Q2 2024

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. ("Criterium" or the "Company") for the three and six months ended June 30, 2024 and 2023. This information is provided as of August 28, 2024. This MD&A should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements ("consolidated financial statements") for the 3 and 6 months ended June 30, 2024 and 2023, together with the accompanying notes. 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.

QUARTER IN REVIEW

For the quarter, global crude prices stayed relatively flat compared to Q1 2024, as the oil market grappled with declining inventories and ongoing geopolitical tensions offset by macroeconomic fears late in the quarter. The Company continues to see strong pricing in southeast Asia, both for crude oil as well as for longer term contracted natural gas.

Corporately, the Company completed the previously announced acquisition of Mont D'Or Petroleum Limited ("MOPL") on January 4th. Further information related to the acquisition can be found on SEDAR+. The closing the acquisition and costs associated with it represented a step change in the magnitude of operations for the Company, as such year over year comparisons will appear drastic.

During Q2, the Company continued its program of low cost high return workovers in the Megoepeh field. These workovers continue to perform above expectations and are seeing cash paybacks on average of less than 30 days. The Company is currently completing its latest 5 well workover program, the results of which are the subject of the operational update released in conjunction with the Q2 financial results and this MD&A. The Company will be undertaking its inaugural drilling campaign in the coming weeks, with results expected early in Q4 2024.

Q2 2024 OPERATIONAL AND FINANCIAL HIGHLIGHTS

	Three months ended June 30,			Six months ended June 30,		
	2024	2023	% Change	**2024**	2023	% Change
($ thousands, except per share)						
Oil revenue	**7,952**	-	n.a.	**16,117**	**-**	n.a.
Royalty expense	**(2,129)**	**-**	n.a.	**(4,283)**	**-**	n.a.
Royalty revenue	**(4)**	**30**	n.a.	**9**	**59**	(85%)
Other income	**2**	**1**	100%	**43**	**2**	>1000%
Cash flow from (used in) operating activities	**(416)**	**(517)**	n.a.	**(2,494)**	**(1,307)**	36%
Per share – basic	***$0.00***	***$(0.01)***	n.a.	***$(0.01)***	***$(0.04)***	(75%)
Net loss	**(1,485)**	**(1,111)**	*34%*	**(3,898)**	**(1,735)**	*125%*
Per share – basic	***$(0.01)***	***$(0.03)***	(66%)	***$(0.03)***	***$(0.05)***	(40%)
Capital/Acquisition Expenditures	**(106)**	**(394)**	(73%)	**(5,600)**	**(804)**	597%
Average daily production						
Heavy oil (bbl/d)	***0***	-	-	***0***	-	-
Light oil (bbl/d)	***821***	-	-	***822***	-	-
NGL (bbl/d)	***0***	-	-	***0***	-	-
Natural gas (mcf/d)	***0***	-	-	***0***	-	-
Total (boe/d)	**821**	-	-	**822**	-	-
Weighted average shares outstanding (thousands)						
Basic	**132,355**	**37,666**	253%	**130,291**	**37,184**	257%
Diluted	**267,923**	**66,489**	303%	**267,923**	**66,629**	303%
Share Trading						
High	**$0.090**	**$0.375**	(76)%	**$0.140**	**$0.525**	(73)%
Low	**$0.045**	**$0.200**	(78)%	**$0.045**	**$0.200**	(78)%
Average daily trading volume	**108,214**	**234,347**	(54)%	**94,951**	**320,316**	(70)%

During Q2, revenue and royalties remained consistent with Q1 as production and prices held flat. Net loss for Q2 narrowed vs Q1 as the Company successful reduced operating costs and G&A.

SUMMARY OF EXPENSES

	Three months ended June 30,		Six months ended June 30,	
($) thousands	**2024**	2023	**2024**	2023
Operating expenses	**$ 3,386**	$ 4	**$7,280**	$9
Depreciation, depletion and amortization	**1,594**	9	**3,445**	18
General and administrative	**1,479**	818	**3,141**	1,341
Financing costs	**957**	6	**1,910**	12
Other tax expense	**723**	-	**723**	-
Share based compensation	**43**	74	**85**	147
Transaction costs	**3**	-	**41**	-
Foreign exchange	**(178)**	1	**(253)**	7
Exploration expense	**-**	202	**-**	234
Geological and geophysical expense	**-**	28	**-**	28
	$ 8,007	$ 1,142	**$16,372**	$1,796

For the three and six months ended June 30, 2024, the Company incurred a net loss of $1.49 million (2023 – net loss $1.11 million) and $3.89 million (2023 - net loss $1.73 million) respectively. Operating expenses for the second quarter of 2024 were $3.39 million compared to $0.004 million for 2023. Total operating expenses for the six months ended June 30, 2024, were $7.28 million compared to $0.01 million for 2023. The increase in total operating expense is primarily due to increased activity upon close of the Mont D'Or transaction. Quarter over quarter total expenses were down slightly as the Company cut fuel expenses and realized operational efficiencies expected upon closing of the MOPL transaction. For the quarter approximately US$213,000 was spent completing four workovers on existing wells. Depreciation, depletion and amortization ("DD&A") for the three and six months ended June 30, 2024, was $1.59 million (2023 - $0.01 million) and $3.45 million (2023 - $0.02 million) respectively, as the Company did not have depreciable assets in 2023. General and administrative expenses for the three and six months ended June 30, 2024 totalled $1.48 million (2023 - $0.82 million) and $3.14 million (2023 - $1.34 million) as the Company completed the Mont D'Or transaction and acquired the operational team associated with the assets, along with the Jakarta office. Financing expenses for the three and six months ended June 30, 2024 were $0.96 million (2023 – $0.01 million) and $1.91 million (2023 - $0.12 million) and are related to the completion of the Mont D'Or transaction and associated equity financing. Other tax expense for the period ended June 30, 2024 was $0.72 million (2023 - $nil), and is related to land and building taxes incurred by the Tungkal PSC. Other operating expenses in aggregate remained relatively flat year over year.

CAPITAL EXPENDITURES

	Three months ended June 30,			Six months ended June 30,		
	2024	2023	% Change	**2024**	2023	% Change
($ thousands)						
Drilling, completion and equipment	106	-	-	106	-	-
Facilities	-	-	-	-	-	-
Land, seismic and other	-	-	-	-	-	-
Total Capital Expenditures	**-**	**-**	**-**	**-**	**-**	**-**
Acquisitions (dispositions)	-	394	-	5,494	804	-
Net Capital Expenditures	**106**	**394**	**-**	**5,600**	**804**	**-**

During the quarter the Company spent $0.11 million on capital expenditures in securing long lead items related to the Company's expected Q3 2024 drilling program. All spend related to the ongoing workover program is classified and expensed as operating costs. Acquisition expenditures in 2024 are related to the completion of the MOPL transaction which occurred on January 4, 2024.

SHARE CAPITAL

	June 30, 2024		December 31, 2023	
	Number	Amount	**Number**	Amount
($ thousands, except share counts)				
Balance, opening	**38,389,981**	$ 8,694	**36,227,382**	$ 8,161
Issue of common shares - cash	**60,909,091**	6,702	**-**	-
Issue of common shares - acquisitions	**33,056,922**	4,207	**-**	-
Issue of common shares – warrant, option, RSU exercise	**-**	-	**2,162,599**	541
Share issuance costs	**-**	(1,740)	**-**	(8)
Balance, ending	**132,355,994**	$17,863	**38,389,981**	$ 8,694

During the quarter no securities were issued. During Q1 2024, 60,909,091 warrants were issued as part of the subscription receipts converting to units. In addition, 7,309,091 broker warrants were issued to select brokers in conjunction with the subscription receipt offering. During the period ended June 30, 2024 no warrants, existing or newly issued were exercised. During the same period in 2023, 989,867 warrants were exercised with net proceeds of $0.23 million.

As at August 28, 2024, there were 132.36 million common shares outstanding, an aggregate of 3.83 million restricted share units and performance share units outstanding, 0.37 million stock options outstanding and 95.47 million potential shares issuable under warrants agreements (95.47 million warrants outstanding).

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

The interim condensed consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operations for the foreseeable future and will be able to realize its assets and discharge its obligations in the normal course of operations. The Company's ability to maintain its current level of operations is dependent on its ability to generate sufficient cash to fund its operations and future business plans.

The Company is dependent on its revenue from the sale of petroleum and natural gas from its Indonesian operations. This revenue stream is highly dependent on global commodity prices and exchange rates which are outside of the control of management. The volatility of commodity prices and capital markets will continue to have a significant impact on the Company's revenue and ability to access capital in the future. While Management believes the Company will have sufficient cash to discharge its obligations in the normal course of operations for the short-term, future operations will be dependent upon the raising of sufficient capital, the development of profitable operations and the corresponding generation of future cash flows.

The Company has been successful to date in obtaining financing. However, there is no assurance that it will be able to generate sufficient cash flow or obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. If the going concern assumption were not appropriate for the interim condensed consolidated financial statements, adjustments might be necessary to the carry value of assets and liabilities, reported revenues and expenses and the statement of financial position classifications used.

DEBT

As outlined in the interim condensed consolidated financial statements, the Company has entered into three debt facilities within Mont D'Or. These facilities are amended versions of pre-existing debt agreements which Mont D'Or had entered into over the course of business prior to the acquisition. By utilizing the existing facilities the Company was able to secure favourable interest rates on this debt. In aggregate the Mont D'Or debt carries an average interest rate of just over 8%, far better than similar agreements that the Company could expect to find had it been required to find new sources of facilities. During the quarter interest was accrued on these facilities and monthly amortization payments commenced. The Company will continue to focus on deleveraging while at the same time ensuring adequate capital is directed to value creating development programs within the Mont D'Or assets.

CASH FLOW SUMMARY

	Three months ended June 30, 2024	Three months ended June 30, 2023
(thousands)		
Cash at beginning of period	**$ 8,529**	$ 2,802
Cash flow from (used in) operations	**(426)**	(518)
Cash flow from investing activities	**(240)**	(394)
Cash flow from financing activities	**(2,066)**	233
Effect of foreign exchange	**200**	-
Cash at end of period	**$ 5,997**	**$ 2,123**

During the quarter cash outflows from operations were $0.43 million resulting from revenue received from crude oil sales, less operating expenditures and G&A. Changes in non-cash working capital resulted in inflow of $0.003 million for the period ended June 30, 2024 resulting from the timing of payment of the accounts receivable/payable, payments to prepaids and accrued liabilities. Cash flow used in operations for the period ended June 30, 2023 was $0.52 million resulting from the net income from the day-to-day management of the Company, due diligence associated with the MOPL transaction, royalty revenue and minimal operational activity offset by changes in non-cash working capital.

Cash flows used in investing activities for the period ended June 30, 2024 were $0.24 million. During the period ended June 30, 2024, $nil million was used as a result of changes in working capital movements.

Cash flows from financing resulted in an outflow of $2.07 million for the period ended June 30, 2024 primarily as a result of the Company making amortization payments to select MOPL lenders during the quarter. Non-cash working capital had no impact on cash flows from financing for the period. There were cash flows from financing of $0.23 million in for the period ended June 30, 2023.

WORKING CAPITAL

The Company has working capital of ($2.26) million as at June 30, 2024 (December 31, 2023 – $0.69 million). The working capital is calculated using current assets of $14.77 million (December 31, 2023 - $9.76) and current liabilities of $17.03 million (December 31, 2023 - $9.07 million). The Company expects to fund any working capital deficiencies via reduced lender payments (as highlighted in Note 11 of the Financial Statements), cash on hand and operating cash flow.

COMMITMENTS & CONTINGENCIES

CONTINGENCIES

MOPL Contingent Payments

The Share and Purchase Agreement ("SPA") the Company entered into in respect of the acquisition of Mont D'Or Petroleum Limited ("MOPL") (see Note 4) provides for future contingent payments to MOPL's prior owners in respect of the Tungkal and West Salawati Production Sharing Contracts. The contingent payment obligations will arise with respect to future production in the event that oil prices, gas prices, and/or production volumes exceed minimum thresholds. Contingent payments may also arise in the event of a future disposition of these Production Sharing Contracts.

The Company has estimated using the forecast development plan production profiles at the time of acquisition, the undiscounted cash flows related to this contingent payment to be approximately US$5,600,000 [$7,500,000] at the acquisition date and recorded a contingent liability of $3,400,000. There is no maximum amount stated in the SPA.

Contingent Payment Rights

As a condition of the Company's acquisition of MOPL and associated restructuring of existing MOPL debt, the Company issued Kendall Court Cambridge Investment Manager Ltd. ("Kendall Court") 22,235,055 common shares of the Company and 22,235,055 Contingent Payment Rights ("CPR") in consideration for a US$2.25 million reduction in amount owing to a MOPL borrowing facility. The CPRs provide that the Company will make a cash payment on January 3, 2027 equal to $0.1957 per CPR multiplied by the percentage of the issued common shares of the Company still held be Kendall Court at that time. The Company has recorded a liability of $3.48 million for the estimated present value of the contingent payment.

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.

The identifiable assets and liabilities associated with the purchase price allocation have been measured at their individual fair values on the date of acquisition. Determinations of fair value often require management to make assumptions and estimates about future events. The preliminary purchase price allocation is based on management's best estimate at the time of the preparation of these financial statements. The purchase price allocation is not final as the Company is continuing to obtain and verify information required, including those from internal and external specialists, to determine the fair value of certain assets and liabilities including property, plant and equipment, decommissioning obligations, income taxes payable, long term debt and the deferred tax liability, as well as the finalization of working capital adjustments. Upon finalizing the value of the net assets acquired, liabilities assumed and total consideration adjustments may be required as values subject to estimate are finalized. As new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, the accounting for the acquisition will be revised.

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, 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, GBP and NZD fluctuate, the Company recognizes realized and unrealized foreign exchange gains and losses.

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, 2024.

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, 2024	Mar. 31, 2024	Dec. 31, 2023	Sep. 30, 2023	Jun. 30, 2023	Mar. 31, 2023	Dec. 31, 2022	Sep. 30, 2022
($, thousands, except per share amounts)								
Total revenue	5,821	6,065	19	28	30	30	41	45
Cash flow from (used in) operations	(416)	(2,205)	(805)	(585)	(518)	(789)	(689)	91
Net loss	(1,485)	(2,413)	(965)	(1,109)	(1,110)	(625)	(746)	(617)
Per share – basic	*$(0.01)*	*$(0.02)*	*$(0.03)*	*$(0.03)*	*$(0.03)*	*$(0.02)*	*$(0.02)*	*$(0.02)*

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

- The acquisition of Mont D'Or Petroleum
- Costs associated with the Mont D'Or Petroleum acquisition including but not limited to financing costs, legal costs, filing costs and deposits.
- 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.

ADVISORIES

The Company uses the following industry terms in the MD&A and other disclosures: "bbl" refers to barrels, "bbl/d" refers to barrels per day, "mbbl" refers to thousand barrels, "mcf" refers to thousand cubic feet, "mcf/d" refers to thousand cubic feet per day, "mmcf" refers to million cubic feet, "MMbtu" refers to one million British thermal units, "boe" refers to barrel of oil equivalent, "boe/d" refers to barrels of oil equivalent per day, and "mboe" refers to thousand barrels of oil equivalent. Disclosure provided herein in respect of a boe may be misleading, particularly if used in isolation. A boe conversion rate of six thousand cubic feet of natural gas to one barrel of oil equivalent has been used in the calculation of the boe amounts in the MD&A. The boe conversion rate is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. As the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.