



Criterium Energy Ltd.
(formerly Softrock Minerals Ltd.)
Condensed Interim Financial Statements

Nine months ended September 30, 2022 and 2021

(unaudited)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by, and are the responsibility of, management and approved by the Audit Committee and Board of Directors of the Company. The Company's independent auditor has not performed a review of these interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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(formerly Softrock Minerals Ltd.)

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Criterion Energy Ltd.

(formerly Softrock Minerals Ltd.)

Condensed Interim Statements of Operations and Comprehensive Income (Loss)

(Unaudited)

(Expressed in Canadian Dollars)

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Revenue				
Royalty	\$ 44,418	\$ 39,802	\$ 146,859	\$ 120,456
Interest	155	141	450	286
	44,573	39,943	147,309	120,742
Expenses				
Professional fees (Note 8)	392,355	10,316	408,490	27,061
Stock-based compensation (Note 6, 7)	103,806	2,038	103,806	6,113
Consulting fees (Note 8)	108,514	31,456	113,980	34,740
General and administrative (Note 8)	15,404	3,144	49,751	29,125
Employee costs (Note 8)	15,277	-	15,277	-
Bad debt	12,500	-	12,500	-
Operating expense	4,204	2,557	11,165	5,980
Decommissioning liability revisions (Note 5)	10,420	-	10,420	-
Travel	8,058	-	8,058	-
Finance expense (Note 5)	129	-	129	-
	670,667	49,511	733,576	103,019
Net income (loss) before other income	(626,094)	(9,568)	(586,267)	17,723
Other income				
Government grants (Note 5)	9,500	-	9,500	-
Gain on sale of exploration and evaluation assets (Note 4)	-	-	-	25,000
	9,500	-	9,500	25,000
Net and comprehensive income (loss)	(616,594)	(9,568)	(576,767)	42,723
Income per share				
Basic and diluted (Note 6)	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these condensed interim financial statements

Criterion Energy Ltd.

(formerly Softrock Minerals Ltd.)

Condensed Interim Statement of Financial Position

(Unaudited)

(Expressed in Canadian Dollars)

	September 30, 2022	December 31, 2021
ASSETS		
Cash and cash equivalents	\$ 5,211,410	\$ 54,715
Accounts receivable	88,091	50,080
Deposit	-	12,500
Prepayments	2,452	-
	5,301,953	117,295
Reclamation deposit (Note 5)	42,655	42,205
	\$ 5,344,608	\$ 159,500
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 640,621	\$ 20,000
Decommissioning liabilities (Note 5)	30,986	29,938
	671,607	49,938
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	8,148,833	3,061,457
Contributed surplus (Note 7)	298,208	245,378
Deficit	(3,774,040)	(3,197,273)
	4,673,001	109,562
	\$ 5,344,608	\$ 159,500

Contingency (Note: 9)

Approved on Behalf of the Board

 "Dave Dunlop" , Director

 "Robin Auld" , Director

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Criterion Energy Ltd.

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Condensed Interim Statement of Equity (Unaudited)

(Expressed in Canadian Dollars)

	Share capital	Contributed surplus	Deficit	Total shareholders' equity
December 31, 2021	\$ 3,061,457	\$ 245,378	\$ (3,197,273)	\$ 109,562
Changes				
Shares issued through private placement	5,379,906	-	-	5,379,906
Severance shares issued	71,453	-	-	71,453
Share issue costs	(363,983)	-	-	(363,983)
Net and comprehensive income	-	-	(576,767)	(576,767)
Stock-based compensation	-	52,830	-	52,830
Changes total	5,087,376	52,830	(576,767)	4,563,439
Equity as at September 30, 2022	\$ 8,148,833	\$ 298,208	\$ (3,774,040)	\$ 4,673,001

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Criterion Energy Ltd.

(formerly Softrock Minerals Ltd.)

Condensed Interim Statement of Cash Flows

(Unaudited)

(Expressed in Canadian Dollars)

	Three months ended September 30		Nine months ended September 30,	
	2022	2021	2022	2021
Cash flows from (used in) operating activities				
Net income (loss) for the period	\$ (616,594)	\$ (9,568)	\$ (576,767)	\$ 42,723
Stock-based compensation	73,183	2,038	73,183	6,113
Bad debt	12,500	-	12,500	-
Decommissioning liabilities settled	1,050	-	1,050	-
Change in non-cash working capital items:				
Accounts receivable	(16,936)	(726)	(38,010)	5,223
Prepayments	(2,452)	700	(2,452)	(1,050)
Accounts payable and accrued liabilities	640,618	(7,141)	620,618	(38,196)
Accrued interest on reclamation deposits	(155)	(141)	(450)	(286)
Net cash flows from (used in) operating activities	91,214	(14,838)	89,672	14,527
Cash flows from financing activities				
Issuance of common shares, net of share issuance costs	5,067,023	-	5,067,023	-
Net cash flows from financing activities	5,067,023	-	5,067,023	-
Increase (decrease) in cash and cash equivalents	5,158,237	(14,838)	5,156,695	14,527
Cash and cash equivalents at beginning of period	53,173	83,332	54,715	53,967
Cash and cash equivalents at end of period	\$ 5,211,410	\$ 68,494	\$ 5,211,410	\$ 68,494

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Criterion Energy Ltd.

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Notes to the Condensed Interim Financial Statements

Nine months ended September 30, 2022 and 2021

(Unaudited)

(Expressed in Canadian Dollars)

1. Corporate information

a. Name changed

On September 26, 2022, the name of the company was changed from Softrock Minerals Ltd. to Criterion Energy Ltd. ("Criterion" or the "Company").

b. Nature of operations

Criterion is a public company incorporated under the Alberta Business Corporations Act with its shares traded on the TSX Venture Exchange trading under the symbol CEQ.V. Criterion carries on the business of oil and gas exploration and development in Canada. It has previously acquired mineral claims in Alberta, Manitoba and Ontario for the potential exploration and development of lithium, nickel and cobalt.

The Company's registered and head office is at 1120, 202 - 6 Ave SW, Calgary, Alberta, T2P 2R9.

These condensed interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its obligations in the normal course of operations.

2. Basis of presentation

a. Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued and effective for the three and nine months ended September 30, 2022, as issued by the International Accounting Standards Board ("IASB") and IFRS Interpretations Committee, applicable to the preparation of interim consolidated financial statements, including International Accounting Standard 34, Interim Financial Reporting. These interim condensed financial statements should be read in conjunction with the audited annual financial statements of the Company for the years ended December 31, 2021 and 2020, which were prepared in accordance with IFRS and are publicly available at www.sedar.com.

b. Basis of measurement

These condensed interim financial statements have been prepared on the historical cost basis except as detailed in the Company's accounting policies disclosed in Note 4 of the Company's audited financial statements for the year ended December 31, 2021.

c. Functional and reporting currencies

These condensed interim financial statements are presented in Canadian dollars, which is the Company's functional currency.

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Notes to the Condensed Interim Financial Statements Nine months ended September 30, 2022 and 2021

(Unaudited)

(Expressed in Canadian Dollars)

2. Basis of presentation (cont'd)

d. Authorisation of financial statements

These condensed interim financial statements were approved and authorised for issue by the Board of Directors on November 25, 2022.

e. Use of estimates and judgments

The timely preparation of financial statements requires that management make estimates and assumptions and use judgment regarding assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as at the date of the financial statements. Accordingly, actual results may differ from estimated amounts as future confirming events occur. Significant accounting estimates and judgments used in the preparation of the financial statements are described in Note 5 of the Company's audited financial statements for the year ended December 31, 2021.

3. Property, plant and equipment

	September 30, 2022	December 31, 2021
Cost, beginning and end of period	\$ 1,233,759	\$ 1,233,759
Accumulated depletion and impairment, beginning and end of period	\$ (1,233,759)	\$ (1,233,759)
Carrying value, beginning and end of period	\$ -	\$ -

At December 31, 2019, the Company determined that the carrying value of its property, plant and equipment were impaired based on an economic assessment by management. The Company has a 3% gross overriding royalty ("GORR") interest in producing wells located near Grand Forks, Alberta and a 2.5% GORR in producing wells located near Spirit River, Alberta.

4. Exploration and evaluation assets

The following table reconciles the Company's exploration and evaluation assets:

	Oil and gas properties	Mineral properties	September 30 2022	December 31 2021
Cost, beginning and end of period	\$ 36,198	\$ 55,096	\$ 91,294	\$ 91,294
Accumulated impairment, beginning and end of period	(36,198)	(55,096)	(91,294)	(91,294)
Carrying value, beginning and end of period	\$ -	\$ -	\$ -	\$ -

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Notes to the Condensed Interim Financial Statements

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(Unaudited)

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4. Exploration and evaluation assets (cont'd)

During fiscal 2018, the Company staked two claims in the Shatford Lake area, 282 kilometres north of Winnipeg, Manitoba. The claims cover an area of 472 hectares and are prospective for lithium. During fiscal 2021, the Company sold the Shatford Lake claims for gross proceeds of \$25,000. As partial consideration, the purchaser granted the Company a 2% Net Smelter Return Royalty on the claims, one-half of which can be re-purchased at the discretion of the purchaser for \$1,000,000. Since all capitalized costs related to the property had previously been impaired, a gain on sale of \$25,000 was recognized in the Condensed Interim Statements of Operations and Comprehensive Income (Loss).

5. Decommissioning liabilities

The Company's decommissioning liabilities result from working interests in oil and natural gas wells. As at September 30, 2022, the Company estimates the total undiscounted amount of cash required to settle its liabilities to be approximately \$31,114 (December 31, 2021 - \$30,063).

	September 30, 2022	December 31, 2021
Balance, beginning of period	\$ 29,937	\$ 54,433
Accretion	129	125
Revisions	10,420	42,265
Government grants	(9,500)	(43,282)
Liabilities settled	-	(23,603)
Balance, end of period	\$ 30,986	\$ 29,938

Accretion expense is included in finance expense in the Condensed Interim Statements of Operations and Comprehensive Income (Loss).

During fiscal 2021, the Company abandoned a well under the Government of Alberta's Site Rehabilitation Program ("SRP") whereby qualified contractors (the "Contractors") apply for grants to assist with the abandonment and reclamation activities of upstream oil and gas wells, pipelines and associated facilities. The funding is provided directly to the Contractors by the Government of Alberta. Under the SRP, no wells were abandoned during the nine months ended September 30, 2022 (December 31, 2021 - one) and recognized corresponding government grant income of \$9,500 (December 31, 2021 - \$43,282).

At September 30, 2022, the provision for decommissioning liabilities was revised for changes in the estimated reclamation costs and expected timing for reclamation. The assets to which the revisions relate to were impaired in a previous fiscal year. As such, these revisions have been included in the Condensed Interim Statements of Operations and Comprehensive Income (Loss).

Due to the uncertainty with respect to the timing of the reclamation, the liability is presented as current in nature. The Company expects to settle the obligations over the next twelve to eighteen months.

As at September 30, 2022, \$42,655 (December 31, 2021 - \$42,205) is held as a reclamation deposit with the applicable regulatory body as security for the settlement of these obligations.

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Notes to the Condensed Interim Financial Statements Nine months ended September 30, 2022 and 2021

(Unaudited)

(Expressed in Canadian Dollars)

6. Share capital

a. Authorized

Unlimited number of:

Common shares without nominal or par value
First and second preferred shares issuable in series

b. Issued and outstanding common shares

	September 30, 2022		December 31, 2021	
	Shares	Amount	Shares	Amount
Balance, beginning of the period	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 upon closing	1,786,324	71,453	-	-
Share issuance costs	-	(363,983)	-	-
Balance, end of the period	181,136,911	\$ 8,148,833	44,852,927	\$ 3,061,457

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.

The warrants issued under the 2022 Private Placement 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 accordance with the Company's accounting policy, the gross proceeds of the 2022 Private Placement were allocated to common shares and share purchase warrants using the residual method, with proceeds being allocated to the common shares first based on the market value of the shares at the time of issuance.

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.

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Notes to the Condensed Interim Financial Statements

Nine months ended September 30, 2022 and 2021

(Unaudited)

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6. Share capital (cont'd)

c. Per share amounts

The following table summarizes the weighted average common shares used in calculating comprehensive loss per common share:

	September 30, 2022	December 31, 2021
Basic and diluted	181,136,911	44,852,927

The Company has dilutive instruments outstanding, which consist of stock options and warrants. The dilutive impact of these instruments using the treasury stock method resulted in no dilutive impact for the year ended December 31, 2021 as the outstanding instruments were not in-the-money based on the Company's weighted average share price for the year. For the nine months ended September 30, 2022, there was no dilutive impact as the outstanding options and warrants were not in-the-money based on the Company's weighted average share price for the period. As a result, diluted income and loss per share and the impact of these instruments on the weighted average number of shares outstanding is not presented in these financial statements.

d. Stock options

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.

	September 30, 2022		December 31, 2021	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	2,700,000	0.05	3,600,000	0.05
Cancelled	(2,100,000)	0.05	-	-
Granted	1,750,000	0.04	-	-
Expired	-	-	(900,000)	(0.05)
Outstanding, end of period	2,350,000	0.04	2,700,000	0.05

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6. Share capital (cont'd)

d. Stock options (cont'd)

On April 14, 2020, the Company granted 2,100,000 options to officers and directors. The options have a term of 5 years and an exercise price of \$0.05 and were valued using the Black Scholes model using an average volatility of 177%, a risk-free rate of 0.42% and a dividend rate of nil%. The options vest one-third immediately and one-third on each of the first and second anniversary of the grant date and were granted when the stock price was trading at \$0.01. Total compensation expense recognized during the period ended September 30, 2022 in respect of these options was \$566 (December 31, 2021 - \$3,172). At September 30, 2022, the total unvested stock-based compensation expense with respect to these options was \$nil (December 31, 2021 - \$566). On September 26, 2022, 1,800,000 of the April 14, 2020 options were cancelled.

On June 22, 2020, the Company granted 1,500,000 options to officers and directors. The options have a term of 5 years and an exercise price of \$0.05 and were valued using the Black Scholes model using an average volatility of 180%, a risk-free rate of 0.33% and a dividend rate of nil%. The options vest one-third immediately and one-third on each of the first and second anniversary of the grant date and were granted when the stock price was trading at \$0.015. Total compensation expense recognized during the nine months ended September 30, 2022 in respect of these options was \$1,164 (December 31, 2021 - \$4,978). At September 30, 2022, the total unvested stock-based compensation expense with respect to these options was \$nil (December 31, 2021 - \$1,164). On September 26, 2022, 1,200,000 of the June 22, 2020 options were cancelled.

On September 26, 2022, the Company granted 1,750,000 options to officers, employees and consultants with each option having a 5-year term and an exercise price of \$0.04. The options were valued using the Black Scholes model under the following assumptions: share price of \$0.04, annualized volatility of 100%, risk-free rate of 3%, expected life of 5 years and dividend rate of nil%. The options vest one-third on each of the first, second and third anniversary of the grant date and were granted when the stock price was trading at \$0.04. At September 30, 2022, the total unvested stock-based compensation expense with respect to these options was \$52,906.

The following table summarizes information about stock options outstanding and exercisable at September 30, 2022:

Number outstanding	Weighted average remaining contractual life (years)	Number exercisable	Exercise price (\$)	Expiry date
300,000	2.54	300,000	0.05	April 13, 2025
300,000	2.73	300,000	0.05	June 21, 2025
1,750,000	4.99	583,333	0.04	September 26, 2027

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(Unaudited)

(Expressed in Canadian Dollars)

6. Share capital (cont'd)

e. Common share purchase warrants

A summary of the status of the Company's outstanding common share warrants for the year ended December 31, 2021 and the nine months ended September 30, 2022 are as follows:

	September 30, 2022		December 31, 2021	
	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 nine months ended September 30, 2022, the Company received approval to extend the maturity date of the common share purchase warrants outstanding at December 31, 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.

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 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.

The weighted average remaining contractual life of the issued and outstanding warrants at September 30, 2022 is 4.56 years (December 31, 2021 – 0.45 years).

f. 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 (December 31, 2021 - nil).

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7. Contributed surplus

A summary of the changes in the status of contributed surplus is presented below:

	September 30, 2022	December 31, 2021
Balance, beginning of the period	\$ 245,378	\$ 237,228
Stock-based compensation	52,830	8,150
Balance, end of period	\$ 298,208	\$ 245,378

8. Related party transactions and key management compensation

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. Transactions impacting the condensed interim financial statements, which are not disclosed elsewhere in the statements (note 6) are summarized below. During the period, the Company paid to its directors and officers, either directly or indirectly, the following amounts:

Nine months ended September 30,	2022	2021
Key management compensation	\$ 52,239	\$ -
Accounting and administrative services (professional fees)	\$ 13,285	\$ 10,090
Office allowance (general and administrative expenses)	\$ 3,949	\$ 2,700

As at September 30, 2022, accounts payable and accrued liabilities includes \$13,516 for key management salaries and director's fees (2021 - \$nil) and \$70,133 due to a related party (2021 - \$nil). Amounts due to related parties are non-interest bearing, unsecured and due on demand.

9. Contingency 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 decommissioning liabilities (note 5).

10. Financial risk management

The Company is exposed to normal financial risks inherent within the oil and gas industry, including credit risk, interest rate risk and liquidity risk. The nature of the financial risks and the Company's strategy for managing these risks has not changed significantly from the prior period. The Company does not utilize derivative instruments to manage risks.

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10. Financial risk management (cont'd)

a. Credit risk

Credit risk is the risk of financial loss to the Company if the counterparty fails to meet its obligation. The Company's accounts receivable are primarily with joint venture partners and the Canadian federal government. Receivables from operators arise from the Company's ownership of a gross overriding royalty on certain oil and gas interests. Receivables from the Canadian federal government arise from input tax credits for Goods and Services taxes. As at September 30, 2022 and 2021, there were no allowances for expected credit losses.

b. Interest rate risk

The Company is not exposed to interest rate risk as it does not have any borrowings or cash equivalents that would be impacted by fluctuations in market rates.

c. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its short-term obligations associated with financial liabilities.

Liquidity needs are monitored by the Company to ensure it has sufficient funds to meet its liabilities when due, under normal and unexpected conditions, without incurring unacceptable losses. The Company's current liabilities consist of trade payables and accruals and decommissioning liabilities, which are incurred in the normal course of business. The Company has sufficient liquidity to meet its ongoing obligations as they become due.

d. Fair value of financial instruments

The Company's condensed interim financial instruments as at September 30, 2022 and 2021 include cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying amounts due to their short terms to maturity.

e. Market risk

Market risk is the risk that changes in market prices, through foreign exchange rates, interest rates, and equity prices, will cause fluctuations to the fair values and cash flows of financial instrument holdings. Commodity prices for petroleum and natural gas are impacted by world and regional economic and other events that dictate the level of supply and demand. Changes in commodity prices, which are outside of the Company's control, impact production decisions by operators and, ultimately, royalty income. The Company has no commodity hedges in place as at September 30, 2022.

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11. Risk management and capital management

The Company is a junior oil and gas and mineral exploration 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 sufficient to meet ongoing obligations. The funds from the 2022 Private Placement (note 6) will be used for future projects and other administrative costs. As at September 30, 2022, the Company had a working capital of \$4,630,347 (2021 – \$43,675) and shareholders' equity of \$4,673,002 (2021 – \$84,674).

12. Comparative figures

Certain comparative figures have been reclassified to conform with the current period's condensed interim financial statements presentation.