



INTERIM CONDENSED FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

ROK RESOURCES INC.

INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

(Unaudited, expressed in Canadian Dollars)

September 30, 2023

December 31, 2022

Assets

Current Assets

Cash and cash equivalents	-	5,258,881
Accounts receivable (Note 12)	12,614,460	10,862,673
Prepays and deposits	609,242	1,144,672
Risk management contracts (Note 12)	-	4,418,471
	13,223,702	21,684,697

Non-current Assets

Restricted cash	-	1,925,869
Long term non-refundable deposit and other	-	2,663,952
Risk management contracts (Note 12)	285,985	567,304
Property, plant and equipment (Note 4)	151,384,171	163,555,788
Exploration and evaluation assets (Note 5)	850,592	893,276
Investment in lithium exploration project (Note 9)	1,577,935	787,239
	167,322,385	192,078,125

Liabilities

Current Liabilities

Accounts payable and accrued liabilities	12,981,473	13,678,677
Risk management contracts (Note 12)	1,704,538	-
Current portion of lease liability	107,588	-
Current portion of debt (Note 6)	-	22,735,249
	14,793,599	36,413,926

Non-current Liabilities

Non-current portion of lease liability	256,325	-
Non-current portion of debt (Note 6)	12,596,846	12,924,926
Decommissioning obligations (Note 7)	22,695,610	18,458,391
Deferred income tax	12,632,911	14,773,311
	62,975,291	82,570,554

Shareholders' Equity

Share capital (Note 8a)	27,269,828	25,853,185
Warrants (Note 8b)	4,694,247	5,050,223
Contributed surplus (Note 8c)	3,139,524	2,087,123
Retained earnings	69,243,495	76,517,040
	104,347,094	109,507,571
	167,322,385	192,078,125

See accompanying notes to the interim condensed financial statements.

ROK RESOURCES INC.

INTERIM CONDENSED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

For the three and nine months ended September 30

<i>(Unaudited, expressed in Canadian Dollars)</i>	Three months ended		Nine months ended	
	2023	2022	2023	2022
Revenue:				
Oil and natural gas sales (Note 10)	22,144,104	26,554,511	64,019,554	63,386,401
Royalties	(2,931,103)	(4,303,644)	(11,490,495)	(10,185,960)
Oil and natural gas sales, net of royalties	19,213,001	22,250,867	52,529,059	53,200,441
Realized gain on commodity contracts (Note 12)	563,524	1,552,524	5,689,069	1,788,499
Unrealized gain (loss) on commodity contracts (Note 12)	(9,253,495)	14,266,819	(6,404,328)	13,231,366
Processing and other income	708,047	627,612	1,730,119	1,212,622
Total revenue and other income	11,231,077	38,697,822	53,543,919	69,432,928
Expenses and other items:				
Operating expenses	13,353,260	9,926,624	32,594,808	17,551,783
General and administrative	976,270	566,885	3,705,946	2,901,648
Business development (Note 3a)	14,878	276,006	371,106	2,286,320
Gain on dispositions (Note 3b)	-	-	(5,687,123)	-
Gain on acquisition	-	-	-	(66,822,326)
Stock-based compensation (Note 8c)	235,828	390,270	896,944	1,335,774
Depletion and depreciation (Note 4)	5,753,402	5,995,441	17,555,591	12,855,041
Exploration and evaluation expense (Note 5)	42,684	428,417	42,684	428,417
Loss on debt settlement (Note 6)	-	-	7,320,119	320,170
Net finance expense (Note 11)	950,669	4,762,327	6,525,397	10,840,806
Foreign exchange loss (gain)	24,363	2,358,539	(367,608)	2,754,690
Total expenses and other items	21,351,354	24,704,509	62,957,864	(15,547,677)
Income (loss) before income taxes	(10,120,277)	13,993,313	(9,413,945)	84,980,605
Deferred income tax expense (recovery)	(2,368,008)	3,182,584	(2,140,400)	(579,139)
Net income (loss) and comprehensive income (loss)	(7,752,269)	10,810,729	(7,273,545)	85,559,744
Net (loss) income per share (Note 8d)				
Basic	(0.04)	0.05	(0.03)	0.52
Diluted	(0.04)	0.05	(0.03)	0.50

See accompanying notes to the interim condensed financial statements.

ROK RESOURCES INC.

INTERIM CONDENSED STATEMENTS OF CASH FLOWS

For the three and nine months ended September 30

<i>(Unaudited, expressed in Canadian Dollars)</i>	Three months ended		Nine months ended	
	2023	2022	2023	2022
Cash flows provided by (used in):				
Operating activities				
Net income (loss)	(7,752,269)	10,810,729	(7,273,545)	85,559,744
Adjustments for:				
Gain on dispositions (Note 3b)	-	-	(5,687,123)	-
Gain on acquisition	-	-	-	(66,822,326)
Unrealized gain (loss) on commodity contracts (Note 12)	9,253,495	(14,266,819)	6,404,328	(13,231,366)
Depletion and depreciation (Note 4)	5,753,402	5,995,441	17,555,591	12,855,041
Exploration and evaluation expense (Note 5)	42,684	428,417	42,684	428,417
Stock-based compensation (Note 8c)	235,828	390,270	896,944	1,335,774
Unrealized foreign exchange loss (gain)	(39,155)	2,273,235	(432,199)	2,624,497
Loss on debt settlement (Note 6)	-	-	7,320,119	320,170
Net finance expense (Note 11)	950,669	4,762,327	6,525,397	10,840,806
Abandonment costs paid (Note 7)	(773,466)	(103,400)	(1,041,750)	(278,831)
Deferred income tax expense (recovery)	(2,368,008)	3,182,584	(2,140,400)	(579,139)
Change in non-cash working capital (Note 13)	297,499	(1,044,842)	80,737	(4,269,000)
	5,600,679	12,427,942	22,250,783	28,783,787
Investing activities				
Acquisitions (Note 3)	(87,612)	-	(22,385,140)	(57,893,290)
Expenditures on property, plant and equipment	(7,580,757)	(11,938,870)	(16,585,543)	(16,441,696)
Proceeds on property, plant and equipment disposals	588,124	-	45,930,476	-
Expenditures on lithium exploration project (Note 9)	(233,554)	-	(790,696)	-
Change in non-cash working capital (Note 13)	(1,267,764)	3,843,760	(1,830,346)	2,629,364
	(8,581,563)	(8,095,110)	4,338,751	(71,705,622)
Financing activities				
Proceeds on equity financing, net of costs	-	-	-	15,833,477
Proceeds on debt financing, net of costs	-	-	64,887,714	61,931,653
Proceeds on warrant exercises (Note 8b)	-	910,444	1,123,290	2,262,598
Proceeds on option exercises (Note 8c)	72,000	21,000	92,834	49,500
Debt principal payments (Note 6b)	-	-	(52,500,000)	(1,379,123)
Senior Loan Facility payout (Note 6d)	-	(9,357,669)	(42,896,705)	(17,137,669)
Amounts paid on Credit Facility	(2,636,414)	-	(1,886,414)	-
Change in restricted cash	-	-	1,908,475	(1,816,257)
Net finance expense paid	(315,907)	(1,989,454)	(2,543,335)	(4,650,629)
Lease payments	(13,455)	-	(26,006)	-
Change in non-cash working capital (Note 13)	-	-	-	(215,073)
	(2,893,776)	(10,415,679)	(31,840,147)	54,878,477
Foreign exchange gain (loss) on cash and cash equivalents	39,156	78,389	(8,268)	91,306
Increase in cash and cash equivalents	(5,835,504)	(6,004,458)	(5,258,881)	12,047,948
Cash and cash equivalents, beginning of period	5,835,504	19,261,182	5,258,881	1,208,776
Cash and cash equivalents, end of period	-	13,256,724	-	13,256,724

See accompanying notes to the interim condensed financial statements.

ROK RESOURCES INC.

INTERIM CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

<i>(Unaudited, expressed in Canadian Dollars)</i>	Number of Shares	Share Capital	Warrants	Contributed Surplus	Retained Earnings (Deficit)	Total
Balance at December 31, 2022	211,580,484	25,853,185	5,050,223	2,087,123	76,517,040	109,507,571
Net loss	-	-	-	-	(7,273,545)	(7,273,545)
Warrant exercises	3,209,400	1,270,463	(147,173)	-	-	1,123,290
Stock option exercises	603,333	146,180	-	(53,346)	-	92,834
Warrant expiries	-	-	(208,803)	208,803	-	-
Stock-based compensation	-	-	-	896,944	-	896,944
Balance at September 30, 2023	215,393,217	27,269,828	4,694,247	3,139,524	69,243,495	104,347,094
Balance at December 31, 2021	74,471,576	6,309,267	802,020	405,318	(3,485,710)	4,030,895
Net income	-	-	-	-	84,573,899	84,573,899
Prospectus Offering, March 2022	95,834,100	11,714,629	4,490,288	-	-	16,204,917
Debt Note redemption	15,555,550	2,075,326	724,674	-	-	2,800,000
Warrant exercises	14,891,480	2,482,138	(219,540)	-	-	2,262,598
Stock option exercises	495,000	71,300	-	(21,800)	-	49,500
Stock-based compensation	-	-	-	1,335,774	-	1,335,774
Balance at September 30, 2022	201,247,706	22,652,660	5,797,442	1,719,292	81,088,189	111,257,583

See accompanying notes to the interim condensed financial statements.

1. REPORTING ENTITY

ROK Resources Inc. (“ROK” or the “Company”) is a public company that is engaged in oil and gas exploration and development activities in Western Canada. The Company’s head offices are located in Regina, Saskatchewan, Canada and Calgary, Alberta, Canada, and the Company’s shares are listed and publicly traded on the TSX Venture Exchange (the “Exchange”) under the trading symbol “ROK”.

2. BASIS OF PRESENTATION

These interim condensed financial statements (the “Financial Statements”) have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” under International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These Financial Statements follow the same accounting policies and method of computation as the Company’s annual audited financial statements for the year ended December 31, 2022. Certain disclosures that are normally required to be included in annual financial statements have been condensed or omitted within these interim condensed financial statements.

These Financial Statements should be read in conjunction with the Company’s audited annual financial statements for the year ended December 31, 2022. These Financial Statements were approved and authorized for issuance by the Company’s Board of Directors on November 20, 2023.

3. ACQUISITIONS & DISPOSITIONS

a) Southeast Saskatchewan acquisition

In January 2023, the Company successfully closed the acquisition of certain oil and gas assets in Southeast Saskatchewan in exchange for total consideration of 1) cash payment of \$21.9 million, after closing adjustments and the \$2.5 million deposit paid in December 2022, and 2) the disposition of certain oil and gas assets of the Company located in Southwest Saskatchewan to the selling party that had a carrying value of \$23.8 million and associated decommissioning obligations of \$1.6 million. The acquisition has been accounted for as a business combination under IFRS 3.

The below amounts are estimates which were made by management at the time of the preparation of these financial statements based on information then available. The fair value of assets acquired and liabilities assumed in a business combination is estimated based on information available at the date of acquisition as management’s preliminary estimate of fair value at the time of preparation of these financial statements. Various valuation techniques are applied for measuring fair value including an independent reserves evaluation of the acquired properties, market comparables and discounted cash flows which rely on assumptions such as forward commodity prices, reserves and resources estimates, production costs, foreign exchange rates and discount rates. Amendments may be made to these amounts as the values subject to estimation are finalized. The following table summarizes the total consideration paid and net assets acquired:

Development and production assets	52,647,592
Decommissioning obligations	(6,081,012)
Total net assets acquired	46,566,580
Development and productions assets	23,808,032
Decommissioning obligations	(1,630,841)
Net assets disposed of as consideration	22,177,191
Cash consideration	26,500,000
Purchase price adjustments	(2,110,611)
Total purchase price	46,566,580

The Company also incurred transaction costs related to the acquisition of \$0.3 million, which have been recognized as a business development expense.

b) Weyburn asset disposition

In March 2023, the Company closed the disposition of ROK's non-operated 2.11685% interest in the Weyburn Unit for cash proceeds of \$42.0 million, after closing adjustments and transaction costs. The assets had a carrying value of \$37.0 million and an associated decommissioning liability of \$0.5 million, resulting in a gain on disposal of \$5.5 million. The transaction was accounted for as follows:

Development and production assets	36,984,650
Decommissioning obligations	(505,241)
Total net assets disposed	36,479,409
Cash consideration	44,500,000
Purchase price adjustments	(1,984,153)
Transaction costs	(512,734)
Total proceeds received	42,003,113
Realized gain on disposal	5,523,704

c) Other asset acquisitions and dispositions

During the nine months ended September 30, 2023, the Company closed two further acquisitions of oil and gas assets in Southeast Saskatchewan for total consideration of \$0.5 million, after closing adjustments. As well, the Company closed several smaller dispositions for total proceeds of \$3.9 million, after closing adjustments. The disposed assets had a carrying value of \$4.1 million and associated decommissioning obligations of \$0.4 million, resulting in a gain on disposal of \$0.2 million.

4. PROPERTY, PLANT AND EQUIPMENT

The Company's property, plant and equipment ("PP&E") consist of development and production assets ("D&P"), right-of-use leased assets ("ROU"). D&P includes the Company's interests in developed petroleum and natural gas properties, and interests in infrastructure such as facilities and pipelines. PP&E consist of the following amounts:

Cost	D&P	ROU	Total
Balance, December 31, 2022	183,687,522	-	183,687,522
Acquisitions (Note 3)	53,173,367	-	53,173,367
Additions	16,585,543	386,179	16,971,722
Disposals (Note 3)	(72,983,646)	-	(72,983,646)
Change in decommissioning provisions	141,659	-	141,659
Balance, September 30, 2023	180,604,445	386,179	180,990,624
Accumulated Depletion & Depreciation			
Balance, December 31, 2022	20,131,734	-	20,131,734
Depletion & depreciation	17,531,818	23,773	17,555,591
Disposals (Note 3)	(8,080,872)	-	(8,080,872)
Balance, September 30, 2023	29,582,680	23,773	29,606,453
Net Carrying Amount			
Balance, December 31, 2022	163,555,788	-	163,555,788
Balance, September 30, 2023	151,021,765	362,406	151,384,171

Future development costs in the amount of \$184.6 million (2022 - \$125.7 million) were included in the depletion calculated for the period ended September 30, 2023.

5. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation (“E&E”) assets consist of the following amounts:

Balance, December 31, 2022	893,276
Lease expiries and write-offs	(42,684)
Balance, September 30, 2023	850,592

The Company’s E&E assets represent the recognized acquisition value and subsequent costs incurred in relation to the undeveloped land interests on which it intends to conduct petroleum and natural gas exploratory work.

6. DEBT

a) Credit Facility

In January 2023, the Company entered into a \$22.5 million revolving credit facility with a syndicate of banks (the “Credit Facility”). At September 30, 2023, the amount drawn on the Credit Facility was \$13.1 million. A review and redetermination of the borrowing base occurs semi-annually on or before June 30 and November 30 of each year. The facility is available on a revolving basis until June 27, 2024 (the “Term Out Date”), at which time the facility (and the Term Out Date) may be extended for a further one-year period at the request of the Company and subject to the approval of the syndicate. Such one-year extensions may continue to occur on each subsequent Term Out Date, subject to the approval of the syndicate. Alternatively, on the Term Out Date, at the Company’s discretion, the facility is available on a non-revolving basis for an additional one-year period, at the end of which time the facility would be due and payable. As the available lending limits of the facility are based on the syndicate’s interpretation of the Company’s reserves, commodity prices and decommissioning obligations, there can be no assurance that the amount of the available facility will not decrease at the next scheduled review. In the current pricing environment, there is an increased risk that the lenders may decrease the amount available under the Credit Facility and the decreases could be material.

The Credit Facility provides that advances may be made by way of direct advances, banker’s acceptances or letters of credit/guarantees. The facility bears interest at the bank’s prime lending or bankers’ acceptance rates plus applicable margins. The applicable margin charged by the bank is dependent upon the Company’s debt to cash flow ratio (as defined in the lending agreement) for the most recent quarter. The bankers’ acceptances bear interest at the applicable banker’s acceptance rate plus an explicit stamping fee based upon the Company’s debt to cash flow ratio. As at September 30, 2023, the Credit Facility had an effective interest rate of 8.2% per annum. The Credit Facility is secured by a floating charge debenture on the assets of the Company.

A summary of outstanding debt as at September 30, 2023, is as follows:

Credit Facility	
Total commitment	22,500,000
Amount drawn	13,113,586
Amount drawn, net of unamortized issue costs	12,596,846
Current portion	-
Non-current portion	12,596,846

b) Financial covenants

The Company is required to maintain certain debt covenants throughout the term of the Credit Facility, as follows:

- Maintain a minimum liability management rating of 2.00 in the Provinces of Alberta and Saskatchewan and a minimum licensee liability rating of 1.00 in the Province of British Columbia.
- Maintain oil and gas price hedges on a minimum of 75% of Company oil and gas production for a period of not less than 12 months. Please refer to Note 12 for oil and gas price hedges held by the Company as of the date of these financial statements.
- Make expenditures of not less than \$2,000,000 during each fiscal year toward asset retirement and abandonment and reclamation liabilities.
- Maintain a debt to cash flow ratio (as defined in the lending agreement) of less than 2.00.

As at September 30, 2023, the Company was compliant with all restrictions and covenants for the Credit Facility.

c) Term Loan

In January 2023, the Company entered into a non-revolving term facility of \$52.5 million with a Canadian Chartered Bank (the "Term Loan"), excluding unamortized issue costs of \$1.8 million. The proceeds of the Term Loan were used to pay out the prior Senior Loan Facility and fund certain asset acquisitions (see Note 3). The Term Loan was to mature two years from issuance, and carried monthly payments of \$2 million towards principal, commencing on February 28, 2023, with the balance of the principal due at maturity. The Term Loan bore interest at the bank's prime lending or bankers' acceptance rates plus applicable margins. The applicable margin charged by the bank was dependent upon the Company's debt to cash flow ratio for the most recent quarter. The Term Loan was secured by a floating charge debenture on the assets of the Company.

Along with the scheduled \$2 million monthly scheduled principal payments, the Company made voluntary principal repayments of \$41.3 million and \$5.1 million in March and May 2023, respectively, to settle the remaining balance of the Term Loan. As a result, the Term Loan is now terminated.

d) Senior Loan Facility

In January 2023, the prior Senior Loan Facility was repaid with the establishment of the Credit Facility and Term Loan. The termination of the Senior Loan Facility resulted in the immediate recognition of \$7.3 million as loss on debt settlement for the remaining unamortized issue costs and certain incurred termination costs. With the repayment of the Senior Loan Facility, the Debt Service Reserve deposit classified as restricted cash also became unrestricted.

7. DECOMMISSIONING OBLIGATIONS

Decommissioning obligations arise as a result of the Company's net ownership interests in petroleum and natural gas assets including well sites, processing facilities and infrastructure. The following table provides a reconciliation of the carrying amount of the obligation associated with the retirement of oil and gas properties:

Balance, December 31, 2022	18,458,391
Liabilities acquired (Note 3)	6,111,036
Additions	56,892
Change in estimate	84,767
Accretion expense	1,508,504
Liabilities settled	(1,041,750)
Disposals (Note 3)	(2,482,230)
Balance, September 30, 2023	22,695,610

At September 30, 2023, the total estimated amount to settle ROK's decommissioning obligations on an uninflated and undiscounted basis was \$68.2 million (December 31, 2022 - \$52.4 million) and on an inflated and undiscounted basis \$97.1 million (December 31, 2022 - \$75.1 million). The inflated, undiscounted future value of decommissioning obligation was determined by applying an inflation factor of 2.0% (2022 – 1.65%), and subsequently discounting the inflated amount using the Company credit-adjusted rate of 12.0% (2022 – 12.0%) to arrive at the balance of \$22.7 million. These costs are expected to be incurred over the next 20 years.

There are material uncertainties about the amount and timing of the decommissioning obligations, which include the future market prices for services and equipment required to undertake decommissioning activities, the government regulations and industry practices that set out the relevant standards, and the life-span of the Company's portfolio of exploration and production assets.

8. SHARE CAPITAL

a) Common shares

At September 30, 2023, the Company was authorized to issue an unlimited number of Class B Shares, with no par value, with holders of Class B Shares entitled to one vote per share and to dividends, if declared. Outstanding Class B Shares as of September 30, 2023, are as follows:

	Class B shares	Amount
Balance, January 1, 2022	74,471,576	6,309,267
Prospectus Offering, March 2022	95,834,100	11,691,720
Shares issued for Debt Note conversion	15,555,550	2,075,326
Stock option exercise	495,000	71,300
Warrant exercise	25,224,258	5,705,572
Balance, December 31, 2022	211,580,484	25,853,185
Stock option exercise	603,333	146,180
Warrant exercise	3,209,400	1,270,463
Balance, September 30, 2023	215,393,217	27,269,828

Subsequent to September 30, 2023, a total of 3,025,098 common shares were issued on account of the exercise of existing broker warrants and purchase warrants (see below).

b) Warrants

The Company has issued and outstanding warrants exercisable to acquire Class B Shares of the Company that were issued as part of particular financings carried out over time.

A summary of the changes in warrants is presented below:

	Warrants	Weighted average exercise price
Balance, January 1, 2022	25,538,975	0.23
Purchase warrants issued, Prospectus Offering	95,834,100	0.25
Broker warrants issued, Prospectus Offering	6,125,054	0.18
Purchase warrants issued, Debt Note Conversion	15,555,550	0.25
Purchase warrants issued upon broker warrant exercised	4,612,505	0.25
Warrant exercise	(25,224,258)	0.15
Warrant expiries	(7,500)	0.15
Balance, December 31, 2022	122,434,426	0.26
Warrant exercise	(3,209,400)	0.35
Warrant expiries	(4,570,600)	0.35
Balance, September 30, 2023	114,654,426	0.25

The following summarizes information about total warrants outstanding as at September 30, 2023:

Exercise prices	Number of warrants outstanding	Weighted average term to expiry (years)	Number of warrants exercisable
0.18	1,512,549	1.43	1,512,549
0.25	113,141,877	1.43	113,141,877
	114,654,426	1.43	114,654,426

Subsequent to September 30, 2023, a total of 1,512,549 purchase warrants were issued on account of the exercise of 1,512,549 broker warrants, with those newly-issued 1,512,549 purchase warrants also being immediately exercised. The exercise of both the aforementioned broker warrants and newly-issued purchase warrants resulted in the receipt of \$650,396 cash proceeds by the Company.

c) Stock options

The Company has a stock option plan whereby options can be granted from time to time to directors, officers, employees and consultants at the discretion of the Board of Directors. The number of options that can be granted is limited to 10% of the total shares issued and outstanding. Options issued typically vest one-third on the date of the grant, one-third after one year following the date of the grant, and one-third after two years following the grant date. Options issued expire five years following the date of the grant.

A summary of the changes in stock options is presented below:

	Stock options	Weighted average exercise price
Balance, January 1, 2022	6,590,000	0.23
Options issued	13,110,000	0.26
Options exercised	(420,000)	0.10
Options forfeited	(516,667)	0.26
Balance, December 31, 2022	18,763,333	0.25
Options issued	1,775,000	0.39
Options exercised	(603,333)	0.15
Options forfeited	(75,000)	0.40
Balance, September 30, 2023	19,860,000	0.27
Exercisable, September 30, 2023	14,290,004	0.26

In March and August 2023, the Company granted 1,500,000 and 275,000 options to acquire common shares to certain employees of the Company at a price of \$0.40 and \$0.35 per common share, respectively. For options granted, one-third of the options vest on date of grant, one-third on the first anniversary date, and one-third on the

second anniversary date. The options under each grant expire five years from the date of grant. For the stock options granted in March 2023, the Black-Scholes option pricing model was used to estimate a fair value of \$0.26 per option based the assumptions of expected stock price volatility of 80%, option life of 5 years, expected dividend yield of 0%, and a risk-free interest rate of 3.59%. For the stock options granted in August 2023, the Black-Scholes option pricing model was used to estimate a fair value of \$0.23 per option based the assumptions of expected stock price volatility of 80%, option life of 5 years, expected dividend yield of 0%, and a risk-free interest rate of 4.02%.

The following summarizes information about stock options outstanding as at September 30, 2023:

Exercise prices	Number of options outstanding	Weighted average term to expiry (years)	Number of options exercisable
0.15	1,600,000	1.18	1,600,000
0.25	10,260,000	3.48	6,840,006
0.28	4,050,000	2.81	4,050,000
0.30	1,450,000	3.92	966,669
0.35	1,075,000	4.30	358,333
0.40	1,425,000	4.42	474,996
	19,860,000	3.30	14,290,004

For the three and nine months ended September 30, 2023, the Company recognized \$235,829 and \$896,944 (September 30, 2022 - \$390,270 and \$1,335,774) in stock-based compensation expense, respectively. Stock-based compensation is recorded as an expense and as contributed surplus.

d) Net income (loss) per share

The table below summarizes the weighted average (“WA”) number of common shares outstanding used in the calculation of net income (loss) per share for the periods ended September 30, 2023 and 2022:

	Three months ended		Nine months ended	
	2023	2022	2023	2022
WA common shares outstanding, basic	215,249,087	199,711,392	213,861,560	164,762,938
Dilutive effect of stock options	-	3,101,667	-	1,339,617
Dilutive effect of warrants	-	19,585,784	-	4,519,797
WA common shares outstanding, diluted	215,249,087	222,398,843	213,861,560	170,622,352
Net income (loss)	(7,752,269)	10,810,729	(7,273,545)	85,559,744
\$ per common share, basic	(0.04)	0.05	(0.03)	0.52
\$ per common share, diluted	(0.04)	0.05	(0.03)	0.50

The Company uses the treasury stock method to determine the impact of dilutive securities. Under this method, only “in-the-money” dilutive instruments impact the calculation of diluted net income per share. The treasury stock method assumes that the proceeds received from the exercise of all potentially dilutive instruments are used to repurchase common shares at the average market price during the period.

In computing diluted net income per share for the three and nine months ended September 30, 2023, 19,860,000 stock options and 114,654,426 warrants were excluded as their impact was anti-dilutive to the net loss per share in each respective period. For the three months ended September 30, 2022, a total of 1,550,000 stock options and 11,260,000 warrants were excluded as they were not in-the-money based on the volume weighted average trading price of the Company’s common shares of \$0.30 during the period, and therefore anti-dilutive. For the nine months ended September 30, 2022, a total of 5,600,000 stock options and 11,260,000 warrants were excluded as they were not in-the-money based on the volume weighted average trading price of the Company’s common shares of \$0.26 during the period, and therefore anti-dilutive.

9. LITHIUM EXPLORATION PROJECT

In July 2021, the Company entered into an exploration management agreement wherein the Company was issued a 25% interest in a private entity (the "Investee") which currently holds certain Subsurface Mineral Dispositions in Saskatchewan, with a focus on potential lithium resource prospects.

The Company's interest in the Investee is accounted for using the equity method. As of September 30, 2023, expenditures reported by the Company's partner for project activities had reached a total of \$7.8 million, with the Company's financial contribution towards the project activities equating to \$1.6 million.

10. REVENUE

The following table presents the Company's oil and natural gas revenue disaggregated by product type for the periods ended September 30, 2023 and 2022:

	Three months ended		Nine months ended	
	2023	2022	2023	2022
Oil sales	18,570,662	21,987,866	52,399,884	53,648,597
NGL sales	1,653,398	1,583,058	5,235,168	3,263,288
Natural gas sales	1,920,044	2,983,587	6,384,502	6,474,516
Total	22,144,104	26,554,511	64,019,554	63,386,401

As at September 30, 2023, receivables from contracts with customers, which are included in accounts receivable, were \$8,350,782 (December 31, 2022 - \$7,597,682).

11. NET FINANCE EXPENSE

The components of net finance expense for the periods ended September 30, 2023 and 2022, are as follows:

	Three months ended		Nine months ended	
	2023	2022	2023	2022
Interest income	(118)	-	(25,077)	(113)
Interest expenses and bank charges	44,012	105,114	187,543	267,099
Debt interest expense	272,013	1,884,340	2,380,869	4,383,643
Lease liability interest expense	2,078	-	3,740	-
Accretion on debt	98,630	2,350,453	2,469,818	5,323,043
Accretion on decommissioning	534,054	422,420	1,508,504	867,134
Total net finance expense	950,669	4,762,327	6,525,397	10,840,806

12. FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks, and the Company's management of capital. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks

faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

Credit risk

Credit risk reflects the risk of loss if counterparties do not fulfill their contractual obligations and arises principally from the Company's receivables from joint operations partners and petroleum and natural gas customers.

In determining the recoverability of trade and other receivables, the Company considers the type and age of the outstanding receivables, the credit risk of the counterparties, and the recourse available to the Company. The maximum exposure to credit risk for accounts receivable and accruals, net of expected credit loss at the reporting date by type of customer was:

Carrying Amount	September 30, 2023	December 31, 2022
Oil and natural gas customers	8,350,782	7,597,682
Joint operations partners	3,070,347	2,083,791
Accruals and other	1,193,331	1,181,200
Total	12,614,460	10,862,673

Aging		
0 - 30 days	10,310,018	9,435,073
30 - 90 days	1,332,255	871,954
Greater than 90 days	972,187	555,646
Expected credit loss	-	-
Total	12,614,460	10,862,673

The Company considers amounts outstanding greater than 90 days to be at greater risk of being uncollectible, unless circumstances on particular balances provide certainty of collection. Receivables normally collectible within 30 to 60 days can take longer as information requests and timing can come into effect in dealing with receivables from joint venture partners. As at September 30, 2023, there were no material receivables which were considered uncollectible (December 31, 2022 - \$nil).

The Company held no balance of cash and cash equivalents as at September 30, 2023 (December 31, 2022 - \$5,258,881). The Company manages the credit exposure related to cash and cash equivalents by selecting counter parties based on credit ratings and monitors all investments to ensure a stable return, avoiding complex investment vehicles with higher risk.

Liquidity risk

The table below outlines the contractual maturities of the Company's financial liabilities as at September 30, 2023:

	Less than 1 year	1-2 years	Thereafter	Total
Accounts payable	12,981,473	-	-	12,981,473
Credit Facility	-	13,113,586	-	13,113,586
Lease obligations ⁽¹⁾	108,307	94,243	235,702	438,252
	13,089,780	13,207,829	235,702	26,533,311

(1) Reflects timing of lease payments on existing lease obligations

Commodity price risk

Commodity price risk is the risk that the fair value of the future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted by not only the US dollar, but also by world economic events that dictate the levels of supply and demand.

The Company manages risk associated with the changes in commodity prices by entering into a variety of risk management contracts. The Company assesses the effects of movement in commodity prices on income before tax.

As of September 30, 2023, the Company has the following commodity risk management contracts outstanding:

Derivative swap contracts ⁽¹⁾⁽²⁾

Period	WTI Crude		Crude Edmonton Light Differential		AECO ⁽³⁾		Propane	
	Volumes (bbl/d)	US\$/bbl	Volumes (bbl/d)	US\$/bbl	Volumes (mmbtu/d)	US\$/mmbtu	Volumes (gal/d)	US\$/gal
Q4 2023	1,340	82.07	981	(4.48)	5,165	2.48	3,586	1.02
Q1 2024	1,087	79.72	-	-	4,980	2.65	3,400	0.99
Q2 2024	1,099	74.26	-	-	4,338	2.63	3,176	0.78
Q3 2024	1,011	74.32	-	-	4,194	2.45	2,079	0.76

(1) Prices reported are the average price for the period.

(2) Swaps include trades in US\$ and CAD. Canadian swaps are converted from CAD to US\$ at a rate of 0.75.

(3) Includes Henry Hub swaps, AECO differential swaps and AECO swaps.

The Company entered into the following commodity risk management contracts subsequent to September 30, 2023:

Type of Contract	Quantity	Period	Contract Price (US\$)
Swap Contracts - WTI Crude	998 bbl/d	Oct 2024	\$79.11/bbl
Swap Contracts - AECO	4,022 mmbtu/d	Oct 2024	\$2.07/mmbtu

Foreign currency risk

The Company is exposed to the risk of fluctuations in foreign exchange rates between the Canadian dollar and the US dollar (US\$) given the Company is exposed to the risk of changes in the US/Canadian dollar exchange rate on crude oil sales based on US dollar benchmark prices and commodity contracts that are settled in US dollars (see above). As at September 30, 2023, the Company had the following foreign currency derivatives in place to manage its exposure to currency fluctuations:

Derivative US\$/CAD average rate variable rate collar contracts

Period	US\$ (millions)	Floor	Reset	Trigger
Q4 2023	9.0	1.32	1.34	1.37

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in prevailing market interest rates. The Company is exposed to interest rate risk on the Credit Facility, with interest rates based on the bank's prime lending or bankers' acceptance rates plus applicable margins. The applicable margin charged by the bank is dependent upon the Company's debt to cash flow ratio for the most recent quarter. Fluctuations of interest rates could result in an increase or decrease in the amount ROK pays to service the variable interest rate debt.

As at September 30, 2023, if interest rates applicable to the Credit Facility were to have increased or decreased by 50 basis points, it is estimated that the Company's income before tax would similarly change by approximately \$47,000 for the nine months ended September 30, 2023.

Fair value of financial instruments

The Company's financial instruments as at September 30, 2023, include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, risk management contracts, and debt.

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in accordance with the following hierarchy:

Level 1 - inputs are based on quoted market prices in active markets that the Company has the ability to access at the measurement date.

Level 2 - inputs are based on quoted prices in the markets that are not active or based on prices that are observable for the asset or liability.

Level 3 - inputs are based on unobservable market data for the asset or liability.

The Company aims to maximize the use of observable inputs when preparing calculations of fair value. Classification of each measurement into the fair value hierarchy is based on the lowest level of input that is significant to the fair value calculation.

The fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their carrying amounts due to their short terms to maturity. The fair value measurement of the risk management contracts and debt have a fair value hierarchy of Level 2.

The fair values of financial derivatives are recurring measurements and are determined whenever possible based on observable market data. If not available, the Company uses third party models and valuation methodologies that utilize observable market data including forward benchmark commodity prices, forward interest rates and forward foreign exchange rates to estimate the fair value of financial derivatives. In addition to market information, the Company incorporates transaction specific details that market participants would utilize in a fair value measurement, including the impact of non-performance risk. The valuation technique used has not changed in the period.

Capital management

The Company's objectives when managing capital are to ensure the Company will have sufficient financial capacity, liquidity, and flexibility to fund the Company's operations and potential strategic transactions for the foreseeable future. The Company is dependent upon funding these activities through a combination of available cash, debt and equity, which it considers to be the components of its capital structure as outlined below.

The Company monitors leverage and adjusts its capital structure based on its net debt level. Net debt is defined as the principal amount of its outstanding long-term obligations less adjusted working capital. In order to facilitate the management of its net debt, the Company prepares annual budgets, which are updated as necessary depending on varying factors including current and forecast commodity prices, changes in capital structure, execution of the Company's business plan and general industry conditions. The annual budget is approved by the Board of Directors and updates are prepared and reviewed as required.

	September 30, 2023	December 31, 2022
Cash and cash equivalents	-	5,258,881
Accounts receivable	12,614,460	10,862,673
Prepays and deposits	609,242	1,144,672
Current portion of risk management contracts	(1,704,538)	4,418,471
Accounts payable	(12,981,473)	(13,678,677)
Adjusted working capital ⁽²⁾	(1,462,309)	8,006,020
Credit Facility (8.2%) ⁽¹⁾	13,113,586	-
Lease obligations ⁽¹⁾	438,252	-
Senior Loan Facility (15%) ⁽¹⁾	-	43,347,566
Less: adjusted working capital ⁽²⁾	1,462,309	(8,006,020)
Net debt	15,014,147	35,341,546

1) Represents undiscounted face value of debt balances and lease obligations outstanding as of each respective date presented.

2) Calculation of adjusted working capital excludes current portion of debt as presented on the statement of financial position. The mark-to-market fair value of the current portion of risk management contracts is included within adjusted working capital.

The Company regularly monitors its capital structure and, as necessary, adjusts to changing economic circumstances and the underlying risk characteristics of its assets in order to meet current and upcoming obligations and investments by the Company. The Company frequently reviews alternate financing options and arrangements to meet its current and upcoming commitments and obligations.

The Company's objectives when managing capital are: (i) to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and (ii) to maintain investor, creditor and market confidence in order to sustain the future development of the business. The Company's share capital is not subject to external restrictions with the exception of lender approval on payment of dividends.

13. SUPPLEMENTAL CASH FLOW INFORMATION

For the periods ended September 30	Three months ended		Nine months ended	
	2023	2022	2023	2022
Accounts receivable	(1,876,911)	(1,213,428)	(1,751,787)	(15,604,951)
Prepays and deposits	570,837	(1,756)	699,382	(459,295)
Accounts payable and accrued liabilities	335,809	4,014,102	(697,204)	14,209,537
Change in non-cash working capital	(970,265)	2,798,918	(1,749,609)	(1,854,709)
Relating to:				
Operating activities	297,499	(1,044,842)	80,737	(4,269,000)
Investing activities	(1,267,764)	3,843,760	(1,830,346)	2,629,364
Financing activities	-	-	-	(215,073)
Change in non-cash working capital	(970,265)	2,798,918	(1,749,609)	(1,854,709)