follows:

	September 30, 2024
Within one year	527
Later than one year but not later than three years	435
Later than three years	22
Minimum lease payments	984
Amount representing interest expense	(76)
Present value of net lease payments	908

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 1.62% per year (December 31, 2023 - 1.65%) required to settle the decommissioning obligations is approximately \$14.8 million (December 31, 2023 - \$13.3 million) which is estimated to be incurred over the next 33 years. At September 30, 2024, a risk-free rate of 3.11% (December 31, 2023 - 3.05%) was used to calculate the net present value of the decommissioning obligations.

	Nine Months Ended	Year Ended
	September 30, 2024	December 31, 2023
Balance, beginning of period	8,869	8,913
Provisions incurred	949	971
Provisions settled	(1,266)	(1,883)
Revisions in estimated cash flows	446	746
Revisions due to change of rates	(116)	(141)
Accretion	203	263
Balance, end of period	9,085	8,869
Current	1,593	1,943
Long-term	7,492	6,926
	9,085	8,869

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.

Voting Common Shares	Number	Amount
Balance, December 31, 2023	528,650	173,918
Settlement of restricted share units	1,617	1,067
Balance, September 30, 2024	530,267	174,985

In connection with the arrangement on May 31, 2022, involving Coelacanth, Leucrotta Exploration Inc. ("Leucrotta") and Vermilion Energy Inc., the reserve created from the common-control transaction of \$(18,063) represented the difference between the fair value of the Coelacanth shares issued to existing Leucrotta shareholders and the net book value of the acquired assets and assumed liabilities, and has been presented as a reduction against Shareholders' Capital. Prior period comparative amounts have been re-presented to reflect this change.

Warrants	Number	Amount
Balance, December 31, 2023 and September 30, 2024	62,710	6,562

The following table summarizes the warrants outstanding and exercisable at September 30, 2024:

Issue Date	Expiry Date	Exercise Price	Number
June 10, 2022	June 10, 2027	\$0.27	27,502
November 15, 2023	June 30, 2025	\$1.05	33,333
November 16, 2023	November 16, 2028	\$0.80	1,875
			62,710

Subsequent to September 30, 2024, the expiry date for the 33.3 million warrants issued November 15, 2023, was extended to June 30, 2025.

10. SHARE BASED COMPENSATION PLANS

Stock options

The Company has authorized and reserved for issuance 53.0 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, 2024, 17.8 million options were outstanding at an average exercise price of \$0.72 per share.

	Number of Options	Weighted Average Exercise Price (\$)
Balance, December 31, 2023	13,249	0.68
Granted	5,487	0.80
Settled	(745)	0.54
Forfeited	(164)	0.73
Balance, September 30, 2024	17,827	0.72
Exercisable, September 30, 2024	4,882	0.63

For the nine months ended September 30, 2024, the Company settled 0.7 million stock options (September 30, 2023 - nil) for \$272 thousand in cash.

The following table summarizes the stock options outstanding and exercisable at September 30, 2024:

Exercise Price	Options Outstanding			Options Exercisable		
	Number	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Number	Weighted Average Exercise Price	
\$0.54 to \$0.70	4,615	2.8	0.55	2,910	0.54	
\$0.71 to \$0.79	4,967	3.3	0.75	1,830	0.75	
\$0.80 to \$0.83	8,245	4.3	0.80	142	0.82	
	17,827	3.6	0.72	4,882	0.63	

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, 2024	December 31, 2023
Risk-free interest rate (%)	3.8	3.4
Expected life (years)	4.0	4.0
Expected volatility (%)	65.2	67.4
Expected dividend yield (%)	-	-
Forfeiture rate (%)	4.7	3.1
Weighted average fair value of options granted (\$ per option)	0.42	0.41

During the three and nine months ended September 30, 2024, the Company recognized \$0.7 million (September 30, 2023 - \$0.4 million) and \$2.0 million (September 30, 2023 - \$1.5 million), respectively, of share based compensation related to the stock options. For the three months ended September 30, 2024, \$0.5 million (September 30, 2023 - \$0.3 million) was recognized as an expense and \$0.2 million (September 30, 2023 - \$0.1 million) was capitalized. For the nine months ended September 30, 2024, \$1.7 million (September 30, 2023 - \$1.1 million) was recognized as an expense and \$0.3 million (September 30, 2023 - \$0.4 million) was capitalized. At September 30, 2024 there was \$2.4 million remaining as unrecognized share based compensation related to the stock options.

Restricted share units

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 settled 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 exercise), common shares of the Company (one common share for each RSU), or a combination thereof. It is the Company's intention to settle the RSUs in common shares of the Company.

	Number of RSUs
Balance, December 31, 2023	5,380
Granted	2,689
Exercised	(1,617)
Settled	(21)
Forfeited	(21)
Balance, September 30, 2024	6,410

Exercisable, September 30, 2024

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For the nine months ended September 30, 2024, the Company settled 21 thousand RSUs (September 30, 2023 - nil) for \$16 thousand in cash.

The weighted average market price of the Company's common shares used to value the RSUs granted during the nine months ended September 30, 2024 was \$0.80 (September 30, 2023 - \$0.77). During the three and nine months ended September 30, 2024, the Company recognized \$0.7 million (September 30, 2023 - \$0.5 million) and \$1.9 million (September 30, 2023 - \$1.5 million) of share based compensation related to the RSUs. For the three months ended September 30, 2024, \$0.5 million (September 30, 2023 - \$0.3 million) was recognized as an expense and \$0.2 million (September 30, 2023 - \$0.1 million) was capitalized. For the nine months ended September 30, 2024, \$1.5 million (September 30, 2023 - \$1.1 million) was recognized as an expense and \$0.3 million (September 30, 2023 - \$0.4 million) was capitalized. At September 30, 2024, there was \$2.4 million remaining as unrecognized share based compensation related to the RSUs.

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

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	
	2024	2023	2024	2023
Weighted average number of shares - basic	530,212	426,476	529,605	425,685
Dilutive effect of share based compensation plans	-	-	-	-
Weighted average number of shares - diluted	530,212	426,476	529,605	425,685

For the three and nine months ended September 30, 2024, 17.8 million stock options, 6.4 million RSUs, and 62.7 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, 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.

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. As at September 30, 2024, the Company did not have a credit facility (refer to note 17).

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, 2024.

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 three 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, restricted cash deposits, and accounts receivable on the statement of financial position. At September 30, 2024, \$1.5 million (97%) of the Company's outstanding accounts receivable were current and \$41 thousand (3%) were outstanding for more than 90 days. During the nine months ended September 30, 2024, the Company deemed \$35 thousand of outstanding accounts receivable to be uncollectable (September 30, 2023 - \$39 thousand).

Cash 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 includes 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, 2024. 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 credit facilities entered into subsequent to September 30, 2024).

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, 2024	December 31, 2023
Shareholders' equity	170,116	172,519
Adjusted working capital	47,264	67,589

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

(\$000s)	September 30, 2024	December 31, 2023
Current assets	49,905	87,616
Less:		
Current liabilities	(14,235)	(28,754)
Working capital	35,670	58,862
Add:		
Restricted cash deposits	10,001	6,784
Current portion of decommissioning obligations	1,593	1,943
Adjusted working capital	47,264	67,589

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	
	2024	2023	2024	2023
Accounts receivable	(559)	(798)	2,554	147
Prepaid expenses and deposits	(127)	47	(390)	(142)
Accounts payable and accrued liabilities	9,295	19,937	(14,206)	14,145
Change in non-cash working capital	8,609	19,186	(12,042)	14,150
Relating to:				
Operating	(594)	(855)	2,164	(854)
Financing	(237)	-	(465)	-
Investing	9,440	20,041	(13,741)	15,004
Change in non-cash working capital	8,609	19,186	(12,042)	14,150

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	
	2024	2023	2024	2023
Oil and condensate	1,820	354	6,674	1,171
Other natural gas liquids	95	18	331	107
Natural gas	447	307	2,187	1,181
Total revenue	2,362	679	9,192	2,459

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	
	2024	2023	2024	2023
Natural gas production sales	208	187	1,469	736
Transportation revenue	239	120	718	445
Natural gas sales	447	307	2,187	1,181

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, three customers represented combined sales of 97% for the nine months ended September 30, 2024 (September 30, 2023 - two customers represented combined sales of 87%).

16. COMMITMENTS

The following is a summary of the Company's contractual obligations and commitments at September 30, 2024:

	2024	2025	2026	2027	2028	Thereafter	Total
Operating commitments	48	194	194	178	-	-	614
Firm transportation agreements	1,101	4,400	5,887	7,192	9,451	147,030	175,061
Firm processing agreements	-	3,212	8,736	8,910	9,088	66,309	96,255
Property, plant, and equipment	5,972	5,477	-	-	-	-	11,449
Finance expenses	338	1,350	-	-	-	-	1,688
	7,459	14,633	14,817	16,280	18,539	213,339	285,067

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, 2026.
- 10.0 mmcf/d to deliver natural gas to Westcoast Station 2 from January 1, 2023 through July 31, 2038.
- 50.0 mmcf/d to deliver natural gas to Westcoast Station 2 from June 1, 2023 through May 31, 2038.
- 15.0 mmcf/d to deliver natural gas to Westcoast Station 2 from May 1, 2024 through April 30, 2055.
- 25.0 mmcf/d to deliver natural gas to Westcoast Station 2 from August 1, 2028 through July 31, 2043.

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 December 31, 2027.
- 20.0 mmcf/d to deliver natural gas to Westcoast Station 2 from October 1, 2023 through October 31, 2026.
- 10.0 mmcf/d to deliver natural gas to Westcoast Station 2 from November 1, 2024 through December 31, 2025.

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

Firm processing agreements include 30.0 mmcf/d of processing services at a gas processing facility for a period of 10 years. This is expandable by any volume up to an additional 30.0 mmcf/d (60.0 mmcf/d total) at the election of the Company at any date up to July 1, 2025 for the remainder of the original term. As part of the arrangement, the midstream company has agreed to fund the extension of their gathering system to certain contractual thresholds pending the achievement of certain project milestones.

Finance expenses relate to monthly third party Letter of Credit fees to secure the \$45.0 million credit facility (refer to note 17).

17. SUBSEQUENT EVENT

Subsequent to September 30, 2024, the Company secured two revolving bank credit facilities for a total of \$52.0 million from a Canadian chartered bank. The credit facilities are backed by reserves at Two Rivers West plus a \$45.0 million Letter of Credit from a third party. The commitment from the third party is for a two-year term. During the term, Coelacanth expects that the lending value of producing reserves at Two Rivers East will allow for the credit facility to be renegotiated and the Letter of Credit to be returned.

The first credit facility is a \$7.0 million revolving operating demand loan credit facility that bears interest at prime plus 3.0%. The undrawn portion of the credit facility is subject to a standby fee of 1.0%. Any outstanding letters of guarantee reduce the amount that can be borrowed under the credit facility and bear interest at 4.0%. Subsequent to September 30, 2024, the Company redeemed \$5.4 million of GIC's securing letters of guarantee thus reducing the amount available on its \$7.0 million credit facility to \$1.6 million (refer to note 4).

The second credit facility is a \$45.0 million revolving operating demand loan that bears interest at prime plus 0.25%. The undrawn portion of the credit facility is subject to a standby fee of 0.125%. This credit facility is secured by a \$45.0 million Letter of Credit from a third party. The Letter of Credit fee is 3.0% of the total \$45.0 million face value of the Letter of Credit whether drawn or not for the first one-year term plus the period prior to the start of the first term. The first term starts the earlier of when drawn or December 31, 2024. The Company has the option to extend the term by an additional maximum one-year term for a fee of 6% of the drawn portion of the Letter of Credit that can be reduced at any time by repayment of the credit facility.

The credit facilities and Letter of Credit are secured by a \$75.0 million fixed and floating charge debenture on the assets of the Company. The next review of the credit facilities by the bank is scheduled on or before June 30, 2025.

The credit facilities includes a covenant requiring the Company to maintain an adjusted working capital ratio of not less than one-to-one. The working capital ratio, as defined by its creditor, is calculated as current assets plus any undrawn amounts available on its demand loan facilities less current liabilities excluding any current portion drawn on the demand loan facilities. The definition of current assets and current liabilities excludes the fair value of risk management contracts.