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ROK Resources Inc. Announces Completion of $47.25 Million of Non-Core Asset Dispositions & Provides Update on 2023 Guidance

REGINA, SK / ACCESSWIRE / April 3, 2023 / ROK Resources Inc. (TSXV:ROK)(TSXV:ROK.WT) (the "**Company**" or "**ROK**") has completed its previously announced dispositions of certain non-core assets (the "**Assets**") for total combined proceeds of approximately $47.25 million, before normal closing adjustments (the "**Transactions**"). The Assets are comprised of ROK's non-operated interest in the Weyburn Unit and two smaller non-core assets located in Saskatchewan.

The Transactions are consistent with ROK's strategic plan, focusing on debt reduction and high-grading of the Company's asset portfolio and drilling inventory. The Company's outstanding senior term debt will be reduced by 85% from proceeds of the Transactions, resulting in cumulative interest savings of approximately $5.8 million that would have been otherwise paid over the remaining term of the senior term debt.

Notably, since the FCL acquisition in March 2022, the Company has disposed of approximately $74 million in non-core assets representing ~31% of production and ~127% of the purchase price, after closing adjustments.

2023 Guidance

Current corporate production is approximately 3,750 boepd (65% Liquids), net of the above-noted disposition.

In the second half of 2023, ROK intends to focus on increasing shareholder value through; (i) the optimization and integration of asset acquisitions, (ii) debt reduction, and (iii) executing a drilling and recompletion program. For H2 2023E, the Company expects to average 4,120 boepd, generating $19 million in cash flow from operating activities[1]. For Q4 2023E, the Company estimates exit production of 4,500 boepd, generating a total of $38.9 million in annualized cash flow from operating activities[1], and $5.9 million in annualized free cash flow.

The Company's senior term debt is expected to be paid off entirely by mid-2023. Net debt at December 31, 2023 is expected to be $7.5 million, implying a net debt to cash flow from operating activities ratio of 0.2.

In support of the 2023 drilling program, the Company currently has hedged an average of 1,766 bbls/d of corporate production for the remainder of 2023 at an average price of approximately US$82.17/bbl. The Company is actively monitoring the current commodity price volatility and evaluating all options with regards to its hedging program.

Drilling & Recompletion Program

The second half of 2023 drilling program is expected to investment approximately $11.6 million and will aim to drill 10 gross (9.52 net) new wells within core operating areas in Southeast Saskatchewan, resulting in a 2023 exit target of 4,500 boepd (20% increase from current levels).   The Company expects to balance drilling between conventional Frobisher and unconventional Midale, two of the most economic plays in the basin.

[1] *Based upon pricing of US$80 WTI/bbl, $2.50 AECO/mcf. Assumes nil change in non-cash working capital.*

At Kaybob, the Company will focus on capital efficient recompletions and reactivations, while continuing to prepare for future Cardium oil and Montney gas development on its 100% working interest lands.

Financial Advisors

Echelon Capital Markets acted as financial advisor to the Company with respect to the Transactions.

McDougall Gauley LLP and McCarthy Tetrault LLP acted as legal advisors to the Company with respect to the Transactions.

About

ROK is primarily engaged in exploring for petroleum and natural gas development activities in Saskatchewan and Alberta. It has offices located in both Regina, Saskatchewan, Canada and Calgary, Alberta, Canada. ROK's common shares are traded on the TSX Venture Exchange under the trading symbol "ROK".

For further information, please contact:

Cameron Taylor, Chairman and Chief Executive Officer
Bryden Wright, Chief Operating Officer
Jared Lukomski, Senior Vice President, Land & Business Development
Lynn Chapman, Chief Financial Officer

Phone: (306) 522-0011
Email: investor@rokresources.ca

Boe Disclosure

The term barrels of oil equivalent ("**boe**") may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet per barrel (6 Mcf/bbl) of natural gas to barrels of oil equivalence is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. All boe conversions in the report are derived from converting gas to oil in the ratio mix of six thousand cubic feet of gas to one barrel of oil.

Reserve Disclosure

All reserves information in this press release was prepared by an independent reserve evaluator, effective December 31, 2022 using the reserve evaluators December 31, 2022 forecast prices and costs in accordance with National Instrument 51-101 - Standards of Disclosure of Oil and Gas Activities ("**NI 51-101**") and the Canadian Oil and Gas Evaluation Handbook (the "**COGE Handbook**"). All reserve references in this press release are "Company gross reserves". Company gross reserves are the Company's total working interest reserves before the deduction of any royalties payable by the Company and before the consideration of the Company's royalty interests. It should not be assumed that the present worth of estimated future cash flow of net revenue presented herein represents the fair market value of the reserves. There is no assurance that the forecast prices and costs assumptions will be attained, and variances could be material. The recovery and reserve estimates of ROK's crude oil, NGLs and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas and NGLs reserves may be greater than or less than the estimates provided herein.

Non-IFRS Measures

Certain measures commonly used in the oil and natural gas industry referred to herein, including, “Free Cash Flow”, and "Net Debt" do not have a standardized meaning prescribed by IFRS and therefore may not be comparable with the calculation of similar measures by other companies. These non-IFRS measures are further described and defined below. Such non-IFRS measures are not intended to represent operating profits, nor should they be viewed as an alternative to cash flow provided by operating activities, net earnings or other measures of financial performance calculated in accordance with IFRS.

Management uses these oil and gas metrics for its own performance measurements and to provide shareholders with measures to compare our operations over time. Readers are cautioned that the information provided by these metrics, or that can be derived from the metrics presented in this press release, should not be relied upon for investment or other purposes.

"Free cash flow" is calculated as cash flow from operating activities less incurred debt interest costs and expenditures on property, plant, and equipment. Management uses free cash flow to determine the amount of funds available to the Company for future capital allocation decisions.

"Net debt" is equal to the sum of the outstanding long-term debt and net working capital, excluding the fair value of financial contracts, decommissioning obligations, and other obligations. The Company uses this metric to analyze the level of debt in the Company including the impact of working capital.

"Net debt to cash flow from operating activities" is calculated as exit net debt divided by cash flow from operating activities. Management uses this ratio to assess the time (in years) that it would take to fund net debt based on the annualized cash flow from operating activities.

Abbreviations

bbls/d	barrels per day
boe	barrels of oil equivalent
boepd	barrels oil equivalent per day
IP	Initial Production
NGLs	Natural Gas Liquids
Mboe	Thousands of barrels of oil equivalent
MMboe	Millions of barrels of oil equivalent
PDP	Proved Developed Producing
TP	Total Proved Reserves
TPP	Total Proved and Probable Reserves
IFRS	International Financial Reporting Standards as issued by the International Accounting Standards Board
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for the crude oil standard grade

Forward-Looking Information

This news release includes certain "forward-looking statements" under applicable Canadian securities legislation that are not historical facts. Forward-looking statements involve risks, uncertainties, and other factors that could cause actual results, performance, prospects, and opportunities to differ materially from those expressed or implied by such forward-looking statements. Forward-looking statements in this news release include, but are not limited to, statements with respect to the Company's objectives, goals, or future plans as a result of estimated future operating results. Forward-looking statements are necessarily based on several estimates and assumptions that, while considered reasonable, are subject to known and unknown risks, uncertainties and other factors which may cause actual results and future events to differ materially from those expressed or implied by such forward-looking statements. Such factors include but are not limited to general business, economic and social uncertainties; the accuracy of well testing results; litigation, legislative, environmental, and other judicial, regulatory, political and competitive developments; delay or failure to receive board, shareholder or regulatory approvals; those additional risks set out in ROK's public documents filed on SEDAR at www.sedar.com; and other matters discussed in this news release. Although the Company believes that the assumptions and factors used in preparing the forward-looking statements are reasonable, undue reliance should not be placed on these statements, which only apply as of the date of this news release, and no assurance can be given that such events will occur in the disclosed time frames or at all. Except where required by law, the Company disclaims any intention or obligation to update or revise any forward-looking statement, whether because of new information, future events, or otherwise.

Neither the Exchange nor its Regulation Services Provider (as that term is defined in the policies of the Exchange) accepts responsibility of the adequacy or accuracy of this release.

SOURCE: ROK Resources Inc.