Q2 2023

TSX-V: CEQ

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is management's discussion and analysis ("MD&A") of the operating and financial results of Criterium Energy Ltd. (formerly Softrock Minerals Ltd.) ("Criterium" or the "Company") for the three and six months ended June 30, 2023 and 2022. This information is provided as of August 29, 2023. This MD&A should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements ("consolidated financial statements") for the three months ended June 30, 2023 and 2022, its audited consolidated financial statements for the years ended December 31, 2022 and 2021, together with the accompanying notes, and its Annual Information Form ("AIF") for the year ended December 31, 2022. These documents and additional information about Criterium are accessible on the SEDAR+ website at www.sedarplus.ca. All amounts are in Canadian dollars ("CAD"), unless otherwise stated.

SECOND QUARTER IN REVIEW

In the second quarter of 2023, whilst global crude prices fell, lower differentials meant that Western Canadian Select increased from the first quarter and North American natural gas prices remained steady.

Corporately, the company received royalty revenue of $30,369, representing a decline of 52% year over year as Western Canadian natural gas and oil prices dropped by approximately two thirds and one third respectively.

On June 7, the Company completed a five (5) for one (1) consolidation of common shares to allow for the exercise of warrants associated with the private placement of September 26, 2022. Warrants were not consolidated and as such the exercise of five (5) warrants will be required for one (1) common share. All warrants are now exercisable as all performance conditions have been met.

On June 14, 2023, the Company announced the transaction to acquire 100% of Mont D'Or Petroleum Ltd. Further information related to the acquisition can be found on SEDAR+. The transaction has not closed as of the date of the this management's discussion and analysis.

Also during the second quarter the Company continued to progress other potential M&A opportunities that underpin the Company's stated growth ambitions.

Q2 2023 OPERATIONAL AND FINANCIAL HIGHLIGHTS

	Three months ended June 30,			Six months ended June 30,		
	2023	2022	% Change	**2023**	2022	% Change
($ thousands, except per share)						
Total oil, natural gas and royalty revenue	**30**	63	(52)	**59**	102	(42)
Cash flow from operating activities	**(518)**	(19)	-	**(1,307)**	(2)	-
Per share – basic	***$(0.01)***	*$0.00*	-	***$(0.04)***	*$0.00*	-
Net Income	**(1,110)**	24	-	**(1,735)**	40	-
Per share – basic	***$(0.03)***	*$0.00*	-	***$(0.05)***	*$0.00*	-
Net Debt	**-**	-	-	**-**	-	-
Capital Expenditures	**394**	-	-	**804**	-	-
Weighted average shares outstanding (thousands)						
Basic	**37,666**	8,971	320	**37,184**	8,971	314
Diluted	**66,489**	11,989	455	**66,629**	11,989	456
Share Trading						
High	**$0.375**	$0.175	114	**$0.525**	$0.175	200
Low	**$0.200**	$0.175	14	**$0.200**	$0.075	166
Average daily trading volume	**234,347**	8,208	2,755	**320,316**	16,158	1,882

SUMMARY OF EXPENSES

	Three months ended June 30,		Six months ended June 30,	
($)	**2023**	2022	**2023**	2022
Salaries and benefits	**$ 208,011**	-	**$ 409,264**	-
Professional fees	**272,374**	15,818	**339,322**	21,602
Consulting fees	**210,863**	-	**292,312**	-
Exploration expense	**201,708**	-	**234,165**	-
General and administrative	**76,749**	18,499	**193,476**	34,346
Stock-based compensation	**73,545**	-	**147,090**	-
Travel	**49,880**	-	**106,643**	-
Geological and Geophysical expense	**27,949**	-	**27,949**	-
Depreciation	**8,925**		**17,851**	-
Finance expense	**5,750**	-	**11,736**	-
Operating expenses	**4,052**	4,337	**8,552**	6,961
	$ 1,139,806	$ 38,654	**$ 1,788,360**	$ 62,909

The Company incurred a net loss of $1,110,128 for Q2/2023 (Q2/2022 – net income $24,214). Total operating expense was $1,139,806 for Q2/2023 compared to $38,654 for Q2/2022. The increase in total operating expense is primarily due to the increased activity as it relates to evaluation of potential acquisitions including the Mont D'Or transaction, costs associated with the drafting and filing of the short form prospectus and other financing and legal due diligence. Salaries and benefits increased $208,011 (vs Q2/2022 - $nil) with the addition of 4 employees. Other expenses contributing to the increase in operating expenses are an increase in consulting fees of $210,863 attributable to consultants used for various project evaluations and the addition of paid directors' roles, share-based compensation of $73,545 recorded for stock options and restricted share units ("RSUs") vested at June 30, 2023, increase in professional fees of $272,374 due to general corporate items and the addition of a contract CFO and financial controller and accounting firm costs, the company also incurred exploration expenses of $32,457. In addition, the Company incurred $76,749 of general and administration expenses due to increased activity for Q2/2023 compared to Q2/2022 mainly resulting from transfer agent and filing expenses, insurance, IT support and rent charges. During the period, the Company incurred $49,880 of travel expenses to support the Company's Indonesia operations and Mont D'Or transaction.

At June 30, 2023, the Company had assets of $4,611,494 compared to $179,329 as at June 30, 2022. The increase in assets is due to the issuance of common shares under the recapitalization transaction and the subsequent Bulu PSC acquisition.

ADJUSTED FUNDS FLOW AND NET INCOME

	Three months ended June 30,			Six months ended June 30,		
	2023	2022	% Change	**2023**	2022	% Change
($ thousands, except per share)						
Cash flow from operating activities	**(518)**	(19)	-	**(1,307)**	2	-
Current income tax expense	**-**	-	-	**-**	-	-
Income tax paid	**-**	-	-	**-**	-	-
Interest expense, ex fees	**-**	-	-	**-**	-	-
Interest paid	**-**	-	-	**-**	-	-
Decommissioning expenditures	**-**	-	-	**-**	-	-
Changes in non-cash working capital	**505**	(43)	-	**252**	(41)	-
Adjusted funds flow	**(13)**	(62)	-	**(1,055)**	(39)	-
Per share – basic	***$(0.00)***	*$(0.00)*	-	***$(0.03)***	*$(0.00)*	-
Net income	**(1,110)**	24	-	**(1,735)**	40	-
Per share – basic	***$(0.03)***	*$0.00*	-	***$(0.05)***	*$0.00*	-

CAPITAL EXPENDITURES

	Three months ended June 30,			Six months ended June 30,		
	2023	2022	% Change	**2023**	2022	% Change
($ thousands)						
Drilling, completion and equipment	-	-	-	-	-	-
Facilities	-	-	-	-	-	-
Land, seismic and other	-	-	-	-	-	-
Total Capital Expenditures	-	-	-	-	-	-
Acquisitions (dispositions)	-	-	-	-	-	-
Net Capital Expenditures	-	-	-	-	-	-

SHARE CAPITAL

	June 30, 2023		December 31, 2022	
	Number	Amount	**Number**	Amount
($, except share counts)				
Balance, opening	**36,227,382**	$ 8,161,312	**8,970,585**	$ 3,061,457
Issue of common shares - cash	**-**	-	**26,899,532**	5,379,906
Issue of common shares - acquisitions	**-**	-	**-**	-
Issue of common shares – warrant, option, RSU exercise	**2,162,600**	540,650	**-**	-
Issue of common shares as severance on closing of private placement	**-**	-	**357,265**	71,453
Share issuance costs	**-**	(2,570)	**-**	(351,504)
Balance, ending	**38,389,982**	$ 8,699,392	**36,227,382**	$ 8,161,312

During the quarter the Company completed a five (5) for one (1) share consolidation of existing common shares, this was done to ensure that the Company is in compliance with TSX-V requirements that no new capital be issued below $0.05/share. During the private placement of September 26, 2022, the Company had obtained an exemption to issue share capital at $0.04 for common shares but required consolidation for the warrants to be exercisable. Warrants issued in connection with the private placement are now exercisable with five (5) warrants exercisable for one (1) common share. During the quarter 856,156 (post consolidation) warrants issued in connection with the Softrock Minerals rights offering closed June 14, 2018, expired.

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

Management has determined that cash flows for operating, exploration and evaluation expenses, and general and administrative expenses will be funded by Criterium's existing cash on hand. Any expected short fall of cash required for these expenses will be funded by the issuance of common shares through private placements or short-term debt should the need arise.

CASH FLOW SUMMARY

	June 30, 2023	December 31, 2022
Cash at beginning of period	**$ 3,720,751**	$ 54,715
Cash flow from (used in) operations	**(1,307,197)**	(779,979)
Cash flow used in investing activities	**(804,188)**	(609,283)
Cash flow from financing activities	**514,630**	5,055,298
Cash at end of period	**$ 2,123,996**	**$ 3,720,751**

Cash flow used in operations for the first half of 2023, was $1,307,197 resulting from the net loss incurred during the period related to expenses for the day-to-day operations of the Company and expenses related to the proposed Mont D'Or transaction. Changes in non-cash working capital resulted in outflow of $252,202 for the period ended June 30, 2023 resulting from the timing of payment of the accounts receivable/payable, payments to prepaids and accrued liabilities. Cash flow used in operations for the first half of 2022 was $1,542 resulting from the net income from the day-to-day management of the Company, royalty revenue and minimal operational activity.

Cash flows used in investing activities year to date were $804,188 to satisfy the payment schedule for the acquisition of the Bulu PSC. The Company has $794,400 remaining on the Bulu PSC acquisition payable. There were no cash flows from investing in the first half of 2022. Cash flows from financing were $514,630 for the first half of 2023 as a result of the exercise of warrants related to the June 2018 Softrock Minerals private placement. In addition, the Company incurred $23,450 of lease principal and interest payments on its lease obligations. There were no cash flows from financing in the first half of 2022.

WORKING CAPITAL

The Company has working capital of $699,765 (Q2/2022 – $110,798) as at June 30, 2023. The working capital is calculated using current assets of $2,248,797 (Q2/2022 - $136,828) and current liabilities of $1,549,032 (Q2/2022 - $26,030).

Current assets consist of cash of $2,123,996 (Q2/2022 - $53,172), amounts receivable of $56,769 (Q2/2022 - $71,155), and prepaids and deposits of $68,032 (Q2/2022 - $12,500).

Current liabilities consist of accounts payable of $697,348 (Q2/2022 - $nil), including payroll liabilities, acquisition payable of $794,400 (Q2/2022 – $nil) for the Bulu PSC acquisition, lease obligations of $26,256 for the principal amount on the office and furniture lease, and $31,028 of decommissioning liabilities for the site cleanup of shut-in wells.

COMMITMENTS & RELATED PARTY TRANSACTIONS

CONTRACTUAL OBLIGATIONS

The Company has a number of financial obligations that are incurred in the ordinary course of business. These obligations are:

Accounts payable and accrued liabilities of $697,348 payable at June 30, 2023.

Ongoing decommissioning liabilities for site cleanup of shut-in wells which are expected to be completed within 2023.

Principle office lease obligation payments of $149,336 over the next 5 years;

- 2023 $ 26,256
- 2024 – 2027 $123,080

The Bulu transaction installment payments to be funded in 2023;

- On or before March 31, 2023 $300,000 USD (paid);
- On or before June 30, 2023 $300,000 USD (paid);
- On or before September 30, 2023 $300,000 USD; and
- On or before December 31, 2023 $300,000 USD
-

Criterium funded the March 31 and June 30 payments and will fund the remainder of the purchase price for the Acquisition and near-term operating costs from cash on its balance sheet.

CONTINGENCIES

The Company does not have any contingent assets or liabilities.

RELATED PARTY TRANSACTIONS

The Company has entered into transactions with related parties in the normal course of business that are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties, and which in management's opinion is comparable to amounts that would have been paid to non-related parties. The exchange amount approximates fair value. Transactions impacting the consolidated financial statements, which are not disclosed elsewhere in the statements are summarized below. During the year, the Company paid to its directors and officers, either directly or indirectly, the following amounts:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Key management compensation	**166,250**	-	**326,042**	-
Stock- based compensation	**69,589**	-	**139,178**	-
Accounting and administrative services (professional fees)	**17,287**	4,420	**57,390**	6,220
Directors' fees (consulting fees)	**40,000**	-	**80,000**	-
Consulting services	**18,224**	-	**36,261**	-
Office allowance (General and administrative expenses)	**-**	1,316	**-**	2,632
	$ 311,350	$ 5,736	**$ 638,871**	$ 8,852

CRITICAL ACCOUNTING ESTIMATES

Management makes judgments and assumptions about the future in deriving estimates used in preparation of these consolidated financial statements in accordance with IFRS. Sources of estimation uncertainty include estimates used to determine the economic viability of exploration and evaluation costs, the recoverable amount of long-lived assets or cash generating units ("CGUs"), the fair value of financial instruments, the provision for decommissioning liabilities, the provision for income taxes and the related deferred tax assets and liabilities, and the expenses recorded for stock-based compensation.

Several new accounting standards, and amendments to standards and interpretations, have been issued but are not yet effective for the current period ended June 30, 2023. None of these changes have been early adopted nor are they considered by management to be significant or likely to have a material impact on the Company's consolidated financial statements.

BUSINESS RISKS

The Company's principal business activities are the acquisition, exploration, and definition of potentially economically viable mineral resource deposits on mineral properties, which, by nature, are speculative. Companies in this industry are subject to many and varied kinds of risks, including but not limited to; environmental, fluctuating commodity prices, social, political, financial and economics. Additionally, few exploration projects successfully achieve development due to factors that cannot be predicted or foreseen. While risk management cannot eliminate the impact of all potential risks, the Company strives to manage such risks to the extent possible and practicable. Due to the high-risk nature of the Company's business and the present stage of the Company's various mineral properties, an investment in the Company's common shares should be considered a highly speculative investment that involves significant financial risks, and prospective investors should carefully consider all of the information disclosed in this MD&A, the risk factors discussed below, and the Company's other public disclosures, including the risks described in the "Risk Factors" section of the Company's Annual Information Form for the year ended December 31, 2022, prior to making any investment in the Company's common shares.

FINANCIAL RISKS & INSTRUMENTS

Risk is inherent in all business activities and cannot be eliminated. However, shareholder value can be maintained and enhanced by identifying, mitigating, and where possible, insuring against these risks. The following section addresses some, but not all, risk factors that could affect Criterium's future results, as well as activities used to mitigate such risks. These risks do not occur in isolation but must be considered in conjunction with each other.

The Board of Directors has overall responsibility for the establishment and oversight of Criterium's risk management framework. The Board is responsible for developing and monitoring Criterium's compliance with risk management policies and procedures.

Criterium's risk management policies are established to identify and analyze the risks faced by Criterium, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Criterium's activities.

The Company reports its financial results in Canadian dollars but also undertakes transactions denominated in US dollars ("USD"), Indonesian Rupiah ("IDR"), and New Zealand dollars ("NZD"). As the exchange rates between the Canadian dollar and the USD, IDR and NZD fluctuates, the Company recognizes realized and unrealized foreign exchange gains and losses. At June 30, 2023, the Company has $128,680 of accounts payable and accrued liabilities denominated in USD and NZD, which are subject to currency risk.

At June 30, 2023, a 10% appreciation or depreciation of the US dollar and NZD against the Canadian dollar would result in an approximate $12,868 increase or decrease in the Company's net loss (June 30, 2022 – $nil).

The Company does not enter into any financial instruments to hedge currency risk, but the Company monitors its foreign exchange exposure and considers its exposure to foreign currency risk to be minimal as at June 30, 2023.

FINANCIAL INSTRUMENTS

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates. The fair values of the Company's financial instruments are not materially different from their carrying values.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

	June 30, 2023	December 31, 2022
Financial assets		
Cash	$ 2,123,996	$ 3,720,751
Accounts receivable	56,769	160,829
Reclamation deposit	43,993	42,655
Total financial assets	**$ 2,224,758**	**$ 3,924,235**
Financial liabilities		
Accounts payable and accrued liabilities	$ 697,348	$ 507,555
Acquisition payable	794,400	1,625,280
Total financial liabilities	**$ 1,491,748**	**$ 2,132,835**

Cash is carried at fair value using a level 1 fair value measurement and the amounts receivable, deposits and accounts payable and accrued liabilities, and acquisition payable approximate their fair value because of the short-term nature of these instruments.

DIVIDEND ADVISORY

Criterium's future shareholder distributions, including but not limited to the payment of dividends, if any, and the level thereof is uncertain. Any decision to pay dividends on the common shares (including the actual amount, the declaration date, the record date and the payment date in connection therewith and any special dividends) will be subject to the discretion of the Board of Directors of Criterium and may depend on a variety of factors, including, without limitation, Criterium's business performance, financial condition, financial requirements, growth plans, expected capital requirements and other conditions existing at such future time including, without limitation, contractual restrictions. There can be no assurance that Criterium will pay dividends in the future. As the Company does not intend to declare dividends, any gain on an investment in the Company will need to come through an increase in the stock's price.

SELECTED QUARTERLY FINANCIAL INFORMATION

	Jun. 30, 2023	Mar. 31, 2023	Dec. 31, 2022	Sep. 30, 2022	Jun. 30, 2022	Mar. 31, 2022	Dec. 31, 2021	Sep. 30, 2021
($, thousands, except per share amounts)								
Revenue	30	29	41	45	63	40	40	40
Cash flow from operations	(518)	(789)	(689)	91	(19)	17	(39)	(15)
Net income	(1,110)	(625)	(746)	(617)	24	16	23	(10)
Per share – basic	*$(0.03)*	*$(0.02)*	*$(0.02)*	*$(0.02)*	*$0.00*	*$0.00*	*$0.00*	*$(0.00)*

Significant factors and trends that have impacted the Company's results in the above periods include:

- The recapitalization of Softrock Minerals and the associated change in the Company's strategic direction.
- The costs associated with screening for and entering into international oil and gas transactions.

- The expenses arising from having acquired the Bulu asset, such as the acquisition payable and ongoing cash calls related to work to progress the asset to FID.
- The volatility in Western Canadian oil and natural gas prices, and the resulting effect on royalty revenue, cash flows and net income, in particular as it relates the period of time during which the Company operated as Softrock Minerals.

FORWARD LOOKING STATEMENTS

Certain statements in this MD&A that are not based on historical facts constitute forward-looking information. Forward-looking information is not a promise or guarantee of future performance but is only a prediction that relates to future events, conditions or circumstances or the Company's future results, performance, achievements or developments and is subject to substantial known and unknown risks, assumptions, uncertainties and other factors that could cause the Company's actual results, performance, achievements or developments in its business or industry to differ materially from those expressed, anticipated or implied by such forward-looking information. Forward-looking statements include statements regarding the outlook for the Company's future operations, plans and timing for the introduction or enhancement of its services and products, statements concerning strategies or developments, statements about future market conditions, supply conditions, end customer demand conditions, channel inventory and sell through, revenue, gross margin, operating expenses, profits, forecasts of future costs and expenditures, and other expectations, intentions and plans that are not historical fact. The forward-looking statements in this MD&A are based on certain factors and assumptions regarding expected growth, results of operations, performance and business prospects and opportunities. Specifically, management has assumed that the Company's performance will meet management's internal projections. While management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

Readers are cautioned not to place undue reliance upon any such forward-looking statements, which speak only as of the date they are made. Readers are also advised to consider such forward-looking statements in light of the risk factors and uncertainties that may affect the Company's actual results, performance, achievements or developments.

The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except to the extent required by applicable law. Further information concerning risks and uncertainties associated with these forward-looking statements and the Company's business may be found in the Company's other filings.