



CRITERIUM
ENERGY

Q1 2024

TSX-V: CEQ

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of the operating and financial results of Criterion Energy Ltd. ("Criterion" or the "Company") for the three months ended March 31, 2024 is dated as of May 29, 2024. This MD&A should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and related notes as at and for the three months ended March 31, 2024 and the audited consolidated financial statements for the years ended December 31, 2023 and 2022, together with the accompanying notes (the "consolidated financial statements"). These documents and additional information about Criterion are accessible on the SEDAR+ website at www.sedarplus.ca.

All amounts are in Canadian dollars ("CAD"), unless otherwise stated.

This MD&A includes references to "net debt" which is a capital management measure used by Criterion. These measures are not standardized measures under IFRS and might not be comparable to similar financial measures presented by other issuers. These measures should not be considered in isolation or construed as alternatives to their most directly comparable measure disclosed in the Company's primary financial statements or other measures of financial performance calculated in accordance with IFRS.

ABOUT CRITERIUM ENERGY LTD.

Criterion Energy Ltd. is a Canadian based, Southeast Asia focused energy company with a vision to be a regional consolidator of undercapitalized and/or underutilized oil and gas assets. The Company is committed to operating in a sustainable and ethical way. The Company aims to create value for shareholders through a three-pronged approach, 1) growth in favourable markets where energy demand is increasing, 2) acquiring undercapitalized or underutilized assets that can be combined and optimized and 3) executing a strategy of low risk, high return development programs in these assets. Our team's unique and broad experience in Southeast Asia provides a deep network of contacts in region, enabling timely access to services and opportunities to participate in projects that other companies of similar size would be unable to.

QUARTER IN REVIEW

For the quarter, global crude prices rose from their lows seen in late 2023, as the oil market saw tighter supply and demand balances resulting from continued OPEC+ cuts coupled with ongoing geopolitical tensions.

Corporately, the Company completed the previously announced acquisition of Mont D'Or Petroleum Limited ("Mont D'Or" or "MOPL") on January 4th. Further information related to the acquisition can be found on SEDAR+. The closing of 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.

Upon closing of the Mont D'Or transaction, Criterium has welcomed a fully staffed office in Jakarta to the Company. The Jakarta team has been instrumental in helping to integrate operations into Criterium and begin to undertake the development opportunities that were the rationale for the transaction.

Q1 2024 OPERATIONAL AND FINANCIAL HIGHLIGHTS

	Three months ended March 31,	
	2024	2023
(\$ thousands, except per share)		
Total oil, natural gas and royalty revenue	6,065	30
Oil Production (bbl/d)	802	-
Realized Price (C\$/bbl)	111.87	-
Royalties (C\$/bbl)	(29.51)	-
Cash flow used in operating activities	(2,078)	(789)
<i>Per share – basic</i>	\$(0.02)	\$(0.02)
Net loss	(2,413)	(625)
<i>Per share – basic</i>	\$(0.02)	\$(0.02)
Net Debt	30,693	-
Capital Expenditures	-	-
Shares outstanding (thousands)		
Basic	137,174	37,400
Diluted	236,746	66,771
Weighted average shares outstanding (thousands)		
Basic	132,831	36,431
Diluted	229,405	66,771
Share Trading		
High	\$0.140	\$0.525
Low	\$0.050	\$0.200
Average daily trading volume	81,260	406,285

Upon close of the MOPL transaction, the Company became a producing oil and gas operator. Production remained relatively stable through the quarter near 800bbl/d. March production was slightly lower than expected as two wells went offline, these wells have subsequently been reactivated. During the quarter the Company undertook its first tranche (totaling 2 wells) of workovers. Results have been in line with expectations with production from the two workovers totaling between 35 and 40bbl/d. The Company expects to continue its 15 well workover program through the balance of the year. Prices remained strong during the quarter with a realized sales price of approximately US\$82/bbl, a premium to WTI and roughly in line with Brent pricing.

NET DEBT

The Company uses net debt (a non-GAAP measure) as a measure of total leverage and is defined as the sum of current and non-current debt, less cash and cash equivalents, adjusted for the fair value of derivative financial instruments used to hedge foreign exchange and interest rate risk relating to debt, and associated collateral balances. The Company calculates this value as current and long term portions of debt of \$6.223 million and \$32.999 million respectively, less cash and cash equivalents of \$8.529 million. This results in a debt figure of \$30.693 million (2023 - \$nil).

SUMMARY OF EXPENSES

	Three months ended March 31,	
(\$) thousands	2024	2023
Operating expenses	\$ 3,894	\$ 5
General and administrative	1,662	523
Depreciation, depletion and amortization	1,851	9
Financing costs	953	6
Foreign exchange	(75)	6
Exploration expense	-	32
Share based compensation	42	74
Transaction costs	38	-
	\$ 8,365	\$ 655

The Company incurred a net loss of \$2.413 million for the period ended March 31, 2024 compared to a net loss of \$0.625 million for the same period in 2023. Total operating expense was \$3.894 million for the period ended March 31, 2024 compared to \$0.005 million for 2023. The increase in total operating expense is primarily due to increased activity upon close of the Mont D'Or transaction. General and administration costs totalled \$1.662 million compared to \$0.523 million for the same period in the prior year as the Company completed the Mont D'Or transaction and acquired the operational team associated with the assets, along with the Jakarta office. The Company incurred financing expenses of \$0.953 million (2023 – \$0.006) related to the completion of the Mont D'Or transaction, associated amended lender agreements and equity financing. Other operating expenses in aggregate remained relatively flat year over year.

For the three months ended March 31, 2024, the Company incurred depreciation and depletion expense of \$1.851 million compared to \$9 thousand for the same period in the prior year. This increase is due to depletion on the substantial increase in property plant and equipment assets of as a result of the Mont D'Or transaction.

CASH FLOW SUMMARY

(thousands)	Three months ended March 31, 2024	Three months ended March 31, 2023
Cash at beginning of period	\$ 443	\$ 3,721
Cash flow from (used in) operations	(2,078)	(789)
Cash flow from (used in) investing activities	4,736	(411)
Cash flow from financing activities	5,230	281

Effect of foreign exchange	198	-
Cash at end of period	\$ 8,529	\$ 2,802

Cash flow used in operations for 2023, was \$2.078 million resulting from the net loss incurred during the period related to expenses and changes in non-cash working capital operations of the Company and expenses related to the MOPL transaction. Changes in non-cash working capital resulted in outflow of \$1.718 million for the period ended March 31, 2024 resulting from the timing of payment collection of accounts receivable and payment of accounts payable. Cash flow used in operations for the period end March 31, 2023 was \$0.789 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.

Cash flows from investing activities for period ended March 31, 2024 were \$4.736 million as a result of the cash held by MOPL upon the close of its acquisition being captured. During the year 2023, \$0.411 million was used as a result of changes in working capital movements. Cash flows from financing were \$5.230 million for the period ended March 31, 2024, primarily as a result of shares issued as part of the subscription receipt financing concurrent with the MOPL transaction. There were cash flows from financing of \$0.281 million in for the period ended March 31, 2023.

CAPITAL EXPENDITURES

	Three months ended March 31,			
	2024	2023	% Change	
(\$ thousands)				
Drilling, completion and equipment	-	-	-	
Facilities	-	-	-	
Land, seismic and other	-	-	-	
Total Capital Expenditures	-	-	-	
Acquisitions (dispositions)	5,494	-	-	
Net Capital Expenditures	5,494	-	-	

During the quarter the Company spent \$nil on capital expenditures. All spend related to the ongoing workover program is classified and expensed as operating costs. Acquisition expenditures are related to the completion of the MOPL transaction which occurred on January 4, 2024.

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 subsequent to the quarter end, monthly amortization payments have 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.

WORKING CAPITAL

The Company has working capital deficiency of \$3.894 million as at March 31, 2024 (December 31, 2023 – working capital surplus of \$0.687 million). The working capital is calculated using current assets of \$17.526 million (December 31, 2023 - \$9.759) less current liabilities of \$21.420 million (December 31, 2023 - \$9.073 million). At this time the Company anticipates being able to fund any deficiency through future cash flows and also expects lower future value of current taxes payable as outlined below.

Current assets consist of cash of \$8.529 million (December 31, 2023 - \$0.443 million), amounts receivable of \$3.340 million (December 31, 2023 - \$0.064 million), and prepaids and deposits of \$1.418 million (December 31, 2023 - \$0.336 million), subscription receipts of \$nil (December 31, 2023 - \$6.739 million), inventories of \$1.942 million (December 31, 2023 - \$nil) and assets held for sale of \$2.234 million (December 31, 2023 - \$2.177 million).

Current liabilities consist of accounts payable of \$6.262 million (December 31, 2023 - \$1.220 million), the current portion of debt of \$6.223 million (December 31, 2023 - \$nil), the current portion of taxes payable of \$7.743 million (December 31, 2023 - \$nil) acquisition payable of \$nil (December 31, 2023 – \$0.397 million) for the Bulu PSC acquisition, lease obligations of \$0.487 million for the principal amount on the Calgary and Jakarta offices and furniture lease (December 31, 2023 - \$0.028 million), and \$0.031 million of decommissioning liabilities for the site cleanup of shut-in wells (December 31, 2023 - \$0.031 million), subscription receipts of \$nil (December 31, 2023 - \$6.739 million) and liabilities associated assets held for sale of \$0.674 million (December 31, 2023 - \$0.657 million) related to the Bulu PSC.

The current portion of taxes payable which includes the full amount of 2019 Indonesia income tax, the Company is in discussions with the Indonesian tax office to continue a schedule of installment payments of US\$40,000/month (should this occur much of the current liabilities will be reclassified to long term liabilities and the working capital deficiency will be eliminated).

SHARE CAPITAL

	March 31, 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	6,700	-	-
Issue of common shares - acquisitions	37,874,455	4,207	-	-
Issue of common shares – warrant, option, RSU exercise	-	-	2,162,599	541
Share issuance costs	-	(1,738)	-	(8)
Balance, ending	137,173,527	\$17,863	38,389,981	\$ 8,694

During the quarter 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 March 31, 2024, no warrants, existing or newly issued were exercised. During the same period in 2023, 2,162,599 warrants were exercised with net proceeds of \$533 thousand.

Subsequent to the quarter, as per the Company's press release dated April 25, 2024, the Company corrected the number of common shares in the capital of Criterium (the "Lender Shares") issued to one of the lenders (the "MOPL Lender") of MOPL, being 22,235,055 at a deemed price of approximately \$0.13 per share (the "Issuance Price"). The Press Release indicated 27,053,182 shares were issued to the Lender. To the knowledge of Criterium, the MOPL Lender currently holds approximately 16.8% of the issued and outstanding common shares of Criterium. As of May 24, 2024, the Company had 132,355,400 common shares outstanding.

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 of the interim condensed consolidated financial statements) 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.

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") 27,053,182 common shares of the Company and 27,053,182 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 by Kendall Court at that time. The

Company has recorded a liability of \$3.954 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, critical accounting judgements and significant estimates used in these interim condensed consolidated financial statements are consistent with those used the preparation of the 2023 annual consolidated financial statements except as noted below.

In January 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements, to clarify its requirements for the presentation of liabilities as current or non-current in the statements of financial position and clarify its requirements for the disclosure of Accounting Policies. In October 2022, the IASB issued amendments to IAS 1, which specify the classification and disclosure of a liability with covenants. Both amendments were adopted on January 1, 2024. There was no material impact to the Company's 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 the risk factors discussed in the MD&A for the year ended December 31, 2023 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.

OFF-BALANCE SHEET ARRANGEMENTS

All off-balance sheet arrangements are in the normal course of business. Refer to the commitments under the heading “Commitments and Contingencies”.

SELECTED QUARTERLY FINANCIAL INFORMATION

	Mar. 31, 2024	Dec. 31, 2023	Sep. 30, 2023	Jun. 30, 2023	Mar. 31, 2023	Dec. 31, 2022	Sep. 30, 2022	Jun. 30, 2022
(\$, thousands, except per share amounts)								
Revenue	6,065	19	28	30	30	41	45	63
Cash flow from (used in) operations	(2,078)	(805)	(585)	(518)	(789)	(689)	91	(19)
Net income (loss)	(2,413)	(965)	(1,109)	(1,110)	(625)	(746)	(617)	24
<i>Per share – basic</i>	<i>(0.02)</i>	<i>\$(0.03)</i>	<i>\$(0.03)</i>	<i>\$(0.03)</i>	<i>\$(0.02)</i>	<i>\$(0.02)</i>	<i>\$(0.02)</i>	<i>\$0.00</i>

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.

DIVIDEND ADVISORY

The Company'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 the Company and may depend on a variety of factors, including, without limitation, the Company'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 the Company 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.

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.