

# **SOFTROCK MINERALS LTD.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**March 31, 2020**

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Dated May 12, 2020

The following discussion of the financial condition, changes in financial condition and results of operations of Softrock Minerals Ltd. (“Softrock” or the “Company”) for the period ended March 31, 2020 should be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2019, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) consistently applied (unless noted otherwise) and filed with SEDAR, and on our website [www.softrockminerals.com](http://www.softrockminerals.com).

**FORWARD-LOOKING INFORMATION**

This Management Discussion and Analysis contains “forward-looking information” relating to Softrock 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 Softrock’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 Softrock; 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

Softrock is a public company incorporated under the Alberta Business Corporations Act with its shares traded on the TSX Venture Exchange (symbol SFT).

On June 15, 2017 the Company issued, on a private placement basis to Directors and insiders, 70 convertible, unsecured, subordinated debentures at \$1,000 each for a total of \$70,000. The debentures are convertible into common shares and pay interest at 5% per annum payable quarterly in arrears and mature 12 months from the date of issue. During fiscal 2020, the debenture holders agreed to extend the maturity date by one year to June 15, 2019, while in fiscal 2020, the debenture holders agreed to extend the maturity date by one year to June 15, 2021.

On maturity, the Company may, at its option, elect to satisfy its obligation to repay all or any portion of the principal amount outstanding by issuing that number of common shares determined by dividing the principal amount being repaid by 95% of the market price on the date of maturity.

On April 20, 2018, the Company announced an offering of rights to holders of its common shares in Canada at the close of business on the record date of May 7, 2018 on the basis of one right for each common share held. Each right will entitle the holder to subscribe for one unit at a subscription price of \$0.02 per unit. Each unit consists of one common share and one common share purchase warrant with each warrant exercisable into one common share at a price of \$0.05 per share for a period of 24 months from the issuance date of the units. Shareholders who fully exercise their rights will be entitled to subscribe for additional common shares, if available, as a result of unexercised rights prior to the expiry date of June 7, 2018, subject to certain limitations set out in the Company's rights offering circular.

On June 7, 2018, the expiry date, there were 7,531,781 rights exercised and 7,562,000 additional rights subscribed for. This result is; 15,093,781 common shares and 15,093,781 warrants were issued with gross proceeds of \$301,876

The Company carries on the business of oil, gas and mineral exploration and development in Canada. Softrock also monitors activity and geological highlights to pursue the acquisition of oil, gas, and mineral exploration and development concessions 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 \$2,064 during the first quarter of 2020.

The two wells in the Spirit River area of Northern Alberta in which the company has a 2 ½ % gross overriding royalty (GORR) produced net revenue of \$ 15,711 during the first quarter of 2020

The prior operator of this one section crown lease sold there working interest leading to the hope that further wells will be drilled as the whole section lies within the Charlie Lake Field.

In 2014, Softrock acquired a 95% working interest, subject to a 3% GORR, in 160 ac with a suspended Cardium oil and gas well in the Ferrier area of western Alberta for taking over 100% of the damage deposit and updating the insurance to the Alberta government. The Company, shortly afterwards brought in a partner who paid two-thirds of the cost for a half interest in Softrock's position.

Mechanical studies have been done on the well and environmental studies have been done on the spacing unit. The company still has to check and test the pipeline and marketing hookup that tie into a local treatment plant. The Company is working with a neighboring operator on harmonizing operations. During fiscal 2019, the Company determined that indications of impairment existed on this asset since the Company does not plan on incurring substantive expenditures on further exploration for and evaluation of mineral resources on the property at this time. As a result, all capitalized exploration and evaluation costs related to the property were impaired down to \$nil The Company plans on retaining title to the property and will look to complete development in the future, at which point the impairment may be reversed.

During the last quarter of 2017 Softrock applied for and was granted, for exploration purposes, a 100% interest in six Alberta Government Industrial Mineral Permits covering Lithium and Potash totalling approximately 48,344 hectares (119,459 Acres). The permits lie in the same general area that Softrock has been exploring and mapping the last few years. The Company's studies have indicated that porous reservoirs near the basement seem to have the best chance of enhanced lithium content. Many of these already have oil and gas producing wells but it remains to be seen as to who holds the lithium in brine assets and how much the oil and gas producers may want for their rights. During fiscal 2019, these permits expired and new permits were applied for and granted. The expired were included in the impairment of exploration and evaluation assets, while the permits acquired in the current year were expensed to exploration expenses during the year ended December 31, 2019.

Softrock will be approaching companies interested in acquiring "battery minerals" to purchase an interest in Softrock's 100% owned properties in Alberta for funds sufficient to give them a minority interest and a commitment to spend sufficient funds for exploration to keep the properties in good standing for another 2 to 4 years.

## **RESULTS OF OPERATIONS**

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

The Company's Crown P&NG Lease extends from the surface to the base of the Triassic (Charlie Lake) formation and covers all of Section 11, Township 78, Range 07, W6M, and can be held indefinitely with production. The Lease now lies in the Charlie Lake Triassic oilfield. Softrock laid off 50% of its interest prior to farm out for two-thirds of its costs then farmed out its interest for a \$200,000 payment and the commitment to drill a horizontal Charlie Lake well leaving Softrock with a two and one-half percent GORR with no deductions for treatment.

Two wells have been drilled, cased and frac'd in the Charlie Lake formation and are now producing. There is room to drill two more similar wells on the lease if processing facilities are expanded or become available.

## **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 and 02-09-012-13-W4M oil wells were producing in 2020 The well in 07-09-012-13 W4M is shut in.

## **FERRIER**

Our consultant examined the suspended oil and gas well in which the company acquired a 47.5% working interest in 2014, in the Ferrier Area of western Alberta to assess the wellhead equipment, and the cost of tubing and tanks needed to restart operations. A neighbouring operator with a Gas plant and water disposal facilities is being contacted about processing our oil and gas. During fiscal 2019, all costs related to the property were impaired down to \$nil.

## **MINERALS**

In 2017, the Company acquired a total of 6 new industrial mineral permits in Alberta covering 48,344 hectares (119,459 acres). The permits were acquired primarily for the exploration and development of potash and lithium in the same areas as previous permits. During fiscal 2019, these permits expired and new permits were applied for and granted. The company continues geological investigations of in ground lithium (spodumene) and cobalt in Manitoba, Ontario and Quebec.

Softrock is finishing the staking of a spodumene (lithium) prospect which it uncovered with geological mapping last summer. Although small in area, making up just two claims, it appears to have been overlooked because of small outcrops on the shoreline of Shatford Lake, 282 kilometers north of Winnipeg Manitoba, and only 5 kilometers from the Tanko mine. Tests were run years ago for tantalum and other sister minerals to lithium, but no tests were run for lithium. During fiscal 2019, all costs related to the property were written off due to a lack of plans for further exploration and development at this time.

The Company has also been successful in optioning a 100% interest for two years 135 cells (claims) in a solid block of an ULTRA MAFIC INTRUSIVE at Dagny Lake , 80km east of Kenora Ontario. This is virgin territory and highlighted by the Ontario Geological Survey as most prospective for nickel - cobalt ores. During fiscal 2019, all costs related to the property were written off due to a lack of plans for further exploration and development at this time.

On October 26, 2018, the Company issued 400,000 shares at \$0.02 per share as part of the mineral Option Agreement entered into on the Dagny Lake property in Ontario. On October 19, 2019 the Company issued 600,000 shares at \$0.02 per share as part of this same agreement (see note 6 to the audited financial statements).

## **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
March 31, 2018	6,426	(7,031)	0.00
June 30, 2018	3,334	(21,510)	0.00
September 30, 2018	12,195	(3,251)	0.00
December 31, 2018	5,325	(37,785)	0.00
March 31, 2019	5,156	(12,712)	0.00
June 30, 2019	40,034	16,630	0.00
September 30, 2019	24,882	3,516	0.00
December 31, 2019	32,576	(147,124)	0.00
March 31, 2020	17,775	10,364	0.00

For further financial information, please refer to the Company's financial statements that have been filed on SEDAR and our website [www.softrockminerals.com](http://www.softrockminerals.com).

## **LIQUIDITY**

At March 31, 2020 the Company had a working capital of \$16,942 (2019 –\$59,502).

The Company's ability to continue as a going concern and to recover the recorded costs for property and equipment is dependent upon our 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 approximately \$5,000 per month for general and administration expenses.

## **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.

. The Company's history of earnings and return on investment is erratic, and there is no assurance that it will produce revenue, operate profitably or provide a return on investment in the future.

### **ON GOING TRANSACTIONS**

Softrock intends approaching possible partners for ongoing development in the Ferrier area, plus it's 100% owned Lithium and Potash properties in Alberta.

The company also has on-going geological parties examining leads in the Canadian Precambrian .

### **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**

There have not been any changes in accounting policies during the year.



## 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 year, the related party transactions were as follows:

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

	<u>2020</u>	<u>2019</u>
For accounting services	\$ 1,500	\$ 1,200
Interest on debentures	875	875

## COMMON STOCK AND STOCK OPTIONS

As of the date of this filing, the Company has 39,852,927 common shares issued and outstanding, 15,093,781 warrants outstanding and 2,300,000 options issued and exercisable.

Please note website [www.softrockminerals.com](http://www.softrockminerals.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

### **Common shares**

	2020		2019	
	Number	Amount	Number	Amount
Balance beginning of year	39,852,927	\$2,031,457	39,252,927	\$2,999,457
Shares issued on mineral option agreements			600,000	12,000
<b>Balance end of period</b>	<b>39,852,927</b>	<b>\$3,011,457</b>	<b>39,852,927</b>	<b>\$3,011,457</b>

On June 8, 2018, the Company closed the rights offering announced in April 2018. On the expiry date of June 7, 2018 there were 7,531,781 rights exercised and 7,562,000 additional rights subscribed for resulting in a total of 15,093,781 units being issued for gross proceeds of \$301,876. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.05 for a two year period.

On October 26, 2018, the Company issued 400,000 shares at \$0.02 per share as part of the mineral Option Agreement entered into on the Dagny Lake property in Ontario.

On October 19, 2019 the Company issued 600,000 shares at \$0.02 per share as part of this same agreement.

### **Stock options**

Under the Company's stock option plan, the Company may grant options to employees, officers and directors up to 10% of its issued and outstanding common stock. In addition, the aggregate number of shares so reserved for issuance to any one person shall not exceed 5% of the issued and outstanding shares. Under the plan, options are exercisable upon issuance and an option's maximum term is five years.

There were 200,000 stock options outstanding and exercisable at December 31, 2019 at an exercise price of \$0.05.

Subsequent to year-end, the Board granted options to purchase an aggregate of 2,100,000 common shares of the Company to its officers and directors. The options are exercisable at a price of \$0.05 per share and expire in five years.

As of the date of this MD&A, there were 2,300,000 options outstanding and exercisable at a weighted average exercise price of \$0.05, with 200,000 expiring on December 12, 2020 and 2,100,000 expiring on April 14, 2025.

### **Common share purchase warrants**

On April 20, 2018, the Company announced that it was offering rights to holders of its common shares in Canada at the close of business on the record date of May 7, 2018 on the basis of one right for each common share held. Each right will entitle the holder to subscribe for one unit at a subscription price of \$0.02 per unit. Each unit consists of one common share and one common share purchase warrant with each warrant exercisable into one common share at a price of \$0.05 per share for a period of 24 months from the issuance date of the units. Shareholders who fully exercise their rights will be entitled to subscribe for additional common shares, if available, as a result of unexercised rights prior to the expiry date of June 7, 2018, subject to certain limitations set out in the Company's rights offering circular.

On the expiry date of June 7, 2018 there were 7,531,781 rights exercised and 7,562,000 additional rights subscribed for.

There were a total of 15,093,781 common shares and 15,093,781 warrants issued.

## **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 March 31, 2020 the company had a working capital of \$16,942 (2019–working capital surplus of \$88,604) and a shareholders’ deficiency of (\$9,528) (2019 – shareholders equity of \$90,087).

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).

## **SUBSEQUENT EVENTS**

- a) Subsequent to year end, there was a global outbreak of a novel coronavirus identified as "COVID-19". On March 11, 2020, the World Health Organization declared a global pandemic. In order to combat the spread of COVID-19 governments worldwide have enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility in national and global equity and commodity markets.

Central banks and governments, including Canadian federal and provincial governments, have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of any interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

- b) The Board granted options to purchase an aggregate of 2,100,000 common shares of the Company to its officers and directors. The options are exercisable at a price of \$0.05 per share and expire in five years.