

**CRITERIUM ENERGY LTD.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE QUARTER ENDED**

**SEPTEMBER 30, 2022**

**CRITERIUM ENERGY LTD.**  
**Management's Discussion and Analysis**

Dated November 29, 2022

The following discussion of the financial condition, changes in financial condition and results covers operations of Criterium Energy Ltd. ("Criterium" or the "Company") formerly incorporated under the name of Softrock Minerals Ltd. ("Softrock") for the period ended September 30, 2022. This discussion should be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2021 and 2020, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") consistently applied (unless noted otherwise) and filed with SEDAR, and on Softrock's website which can be accessed through [www.criteriumenergy.com](http://www.criteriumenergy.com).

**FORWARD-LOOKING INFORMATION**

This Management Discussion and Analysis contains "forward-looking information" relating to Criterium within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical fact included herein are forward-looking information. Generally forward-looking information may be identified by the use of forward-looking terminology such as "plans" "expects" or "does not expect", "proposed", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "does not anticipate", or "believes" or variations of such words and phrases, or by the use of words or phrases which state that certain actions, events or results may, could, would or might occur or be achieved. This forward-looking information reflects Criterium's current beliefs, and it is based on information currently available to the Company and on assumptions the Company believes are reasonable.

Forward-looking information includes unknown risks and uncertainties and other factors that may cause the actual results, level of activity, performance or activities of the Company to be materially different from those expected or implied by such forward-looking information. Such risks and other factors may include but are not limited to: the development of Criterium; general business, economic, competitive, commodity prices, political and social uncertainties, lack of insurance; delay or failure to receive regulatory approvals; changes in legislation, including environmental legislation, affecting operations and exploration; timing and availability of external financing on acceptable terms; availability of qualified or skilled labour or loss of key individuals. Although Management has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information except in accordance with applicable securities laws.

## **OVERVIEW**

Criterion is a public company incorporated under the Alberta Business Corporations Act with its shares traded on the TSX Venture Exchange (symbol CEQ). The company's head office is located at 1120, 202 – 6 Avenue S.W., Calgary, AB, T2P 2R9.

On September 26, 2022, the Company closed a private placement for gross proceeds of \$5,379,906, issuing 134,497,660 units at \$0.04 per unit. Each unit consists of one common share and one warrant exercisable for one common share at an exercise price of \$0.04 for a period of 5 years from the date of issuance. Severance shares, stock options and restricted share units were also issued in conjunction in an overall recapitalization of Softrock.

The Company carries on the business of oil, gas and mineral exploration and development. As at the end of the third quarter, this was solely in Canada.

The three wells in the Grand Forks area of Southern Alberta in which the Company has a 3% gross overriding royalty ("GORR") produced net revenue of \$4,525 during the third quarter of 2022, and \$4,200 for the third quarter 2021.

The Company has a 2 ½ % GORR interest in a section of land located in the Charlie Lake field in the Spirit River area of Northern Alberta. This lease produced net revenue of \$38,893 during the third quarter of 2022, and \$35,602 for the third quarter of 2021.

In 2014, the Company acquired a 47 ½ % working interest, subject to a 3% GORR, in a suspended Cardium oil and gas well (Ferrier 14-02-038-07-W5). After conducting exhaustive well and environmental studies, the Company decided to abandon the well under the Government of Alberta's Site Rehabilitation Program ("SRP"). The SRP is designed to provide grant funding to successful Contractors in the oil field services sector who have entered into, and comply with, an oil field service contract with a qualifying energy company. The funding under the SRP is provided directly to the contractors. During the year ended December 31, 2021, and to date, in 2022 Criterion recognized government grant income of \$43,282 and \$9,500 respectively in relation to the Ferrier well that was abandoned under the SRP. Once reclamation has been completed, Criterion will apply to have its share of the damage deposit refunded.

During 2019 and 2020 Criterion was granted seven Alberta Government Industrial Mineral Permits which all expired in 2022.

## **RESULTS OF OPERATIONS**

### **SPIRIT RIVER (NORTHWEST ALBERTA)**

The Company's Spirit River P&NG Lease extends from the surface to the base of the Triassic (Charlie Lake) formation in Township 78, Range 07, W6M, and can be held indefinitely with production. The Lease now lies in the Charlie Lake Triassic oilfield.

Criterion farmed out its interest leaving the Company with a two and one-half percent GORR with no deductions for treatment.

### **GRAND FORKS**

The Company has a 3% gross overriding royalty on 3 wells in the Grand Forks area of Alberta. The 01-09-012-13 W4M oil well was producing in 2022. The wells in 02-09-012-13-W4M and 07-09-012-13 W4M are shut in.

### **MINERALS**

In February 2021 the Company entered into an agreement to sell the Shatford Lake claims in Manitoba for a one-time payment of \$25,000. The purchaser has agreed to grant Criterion a 2% NSR Royalty on the claims, one half of which can be repurchased at any time for \$1,000,000.

### **IMPACT OF COVID-19**

The outbreak resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility. Governments have responded with monetary and fiscal interventions designed to stabilize economic conditions.

Although COVID-19 restrictions have been lifted, the outbreak and subsequent measures intended to limit the pandemic have contributed to significant declines and volatility in financial markets. The pandemic has adversely impacted global commercial activity, including causing significant volatility in worldwide demand and prices for crude oil, and reducing access to capital. The outbreak and market conditions increase the complexity of estimates and assumptions used to prepare financial statements. The most significant estimate and judgement impacted is the appropriateness of the going concern assumption.

The rapidly evolving event, including health and safety conditions, economic environment and resulting government measures, continues to create a level of uncertainty and risk that may have an impact on the Company's activities, results of operations and financial condition. The duration and impact of the COVID-19 outbreak and its variants is unknown at this time, as is the efficacy of any interventions. As such it is not possible to estimate the length and severity of these development and the impact on the financial results and condition of the Company and its operations in future periods.

## **SUMMARY OF QUARTERLY FINANCIAL RESULTS**

The following table sets forth, for each quarter ended on the date indicated, information relating to the Company's revenue, net loss and loss per common share (basic and diluted) as determined under IFRS.

	Revenue	Net income (loss)	per Share
December 31, 2020	40,106	54,253	0.00
March 31, 2021	48,520	46,968	0.00
September 30, 2021	32,278	5,323	0.00
September 30, 2021	39,943	(9,568)	0.00
December 31, 2021	39,776	22,851	0.00
March 31, 2022	39,868	15,613	0.00
June 30, 2022	62,868	24,214	0.00
September 30, 2022	44,573	(616,594)	0.00

With the recapitalization of Softrock that took place in September, the Company incurred one-time costs of \$394K for professional fees and \$104K related to stock-based compensation. Key management salaries, director's fees and consulting costs of \$108K further contributed to the nine-month loss. For further financial information, please refer to the Company's financial statements that have been filed on SEDAR and Softrock's website which can be accessed through [www.criteriumenergy.com](http://www.criteriumenergy.com).

## **LIQUIDITY**

At September 30, 2022 the Company had working capital of \$ 4,630,347 (2021 – \$ 98,198)

The Company's ability to continue as a going concern is dependent upon its ability to raise sufficient capital either through royalty and oil income, debt or equity issues, through the sale of marketable securities, to achieve profitable operations or to find a joint venture partner. The outcome of these matters cannot be predicted at this time.

The timing and ability to fulfill these objectives will depend on the liquidity of the financial markets as well as the acceptance of investors to finance resource based junior companies, in addition to the results of the Company's development and exploration programs and the acquisition of additional projects.

## **CAPITAL RESOURCES**

The Company estimates that it requires an average of \$100,000 per month for general and administration expenses. These expenses will include consulting and travel costs associated with conducting due diligence and evaluation of prospective assets.

## **OFF-BALANCE SHEET ARRANGEMENTS**

As of the date of this filing, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results

of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

### **RISKS AND UNCERTAINTIES**

The success of the Company is dependent, among other things, on obtaining sufficient funding to enable the Company to explore and develop its properties. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects with the possible loss of such properties. The Company will require new capital to continue to operate its business and to continue with exploration on its petroleum and mineral properties. There is no assurance that capital will be available when needed, if at all. It is expected that such additional capital would be raised through the issuance of additional equity that will result in dilution to the Company's shareholders.

Oil, gas and mineral exploration involves a high degree of risk which even a combination of experience, knowledge and careful evaluation may not be able to overcome. There is no assurance that commercial quantities of oil, natural gas or minerals will be discovered by the Company. Hazards such as fire, explosions, blowouts, cratering and spills could result in considerable damage to property, people and/or the environment. Although the Company will maintain liability insurance which it considers adequate, the nature of the risks is such that incurred costs could have a materially adverse effect upon the Company's financial condition.

The operations of the Company may require licenses and permits from various local, provincial and federal governmental authorities, as the case may be. There can be no assurance that the Company will be able to obtain these to carry out exploration, and development operations on its projects.

Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect the marketability of any products discovered. The prices of oil, natural gas and minerals have historically fluctuated widely and are affected by numerous factors beyond the Company's control, including international, economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and worldwide production levels. The effect of these factors cannot accurately be predicted.

The oil, gas and mineral industries are intensely competitive. The Company competes with many companies possessing greater financial and technical resources than itself for the acquisition, development and exploration of oil and gas properties and mineral interests as well as for the recruitment and retention of qualified employees, contractors and consultants.

The Company's operations are subject to environmental regulations promulgated by local, provincial and federal government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, releases or emissions of various substances produced in association with certain oil and gas industry operations, such as seepage from tailing disposal areas, or sulphur and non-potable water emissions which could result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards and enforcement, and fines and penalties for non-compliance are more stringent. Environmental

assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

Certain directors of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

### **ON GOING TRANSACTIONS**

The Company is in the final stages of abandoning and reclaiming the Ferrier property.

### **RECENT DEVELOPMENTS**

On July 12, 2022, Softrock Minerals Ltd. entered into a Reorganization and Investment Agreement with a group of investors comprised of Robin Auld, Matthew Klukas, Brian Anderson, Hendra Jaya and Henry Groen which provided for a private placement of units of Softrock at a price of \$0.04 per unit, the appointment of a new management team, the reconstitution of the board of directors of Softrock, and the change of Softrock's name to "Criterium Energy Ltd.". The transaction was subject to, among other things, raising minimum gross proceeds of \$3.0 million under the private placement and the approval of the TSX Venture Exchange and Softrock's shareholders.

The private placement successfully raised a gross amount of \$5.4 million and subsequent to receiving TSX Venture Exchange approval, the transaction was approved by Softrock's shareholders at a special shareholder's meeting held on September 9, 2022. The new management team intends to build an independent upstream energy company primarily focused in Southeast Asia. Please see Criterium's [press release](#) dated July 12, 2022 as posted on Sedar ([www.sedar.com](http://www.sedar.com)) and Criterium's Website ([www.criteriumenergy.com](http://www.criteriumenergy.com)).

### **ENVIRONMENTAL REGULATIONS**

The Company's activities are subject to various government laws and regulations relating to the protection of the environment. These environmental regulations are continually changing in Canada and generally are becoming more restrictive. The Company believes its operations comply in all material respects with all applicable laws and regulations.

## **CHANGES IN ACCOUNTING POLICIES**

### **New accounting standards and pronouncements**

There were no new accounting standards or amendments adopted during the quarter ended September 30, 2022

### **Future accounting standards and pronouncements**

#### **Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)**

The amendments to IAS 37 specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

These amendments were effective for reporting periods beginning on or after January 1, 2022. The adoption of these amendments did not have a material impact on the financial statements.

#### **Classification of Liabilities as Current or Non-current (Amendments to IAS 1)**

The amendments to IAS1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. These amendments are effective for reporting periods beginning on or after January 1, 2023.

## **RELATED PARTY TRANSACTIONS**

The Company has entered into transactions with related parties in the normal course of business, which were valued at the exchange amount established and agreed to by the related parties. During the quarter, the related party transactions were as follows:

The Company paid to its directors and officers, either directly, or indirectly, the following amounts:

	<b>2022</b>	<b>2021</b>
Key management compensation	\$ 52,239	\$ -
Accounting and administrative services (professional fees)	13,285	10,090
Office allowance (general and administrative expenses)	2,632	2,700

## **COMMON STOCK, WARRANTS AND STOCK OPTIONS**

As of the date of this filing, the Company has 181,136,911 common shares issued and outstanding, 150,868,941 warrants outstanding, 2,350,000 options issued and outstanding and 12,750,000 restricted share units issued and outstanding



Please note website [www.criteriumenergy.com](http://www.criteriumenergy.com) for further details on the history of the corporate share transactions.

## Authorized

Unlimited number of:  
Common shares without nominal or par value  
First and second preferred shares issuable in series

## Issued - common shares

	<u>2022</u>		<u>2021</u>	
	Number	Amount	Number	Amount
Balance, beginning of year	44,852,927	\$ 3,061,457	44,852,927	\$ 3,061,457
Issued on private placement	134,497,660	5,379,906	-	-
Severance shares issued on closing	1,786,324	71,453	-	-
Share issuance costs		(363,983)	-	-
Balance, end of period	<u>181,136,911</u>	<u>\$ 8,148,833</u>	<u>44,852,927</u>	<u>\$ 3,061,457</u>

On September 26, 2022, the Company closed a private placement (the "2022 Private Placement") for gross proceeds of \$5,379,906, issuing 134,497,660 units at \$0.04 per unit. Each unit consists of one common share and one warrant exercisable for one common share at an exercise price of \$0.04 for a period of 5 years from the date of issuance. All shares and warrants issued under the 2022 Private Placement were subject to a statutory four-month hold period from the date of closing.

Also on September 26, 2022, the former executives of the Company were issued 1,786,324 severance shares at a deemed price of \$0.04 per common share and a cash liability of \$30,623 for the withholding taxes on those shares was recorded to stock-based compensation.

## Stock options

	<u>September 30, 2022</u>		<u>September 30, 2021</u>	
	<u>Number of options</u>	<u>Weighted average exercise price</u>	<u>Number of options</u>	<u>Weighted average exercise price</u>
Outstanding, beginning of period	2,700,000	0.05	3,600,000	.05
Cancelled	(2,100,000)	0.05	-	-
Granted	1,750,000	0.04	-	-
Expired	-	-	(900,000)	(.05)
Outstanding, end of period	<u>2,350,000</u>	<u>0.04</u>	<u>2,700,000</u>	<u>.05</u>

The Company may grant options to directors, officers, employees, and technical consultants of the Company. The maximum number of shares reserved for issuance under all securities compensation arrangements is limited to 10% of the Company's total number of issued and outstanding shares. The maximum number of shares that may be issued to any officer, director or employee shall not exceed 5% of the total number of issued and outstanding shares. The maximum number of shares that may be issued to technical consultants, including investor relation consultants, shall not exceed 2% of the total number of issued and outstanding shares.

Under the plan, options are exercisable upon issuance and an option's maximum term is five years.

### Common share purchase warrants

A summary of the status of the Company's outstanding common share warrants for the nine months ended September 30, 2022 and the nine months ended September 30, 2021 are as follows:

	<u>September 30, 2022</u>		<u>September 30, 2021</u>	
	Number	Weighted average exercise price (\$)	Number	Weighted average exercise price (\$)
Balance beginning of period	15,093,781	0.05	15,093,781	0.05
Granted	135,775,160	0.04		
Balance, end of period	150,868,941	0.04	15,093,781	0.05

During the period ended September 30, 2022, the Company received approval to extend the maturity date of the common share purchase warrants outstanding at September 30, 2021. The warrants were originally set to expire on June 15, 2020, extended to June 15, 2022 during the year ended December 31, 2020, and will now expire on June 15, 2023.

There were 134,497,660 warrants issued under the 2022 Private Placement and will vest and become exercisable as to one-third upon the 20-day volume weighted average trading price of the common shares on the TSXV (the "Market Price") equalling or exceeding \$0.055 per common share, an additional one-third upon the Market Price equalling or exceeding \$0.065 per common share and the final one-third upon the Market Price equalling or exceeding \$0.08 per common share. The expiry date of these warrants is September 26, 2027.

In addition to the warrants issued under the 2022 Private Placement on September 26, 2022, 1,277,500 finder's warrants were issued to arm's length brokers for their services. The finder's warrants granted vested immediately, are exercisable at \$0.04 per common share and are set to expire on September 26, 2027. Share issuance costs in relation to these warrants of \$51,100 have been recognized in equity.

### Restricted share units

On September 26, 2022, 12,750,000 restricted share units ("RSUs") were issued pursuant to the terms of the Share Incentive Award Plan. The RSUs vest one-third on each of the first, second and third anniversary of the grant date and each is redeemable for one common share of the Company at the time of vesting. The RSUs expire December 15, 2025. At September 30, 2022, there were 12,750,000 RSUs outstanding and non-exercisable (September 30, 2021 - nil).

## **RISK MANAGEMENT AND CAPITAL MANAGEMENT**

The Company is a junior oil and gas company and considers items included in shareholders' equity as capital. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of

underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, purchase shares for cancellation pursuant to normal course issuer bids or make special distributions to shareholders. The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital.

The Company currently receives royalty income from gross overriding royalties held. Revenues are not sufficient to meet ongoing obligations and make future exploration expenditures in respect of its exploration and evaluation assets (“E&E”) and its property, plant and equipment. In order to fund future projects and pay for administrative costs, the Company may be required to raise additional funds as needed in the equity markets and/or rely on advances from directors.

At the end of September 30, 2022, the company had working capital of \$4,630,346 and shareholders’ equity of \$4,673,002.

The Company's ability to continue as a going concern on a long-term basis and realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation is primarily dependent upon its ability to develop, sell or option its E&E assets and its property, plant and equipment, and its ability to borrow or raise additional financing from equity markets. The outcome of these events is not determinable at this time.

The Company is not subject to any externally imposed capital requirements.

## **DISCLOSURE CONTROLS AND PROCEDURES**

The Company evaluated the effectiveness and design of its disclosure controls and procedures at the end of the quarter, and based on these evaluations, Management and the Audit Committee members have determined these controls to be effective. The Company’s financial reporting procedures and practices have enabled the certification of the Company’s annual filings in compliance with Multilateral Instrument 52-109 “Certification of Disclosure in Issuers’ Annual and Interim Filings”.

Management and directors are aware that given the few number of consultants involved in the design of internal controls over financial reporting that in-house expertise to deal with complex taxation, accounting and reporting issues may not always be sufficient. The Company strives to obtain outside assistance and advice on new accounting pronouncements and complex reporting issues, which is common with companies of a similar size.

There have been no changes to the Company’s internal control over financial reporting during the most recent period that would have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

## **COMMITMENTS AND CONTINGENCIES**

### **Environmental regulations**

The Company’s activities are subject to various government laws and regulations relating to the protection of the environment. These environmental regulations are continually changing in Canada and generally are becoming more restrictive. The Company believes its operations comply in all material respects with all applicable laws and regulations and has recorded its best estimate of its decommissioning liabilities.

## **OTHER MD&A REQUIREMENTS**

Additional information relating to the Company, including its audited annual financial statements, its unaudited quarterly financial statements and related management's discussion and analysis for each period is available on SEDAR at [www.sedar.com](http://www.sedar.com).