ROK
RESOURCES

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

MANAGEMENT'S REPORT

The accompanying financial statements and related financial information are the responsibility of management and have been prepared in accordance with International Financial Reporting Standards. They include certain amounts that are based on estimates and judgments relating to matters not concluded by year-end. Financial information presented elsewhere in this document is consistent with that contained in the financial statements.

In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies adopted by management. If alternate accounting methods exist, management has chosen those policies it deems the most appropriate in the circumstances.

The independent external auditors, KPMG LLP, have conducted an examination of the financial statements on behalf of shareholders. The auditors have unrestricted access to the Company and the Audit Committee.

The Board of Directors, currently composed of six directors, five of which are independent, carries out its responsibility for the financial statements principally through its Audit Committee, consisting of three members. This Committee reviews the financial statements with management and the auditors, as well as recommends to the Board of Directors the external auditors to be appointed by the shareholders at each annual meeting. The Audit Committee meets at least quarterly to review and approve interim financial statements prior to their release and recommend their approval to the Board of Directors.

The Board of Directors on the recommendation of the Audit Committee has approved the financial statements and information as presented.

(signed)

Cameron Taylor
President
& Chief Executive Officer

(signed)

Lynn Chapman
Vice President of Finance
& Chief Financial Officer

April 13, 2023
Regina, Saskatchewan

KPMG LLP
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ROK Resources Inc.

Opinion

We have audited the financial statements of ROK Resources Inc. (the Company), which comprise:

- the statements of financial position as at December 31, 2022, December 31, 2021 and January 1, 2021
- the statements of income (loss) and comprehensive income (loss) for the years ended December 31, 2022 and December 31, 2021
- the statements of cash flows for the years ended December 31, 2022 and December 31, 2021
- the statements of changes in shareholders' equity for the years ended December 31, 2022 and December 31, 2021
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022, December 31, 2021, and January 1, 2021, and its financial performance and its cash flows for the years ended December 31, 2022 and December 31, 2021 in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Assessment of the impact of estimated proved and probable petroleum and natural gas reserves on the fair value of property, plant and equipment acquired in a business combination and on property, plant and equipment

Description of the matter

We draw attention to note 2, note 3, note 5, note 6 and note 7 to the financial statements. On March 7, 2022, the Company acquired property, plant and equipment in a business combination. The Company used estimated proved and probable petroleum and natural gas reserves from an independent third-party reserve evaluation to estimate the fair value of property, plant and equipment acquired in a business combination. The fair value of the property, plant and equipment acquired in a business combination was $158,000,000. The determination of the fair value of the property, plant and equipment acquired in a business combination involves significant estimates and assumptions related to prove and probable petroleum and natural gas reserves and the discount rates. The estimate of proved and probable petroleum and natural gas reserves includes significant estimates and assumptions related to:

- Forecasted petroleum and natural gas commodity prices
- Forecasted production volumes
- Forecasted operating costs
- Forecasted royalty costs
- Forecasted future development costs

The Company uses estimated proved and probable petroleum and natural gas reserves to deplete property, plant and equipment, to assess for indicators of impairment or impairment reversal on each of the Company's cash generating units ("CGU") and if any such indicators exist, to perform an impairment test to estimate the recoverable amount of a CGU. The Company had $163,555,788 of property, plant and equipment as at December 31, 2022. Property, plant and equipment is depleted using the unit-of-production method by reference to the ratio of production in the year, before royalties, to the related proved and probable petroleum and natural gas reserves as determined by independent third-party reserve evaluators, taking into account estimated future development costs necessary to bring those reserves into production. Depletion and depreciation expense on property, plant and equipment was $19,190,812 for the year ended December 31, 2022.

The Company engaged independent third-party reserve evaluators to estimate proved and probable petroleum and natural gas reserves both as at April 1, 2022 and December 31, 2022. For purposes of estimating the fair value of the property, plant and equipment acquired in a business combination, the Company used the April 1, 2022, independent third-party reserve evaluators' estimate of proved and probable petroleum and natural gas reserves.

Why the matter is a key audit matter

We identified the assessment of the impact of estimated proved and probable petroleum and natural gas reserves on the fair value of the property, plant and equipment acquired in a business combination and on the depletion expense of property, plant and equipment as a key audit matter. Significant auditor judgment was required to evaluate the results of our audit procedures regarding the estimate of proved and probable petroleum and natural gas reserves and the discount rates. Additionally, the assessment of fair value of property, plant and equipment acquired in a business combination requires the use of professionals with specialized skills and knowledge in valuation.

How the matter was addressed in the audit

The following are the primary procedures we performed to address these key audit matters:

With respect to the estimate of proved and probable petroleum and natural gas reserves as at April 1, 2022 for the purposes of the determination of the fair value of the property, plant and equipment acquired in a business combination:

- We evaluated the competence, capabilities and objectivity of the independent third-party reserve evaluators engaged by the Company
- We compared forecasted petroleum and natural gas commodity prices to those published by other independent third-party reserve evaluators
- We compared the actual production volumes, operating costs, royalty costs and future development costs from April 1, 2022, to December 31, 2022 to those estimates used in the April 1, 2022 estimate of proved petroleum and natural gas reserves to assess the Company's ability to accurately forecast

We involved valuation professionals with specialized skills and knowledge, who assisted in:

- Evaluating the appropriateness of the Company's discount rates by comparing the discount rates to market and other external data
- Assessing the reasonableness of the Company's estimated fair value of the property, plant and equipment acquired in a business combination by comparing the Company's estimate to market metrics and other external data.

With respect to the estimate of proved and probable petroleum and natural gas reserves as at April 1, 2022 and December 31, 2022 for the purposes of the depletion calculations:

- We evaluated the competence, capabilities and objectivity of the independent third-party reserve evaluators engaged by the Company

- We compared forecasted petroleum and natural gas commodity prices to those published by other independent third-party reserve evaluators
- We compared the proved and probable petroleum and natural gas reserves as at December 31, 2022 to the proved and probable petroleum and natural gas reserves as at April 1, 2022. We took into account changes in conditions and events affecting the Company to assess the adjustments or lack of adjustments made by the Company in arriving at the assumptions.
- We compared the 2022 actual production volumes, operating costs, royalty costs and future development costs of the Company to those estimates used in the prior year's estimate of proved petroleum and natural gas reserves to assess the Company's ability to accurately forecast
- We evaluated the appropriateness of forecasted production volumes and forecasted operating costs, royalty costs and future development costs assumptions by comparing to 2022 historical results. We took into account changes in conditions and events affecting the Company to assess the adjustments or lack of adjustments made by the Company in arriving at the assumptions.

We assessed the depletion expense calculation for compliance with IFRS as issued by the IASB.

Other Information

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this auditor's report is Jason Stuart Brown.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
April 13, 2023

ROK RESOURCES INC.
STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)	**December 31, 2022**	December 31, 2021 *Restated* [1]	January 1, 2021 *Restated* [1]
Assets			
Current Assets			
Cash and cash equivalents	**5,258,881**	1,208,776	1,420,067
Accounts receivable (Note 19)	**10,862,673**	553,639	445,095
Prepaids and deposits	**1,144,672**	140,967	86,974
Risk management contracts (Note 19)	**4,418,471**	-	-
	21,684,697	1,903,382	1,952,136
Non-current Assets			
Restricted cash (Note 10)	**1,925,869**	-	-
Long term non-refundable deposit and other (Note 12)	**2,663,952**	-	-
Deferred transaction costs	**-**	427,235	-
Risk management contracts (Note 19)	**567,304**	-	-
Property, plant and equipment (Note 6 and 7)	**163,555,788**	6,944,932	1,274,876
Exploration and evaluation assets (Note 8)	**893,276**	1,321,693	1,178,458
Investment in lithium exploration project (Note 14)	**787,239**	-	-
	192,078,125	10,597,242	4,405,470
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	**13,678,677**	1,424,772	355,611
Current portion of debt notes (Note 9)	**-**	1,333,333	-
Current portion of senior loan facility (Note 10)	**22,735,249**	-	-
	36,413,926	2,758,105	355,611
Non-current Liabilities			
Non-current portion of debt notes (Note 9)	**-**	2,506,393	-
Non-current portion of senior loan facility (Note 10)	**12,924,926**	-	-
Decommissioning obligations (Note 11)	**18,458,391**	1,301,849	1,110,784
Deferred income tax (Note 18)	**14,773,311**	-	-
	82,570,554	6,566,347	1,466,395
Shareholders' Equity			
Share capital (Note 13a)	**25,853,185**	6,309,267	3,607,761
Warrants (Note 13b)	**5,050,223**	802,020	446,044
Contributed surplus (Note 13c)	**2,087,123**	405,318	54,263
Retained earnings (deficit)	**76,517,040**	(3,485,710)	(1,168,993)
	109,507,571	4,030,895	2,939,075
	192,078,125	10,597,242	4,405,470

(1) See Note 4 for retrospective adjustments due to voluntary change in accounting policy

Commitments (Note 20)
Subsequent events (Note 23)

See accompanying notes to the financial statements.

Approved by the Board of Directors:

(signed)	*(signed)*
Cameron Taylor Chairman of the Board of Directors	David Hergenhein Chairman of the Audit Committee

ROK RESOURCES INC.

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

For the years ended December 31

(Expressed in Canadian Dollars)	**2022**	2021
		Restated [1]
Revenue:		
Oil and natural gas sales (Note 15)	**87,311,542**	3,436,882
Royalties	**(14,321,258)**	(636,733)
Oil and natural gas sales, net of royalties	**72,990,284**	2,800,149
Realized gain on commodity contracts (Note 19)	**4,124,648**	-
Unrealized gain on commodity contracts (Note 19)	**4,985,775**	-
Processing and other income	**1,787,246**	-
Total revenue and other income	**83,887,953**	2,800,149
Expenses and other items:		
Operating expenses	**25,356,246**	1,358,527
General and administrative	**5,230,202**	1,547,066
Business development (Note 16)	**2,383,106**	343,066
Gain on acquisition (Note 6)	**(66,822,326)**	-
Stock-based compensation (Note 13c)	**1,703,002**	369,702
Depletion and depreciation (Note 7)	**19,190,812**	759,674
Exploration and evaluation expense (Note 8)	**428,417**	184,086
Loss on debt settlement (Note 9)	**320,170**	-
Net finance expense (Note 17)	**15,353,240**	551,942
Foreign exchange loss	**2,306,973**	2,803
Total expenses and other items	**5,449,842**	5,116,866
Income (loss) before income taxes	**78,438,111**	(2,316,717)
Current income tax provision	**-**	-
Deferred income tax recovery (Note 18)	**(1,564,639)**	-
Net income (loss) and comprehensive income (loss)	**80,002,750**	(2,316,717)
Net income (loss) per share (Note 13d)		
Basic	**0.46**	(0.03)
Diluted	**0.40**	(0.03)

(1) See Note 4 for retrospective adjustments due to voluntary change in accounting policy

See accompanying notes to the financial statements.

ROK RESOURCES INC.

STATEMENTS OF CASH FLOWS

For the years ended December 31

(Expressed in Canadian Dollars)	**2022**	2021 Restated [1]
Cash flows provided by (used in):		
Operating activities		
Net income (loss)	**80,002,750**	(2,316,717)
Adjustments for:		
Gain on acquisition (Note 6)	**(66,822,326)**	-
Unrealized gain on commodity contracts	**(4,985,775)**	-
Depletion and depreciation	**19,190,812**	759,674
Exploration and evaluation expense	**428,417**	184,086
Stock-based compensation	**1,703,002**	369,702
Unrealized foreign exchange loss	**2,462,778**	1,055
Loss on debt settlement	**320,170**	-
Net finance expense	**15,353,240**	551,942
Abandonment costs paid	**(511,146)**	(60,301)
Deferred income tax recovery	**(1,564,639)**	-
Change in non-cash working capital (Note 22)	**(448,467)**	509,086
	45,128,816	(1,473)
Investing activities		
Acquisitions (Note 6)	**(57,959,516)**	(3,963,490)
Expenditures on property, plant and equipment	**(28,402,308)**	(1,691,946)
Proceeds on property, plant and equipment disposals	**-**	95,000
Expenditures on exploration and evaluation assets	**-**	(327,321)
Long term non-refundable deposit and other (Note 12)	**(2,663,952)**	-
Expenditures on lithium exploration project (Note 14)	**(787,239)**	-
Change in non-cash working capital (Note 22)	**1,604,706**	182,465
	(88,208,309)	(5,705,292)
Financing activities		
Proceeds on equity financing, net of costs (Note 13a)	**15,833,477**	2,134,968
Proceeds on debt financing, net of costs (Note 9 and 10)	**61,931,653**	3,874,010
Proceeds on warrant exercises (Note 13b)	**4,739,416**	-
Proceeds on option exercises (Note 13c)	**49,500**	22,500
Debt Note payout settlement (Note 9)	**(1,482,685)**	-
Senior Term Facility principal payment (Note 10)	**(25,376,086)**	-
Change in restricted cash	**(1,816,257)**	-
Deferred transaction costs paid relating to pending financings	**-**	(427,235)
Net finance expense paid	**(6,569,965)**	(322,787)
Change in non-cash working capital (Note 22)	**(215,073)**	215,073
	47,093,980	5,496,529
Foreign exchange gain (loss) on cash and cash equivalents	**35,618**	(1,055)
Increase (decrease) in cash and cash equivalents	**4,050,105**	(211,291)
Cash and cash equivalents, beginning of year	**1,208,776**	1,420,067
Cash and cash equivalents, end of year	**5,258,881**	1,208,776

(1) See Note 4 for retrospective adjustments due to voluntary change in accounting policy

See accompanying notes to the financial statements.

ROK RESOURCES INC.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian Dollars)	**Number of Shares**	**Share Capital**	**Warrants**	**Contributed Surplus**	**Retained Earnings (Deficit)**	**Total**
Balance at December 31, 2021	74,471,576	6,309,267	802,020	405,318	(3,485,710)	4,030,895
Net income	-	-	-	-	80,002,750	80,002,750
Prospectus Offering, March 2022	95,834,100	12,765,590	4,464,548	-	-	17,230,138
Issue costs, net of tax of $363,680	-	(1,073,870)	(508,956)	-	-	(1,582,826)
Broker warrants, Prospectus Offering	-	-	534,696	-	-	534,696
Debt Note redemption	15,555,550	2,075,326	724,674	-	-	2,800,000
Stock option exercises	495,000	71,300	-	(21,800)	-	49,500
Warrant exercises and expiries	25,224,258	5,705,572	(966,759)	603	-	4,739,416
Stock-based compensation	-	-	-	1,703,002	-	1,703,002
Balance at December 31, 2022	**211,580,484**	**25,853,185**	**5,050,223**	**2,087,123**	**76,517,040**	**109,507,571**
Restated [1]						
Balance at December 31, 2020	58,996,576	3,607,761	446,044	54,263	(1,168,993)	2,939,075
Net loss	-	-	-	-	(2,316,717)	(2,316,717)
Private placement, June 2021	11,000,000	1,875,359	259,609	-	-	2,134,968
Shares issued in net asset acquisitions	4,250,000	785,000	-	-	-	785,000
Warrants issued in Note Financing	-	-	96,367	-	-	96,367
Stock option exercise	225,000	41,147	-	(18,647)	-	22,500
Stock-based compensation	-	-	-	369,702	-	369,702
Balance at December 31, 2021	74,471,576	6,309,267	802,020	405,318	(3,485,710)	4,030,895

(1) See Note 4 for retrospective adjustments due to voluntary change in accounting policy

See accompanying notes to the 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".

ROK continued to execute on its acquisitive growth strategy with a series of property acquisitions in 2021 and a large acquisition of producing assets in early 2022 (see Note 6). The assets acquired are concentrated in Southern Saskatchewan and Central Alberta. The Statements of Net Income (Loss) and Comprehensive Income (Loss) for the years ended December 31, 2022 and 2021, include the results of operations related to the acquired assets for the period from the closing date of each acquisition.

2. BASIS OF PRESENTATION

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). A summary of significant accounting policies is presented in Note 3.

These financial statements were approved and authorized for issuance by the Company's Board of Directors on April 13, 2023.

b) Basis of measurement

These financial statements have been prepared on a going concern basis, under the historical cost basis, unless otherwise noted. The methods used to measure fair values are discussed in Note 5.

c) Functional and presentation currency

Unless otherwise stated, these financial statements are presented in Canadian dollars ("CAD"). The functional currency of the Company is the Canadian dollar, which is the primary economic environment in which the Company operates.

d) Use of estimates and judgments

The timely preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future periods could require a material change in the financial statements. Accordingly, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant estimates and judgments made by management in the preparation of these financial statements are outlined below.

The Company continues to assess the impact of climate change on the financial statements. The Company is currently analyzing potential internal greenhouse gas reduction initiatives and is continually monitoring regulatory initiatives that may impact its existing businesses. The impact of these changes will be assessed in future reporting periods to ensure any changes in assumptions that would impact estimates listed below are adjusted on a timely basis.

Critical judgments in applying accounting policies

The following are the critical judgments that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in these financial statements:

i) *Identification of cash-generating units*
The Company's assets are aggregated into cash-generating units, for the purpose of calculating impairment, based on their ability to generate largely independent cash flows. By their nature, these estimates and assumptions are subject to measurement uncertainty and may impact the carrying value of the Company's assets in future periods.

ii) *Exploration and evaluation assets*
The application of the Company's accounting policy for exploration and evaluation assets requires management to make certain judgments as to future events and circumstances as to whether economic quantities of reserves have been found in assessing economic and technical feasibility.

iii) *Impairment of property, plant and equipment and exploration and evaluation assets*
Judgments are required to assess when impairment indicators, or reversal indicators, exist and impairment testing is required. In determining the recoverable amount of assets, in the absence of quoted market prices, impairment tests are based on estimates with respect to forecasted production volumes, forecasted oil and natural gas prices, forecasted operating costs, royalties, and future development costs, discount rates, market value of land and other relevant assumptions.

iv) *Income taxes*
Judgments are made by management to determine the likelihood of whether deferred income tax assets at the end of the reporting period will be realized from future taxable earnings. To the extent that assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in profit or loss in the period in which the change occurs.

v) *Asset Acquisitions*
The application of the Company's accounting policy for business combinations requires management to make certain judgments in applying the optional concentration test under IFRS 3 Business Combinations, to determine whether the acquired assets meet the definition of a business combination or an asset acquisition. Where an acquisition involves a group of assets and liabilities, and does not constitute a business, the acquirer must identify and recognize the individual assets acquired and liabilities assumed. The cost of the transaction is allocated to the assets acquired and liabilities assumed based on their relative fair values at the date of purchase.

Key sources of estimation uncertainty

The following are the key assumptions concerning the sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing adjustments to the carrying amounts of assets and liabilities.

i) *Reserves and resource assessment*
The estimate of proved and probable petroleum and natural gas reserves includes significant estimates and assumptions related to: 1) Forecasted petroleum and natural gas commodity prices; 2) forecasted production volumes; 3) forecasted operating costs; 4) forecasted royalty costs; and 5) forecasted future development costs. Other estimates which impact the assessment of the reported recoverable quantities of proved and probable reserves and prospective resource estimates include estimates regarding exchange rates, remediation costs, timing and production, transportation and marketing costs for future cash flows.

It also requires interpretation of geological and geophysical models in anticipated recoveries and estimates with respect to production profiles. The economical, geological and technical factors used to estimate reserves and prospective resources may change from period to period. Changes in reported reserves and prospective resources can impact the carrying values of the Company's petroleum and natural gas properties and exploration and evaluation assets and equipment, the calculation of depletion and depreciation, the provision for decommissioning obligations, the recognition of deferred tax assets due to changes in expected future cash flows, and the estimated fair value of property, plant and equipment acquired in a business combination.

The Company's petroleum and natural gas reserves represent the estimated quantities of petroleum, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be economically recoverable in future years from known reservoirs and which are considered commercially viable. Such reserves may be considered commercially producible if management has the intention of developing and producing them and such intention is based upon (i) a reasonable assessment of the future economics of such production; (ii) a reasonable expectation that there is a market for all or substantially all the expected petroleum and natural gas production; and (iii) evidence that the necessary production, transmission and transportation facilities are available or can be made available. Reserves may only be considered proven and probable if the ability to produce is supported by either actual production or conclusive formation tests. Prospective resources are determined using an externally prepared valuation report which reflects estimated prospective resources and external pricing and costs assumptions reflective of the current market. The Company's petroleum and gas reserves and prospective resources are determined pursuant to National Instrument 51-101, Standard of Disclosures for Oil and Gas Activities.

The Company uses estimated proved and probable petroleum and natural gas reserves from an independent third-party reserve evaluation to estimate the fair value of property, plant and equipment acquired in a business combination. Further, the Company uses estimated proved and probable petroleum and natural gas reserves to deplete property, plant and equipment, to assess for indicators of impairment or impairment reversal on each of the Company's cash generating units ("CGU") and if any such indicators exist, to perform an impairment test to estimate the recoverable amount of a cash generating unit. For purposes of estimating the fair value of the property, plant and equipment acquired in a business combination (Note 6) and the Company's depletion calculations, the Company used the April 1, 2022, and December 31, 2022, independent third-party reserve evaluators estimate of proved and probable petroleum and natural gas reserves.

ii) Decommissioning obligations

The Company estimates future remediation costs of production facilities, wells and pipelines at different stages of development and construction of assets or facilities. In most instances, removal of assets occurs many years into the future. This requires assumptions regarding abandonment date, environmental and regulatory legislation, the extent of reclamation activities, the engineering methodology for estimating cost, removal technologies in determining the removal cost and liability-specific discount rates to determine the present value of these cash flows.

iii) Business combinations

In a business combination, management makes estimates of the fair value of assets acquired and liabilities assumed as part of the acquisition transaction, which includes assessing the value of oil and gas properties based upon the estimation of recoverable quantities and cash flows from proved and probable oil and gas reserves being acquired, discounted at an estimated rate that reflects a market participants view of the risks associated with the cash flows.

iv) Share-based payments

All equity-settled, share-based awards issued by the Company are recorded at fair value using the Black-Scholes option-pricing model. In assessing the fair value of equity-based compensation, estimates have to be made regarding the expected volatility in share price, option life, dividend yield, risk-free rate and estimated forfeitures at the initial grant date.

v) Tax provisions

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods. Deferred tax assets (if any) are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse.

Matters relating to economic uncertainty

Estimates are more difficult to determine, and the range of potential outcomes can be wider, in periods of higher volatility and uncertainty. The impacts of the COVID-19 pandemic and the recovery therefrom coupled with several factors including higher levels of uncertainty due to the Russian invasion of Ukraine and its impact on energy markets, rising interest and inflation rates, and constrained supply chains have created a higher level of volatility and uncertainty. Management has, to the extent reasonable, incorporated known facts and circumstances into the estimates made, however, actual results could differ from those estimates and those differences could be material.

Changing regulations

Emissions, carbon and other regulations impacting climate and climate related matters are dynamic and constantly evolving. With respect to environmental, social and governance ("ESG") and climate reporting, the International Sustainability Standards Board has issued an IFRS Sustainability Disclosure Standard with the aim to develop sustainability disclosure standards that are globally consistent, comparable and reliable. In addition, the Canadian Securities Administrators have issued a proposed National Instrument 51-107 Disclosure of Climate-related Matters. The cost to comply with these standards, and others that may be developed or evolve over time, has not yet been quantified by the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these financial statements, except for the adoption of new standards in 2022.

a) Jointly controlled operations

Certain portions of the Company’s exploration and production activities are conducted under joint operating agreements, whereby two or more parties jointly control the assets. These financial statements reflect only the Company’s share of these jointed controlled assets and, once production commences, a proportionate share of the relevant revenue and related costs.

b) Exploration and evaluation assets

All license acquisition, exploration and appraisal costs of technical services and studies, seismic acquisition, exploratory drilling and testing are initially capitalized by well, field, unit of account or specific exploration unit as appropriate. Expenditures incurred during the various exploration and appraisal phases are carried forward, until the existence of commercial reserves and when the technical feasibility and commercial viability are demonstrable. Commercial reserves are typically considered to have been achieved when proven and/or probable reserves have been assigned. If commercial reserves have been discovered and technical feasibility and commercial viability are demonstrable, the carrying value of the exploration and evaluation assets, after any impairment loss, are reclassified as oil and gas properties. If technical feasibility and commercial viability can not be demonstrated upon completion of the exploration phase, the carrying value of the exploration and evaluation costs incurred are expensed in the period this determination is made. Exploration and evaluation assets are not depleted or depreciated.

Exploration and evaluation assets are allocated to related cash-generating units (“CGUs”) and are tested for impairment when indicators of impairment are present, and when exploration and evaluation assets are transferred to oil and gas properties.

Pre-licence costs
Costs incurred prior to having obtained the legal rights to explore an area are expensed to the statement of income as they are incurred.

c) Oil and gas properties and other property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depletion and depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any cost directly attributable to bringing the asset into operation, including costs transferred from exploration and evaluation assets, the initial estimate of the decommissioning obligation, directly attributable general and administrative costs, and for qualifying assets, finance costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Expenditure on the construction, installation or completion of infrastructure facilities such as pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalized in oil and gas properties when they increased the future economic benefits embodied in the specific asset to which they relate. The costs of day to day servicing are expensed as incurred. Property, plant and equipment are grouped into CGUs for impairment testing purposes.

Depletion, depreciation and amortization
Property, plant and equipment is depleted using the unit-of-production method by reference to the ratio of production in the year, before royalties, to the related proven and probable petroleum and natural gas reserves as determined by independent third-party reserve evaluators, taking into account estimated future development costs necessary to bring those reserves into production. The Company's reserves are determined pursuant to National Instrument 51-101, Standards of Disclosure for Oil and Gas Activities. For purposes of this calculation, natural gas is converted to equivalent volumes of crude petroleum based on the approximate energy equivalent ratio of six thousand cubic feet of natural gas to one barrel of crude oil. Future development costs are estimated taking into account the level of development required to produce the reserves. When significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for and depreciated as separate components.

Furniture and equipment are depreciated over their estimated remaining lives using the declining balance method of depreciation. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount with any gain or loss recognized in earnings.

d) Impairment of non-financial assets

The Company assesses at each reporting date whether there is any indication that an asset may be impaired. Exploration and evaluation assets are assessed for impairment when they are reclassified to oil and gas properties and also if facts and circumstances suggest that the carrying amount exceeds the recoverable value, at which point the Company estimates the asset's recoverable amount. Exploration and evaluation assets are allocated to related CGU when they are assessed for impairment, both at the time of triggering events as well as at the time of their transfer to oil and gas properties. For non-financial assets, the recoverable amount is the higher of an asset's or CGU fair value less costs to sell and its value-in-use. Individual non-financial assets are grouped into CGU for impairment assessment purposes, which is the lowest level at which there are identifiable cash inflows that are largely independent of the cash inflows of other groups of non-financial assets. Where the carrying amount of a CGU exceeds its recoverable amount, the non-financial asset is considered impaired and is written down to its recoverable amount.

Fair value less cost to sell is determined as the amount that would be obtained from the sale of a CGU in an arm's length transaction between knowledgeable and willing parties, adjusted for incremental costs that would be directly attributable to the disposal of the asset. In assessing value-in-use, the estimated future cash flows expected to arise from the continued use of the CGU including any expansion prospects, and its eventual disposal, using assumptions that an independent market participant may take into account, are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of loss.

e) Financial instruments

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are not offset unless the Company has the current legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously.

The Company characterizes its fair value measurements into a three-level hierarchy depending on the degree to which the inputs are observable, as follows:

- Level 1 inputs are quoted prices in active markets for identical assets and liabilities;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Classification and Measurement of Financial Assets

The initial classification of a financial asset depends upon the Company's business model for managing its financial assets and the contractual terms of the cash flows. There are three measurement categories into which the Company classified its financial assets:

- Amortized Cost: Includes assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest;
- Fair Value through Other Comprehensive Income ("FVOCI"): Includes assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, where its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest; or
- Fair Value Through Profit or Loss ("FVTPL"): Includes assets that do not meet the criteria for amortized cost or FVOCI and are measured at fair value through profit or loss. This includes all derivative financial instruments.

At initial recognition, the Company measures a financial asset at its fair value and, in the case of a financial asset not at FVTPL, including transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are recorded as an expense in net earnings.

Financial assets are reclassified subsequent to their initial recognition only if the business model for managing those financial assets changes. The affected financial assets will be reclassified on the first day of the first reporting period following the change in the business model. A financial asset is derecognized when the rights to receive cash flows from the asset have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Impairment of Financial Assets

The Company recognizes loss allowances for Expected Credit Losses ("ECLs") on its financial assets measured at amortized cost. Due to the nature of its financial assets, the Company measures loss allowances at an amount equal to expected lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the related financial asset. The Company does not have any financial assets that contain a financing component.

As at December 31, 2022, all of the Company's receivables were deemed collectible. The average expected credit loss on the Company's trade accounts receivable was not estimated to be significant.

Classification and Measurement of Financial Liabilities
A financial liability is initially classified as measured at amortized cost or FVTPL. A financial liability is classified as measured at FVTPL if it is held-for-trading, a derivative, or designated as FVTPL on initial recognition. The classification of a financial liability is irrevocable.

Financial liabilities at FVTPL are measured at fair value with changes in fair value, along with any interest expense, recognized in net earnings. Other financial liabilities are initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in net earnings. Any gain or loss on derecognition is also recognized in net earnings.

A financial liability is derecognized when the obligation is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same counterparty with substantially different terms, or the terms of an existing liability are substantially modified, it is treated as a derecognition of the original liability and the recognition of a new liability. When the terms of an existing financial liability are altered, but the changes are considered non-substantial, it is accounted for as a modification to the existing financial liability. Where a liability is substantially modified it is considered to be extinguished and a gain or loss is recognized in net earnings based on the difference between the carrying amount of the liability derecognized and the fair value of the revised liability. Where a liability is modified in a non-substantial way, the amortized cost of the liability is remeasured based on the new cash flows and a gain or loss is recorded in net earnings.

Financial derivative instruments
Financial derivative instruments are included in current assets and liabilities except for those with maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets and liabilities. The Company has not designated any of its financial derivative contracts as hedging instruments. The Company's financial derivative instruments are classified as financial assets or liabilities at fair value through profit or loss and are reported at fair value with changes in fair value recorded in net income or loss. The Company accounts for its forward physical delivery sales contracts, which were entered into and continue to be held for the purpose of receipt or delivery of non-financial items, in accordance with its expected purchase, sale or usage requirements as executory contracts. As such, these contracts are not considered to be derivative financial instruments and have not been recorded at fair value on the consolidated balance sheet. Realized gains or losses from physically settled commodities sales contracts are recognized in petroleum and natural gas sales as the contracts are settled.

Share Capital
Common shares are classified as shareholders' equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from shareholders' equity, net of any tax effects.

f) Equity accounted investment

The Company's investment in the lithium exploration project outlined below has been accounted for as an equity investment as the Company has significant influence but not control. Significant influence is the ability to participate in the financial and operating policy decisions of the investee without having control or joint control over those policies. In general, significant influence is presumed to exist when the Company has between 20% and 50% of voting power. Significant influence may also be evidenced by factors such as the Company's representation on the board of directors, participation in policy-making of the investee, material transactions with the investee, interchange of managerial personnel or the provision of essential technical information. Such investments are equity accounted for from the date of commencement of significant influence to the date that the Company ceases to have significant influence.

The financial results of the Company's significantly influenced investments are included in the Company's financial statements using the equity method of accounting, whereby the investment is initially recognized at cost, and the carrying amount is then subsequently adjusted to recognize the Company's share of earning or losses of the underlying investment. If the Company's carrying value in the equity accounted investment is reduced to zero, further losses are not recognized except to the extent that the Company has incurred legal or constructive obligations or has made payments on behalf of the equity accounted investee. At the end of each reporting period, the Company assesses whether there is objective evidence that the investment is impaired. If the investment is considered impaired, the Company estimates its fair value, and any difference is charged to the statement of income.

g) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

Decommissioning obligations
The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category. Decommissioning obligations are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the statement of financial position date. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation.

Changes in the estimated timing of decommissioning or decommissioning cost estimates, or discount rate are recognized prospectively by recording an adjustment to the decommissioning obligation, and a corresponding adjustment to the corresponding asset. The increase in the provision due to the passage of time is recognized as a finance cost. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established.

h) Revenue from petroleum and natural gas sales

Revenue from the sale of commodities, which include oil and gas, is recognized when performance obligations are met and control has transferred from the Company to customers. The transfer of control of oil and natural gas usually occurs at a point in time and coincides with title passing to the customer and the customer taking physical possession. The Company considers its performance obligations to be satisfied and control to be transferred when all the following conditions are satisfied:

- The Company has transferred title and physical possession of the commodity to the buyer;
- The Company has transferred the significant risks and rewards of ownership to the buyer; and
- The Company has the present right to payment

Revenue is measured based on the consideration specified in the sales contracts with customers and is recorded on a net working interest basis for producing properties, of which the Company has a related ownership interest. The transaction price for variable price contracts is based on the commodity price, adjusted for quality, location and other factors. Any variability in the transaction price is recognized in the same period which the related revenue is earned and recorded.

The Company does not have any contracts where the period between the transfer of promised goods and services to the customer and payment by the customer exceeds one year. As a result, the Company does not adjust its revenue transactions for the time value of money. The Company's revenue transactions do not contain significant financing components.

i) Share-based payments

The Company follows the fair-value method for valuing stock options and other dilutive instruments granted to employees and directors. Under this method, the compensation cost is measured at the grant date using the Black-Scholes option pricing model and expensed over the vesting period of the instrument granted as stock-based compensation expense with a corresponding increase to contributed surplus. The contributed surplus balance is reduced as stock options and other dilutive instruments are exercised with the amount previously recognized plus any consideration received credited to share capital. The portion of stock-based compensation directly attributable to exploration and evaluation activities is capitalized to the corresponding asset. The Company has included an estimated forfeiture rate for stock options that will not vest, which is adjusted to reflect actual forfeitures upon final vesting of the award.

j) Income taxes

Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax
Deferred income tax is provided using the balance sheet method on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income taxes are recognized for all taxable temporary differences, except:

- Where deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting earnings nor taxable earnings or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable earnings will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized. The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable earnings will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of income. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

k) Earnings per share

Basic earnings per share information is computed by dividing the earnings by the weighted average number of shares outstanding during the reporting period. The Company utilizes the treasury stock method in the determination of the diluted per share amounts. Under this method, the diluted weighted average number of shares is calculated assuming the proceeds that arise from the exercise of outstanding, in-the-money options are used to purchase common shares of the Company at their average market price for the period. The weighted average number of shares outstanding is then adjusted by the net change.

l) Business combinations and goodwill

On the acquisition of a business, the acquisition method of accounting is used whereby the identifiable assets, liabilities and contingent liabilities (identifiable net assets) are recognized on the basis of fair value at the date of acquisition. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of closing.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the Company's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the fair value attributable to the Company's share of the identifiable net assets exceeds the fair value of the consideration, the Company reassesses whether it has correctly identified and measured the assets acquired and liabilities assumed and recognizes any additional assets or liabilities that are identified in that review. If an excess remains after reassessment, the Company recognizes the resulting gain in profit or loss on the acquisition date. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

m) Finance costs and interest income

Finance costs comprise interest expense on borrowings, accretion of the discount on the decommissioning obligation, and any impairment losses recognized on financial assets.

Interest income is recognized as it accrues in profit or loss, using the effective interest method.

n) Foreign currency

The functional currency of the Company is the Canadian dollar. Transactions in currencies other than each entity's functional currency are initially recorded at the exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted to the Canadian dollar at the closing rate as at the date of the statement of financial position. All differences are recorded in net earnings or loss. Non-monetary items are converted to the Canadian dollar using the historical exchange rates prevailing at the dates of the initial transactions.

4. ACCOUNTING STANDARDS ADOPTIONS AND PRONOUNCEMENTS

Voluntary change in accounting policy

Under the Company's previous accounting policy, ROK used a risk-free rate based on the Bank of Canada published bond rates in the measurement of the present value of its decommissioning obligations. Effective January 1, 2022, the Company elected to change its policy for the measurement of decommissioning obligations to utilize a credit-adjusted rate. The use of a credit-adjusted rate results in reliable and more relevant information for the readers of the financial statements as this methodology provides a more accurate representation of the value at which such liabilities could be transferred to a third party and provides a better indication of the risk associated with such obligations.

Management has applied the voluntary change in accounting policy retrospectively, including the restatement of comparative amounts. The tables below present the impact of the change in accounting policy to the statements of financial position as at December 31, 2021 and January 1, 2021, and the statement of comprehensive loss and the statement of cash flows for the year ended December 31, 2021, for each of the line items impacted.

Impacts on the Statement of Financial Position

As at December 31, 2021	*Previous policy*	*Adjustments*	*Restated*
Property, plant and equipment	9,444,668	(2,499,736)	6,944,932
Decommissioning obligations	3,850,032	(2,548,183)	1,301,849
Deficit	(3,534,157)	48,447	(3,485,710)

As at January 1, 2021	*Previous policy*	*Adjustments*	*Restated*
Property, plant and equipment	3,434,274	(2,159,398)	1,274,876
Decommissioning obligations	3,304,071	(2,193,287)	1,110,784
Deficit	(1,202,882)	33,889	(1,168,993)

Impacts on the Statement of Comprehensive Loss

For the year ended December 31, 2021	*Previous policy*	*Adjustments*	*Restated*
Depletion and depreciation	878,649	(118,975)	759,674
Net finance expense	447,525	104,417	551,942
Net loss	(2,331,275)	14,558	(2,316,717)

Impacts on the Statement of Cash Flows

For the year ended December 31, 2021	*Previous policy*	*Adjustments*	*Restated*
Net loss	(2,331,275)	14,558	(2,316,717)
Depletion and depreciation	878,649	(118,975)	759,674
Net finance expense	447,525	104,417	551,942

5. DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property, plant and equipment and exploration and evaluation assets

The fair value of property, plant and equipment and exploration and evaluation assets recognized in a business combination and in assessing the recoverable value for impairment testing, is based on market values. The determination of the fair value of the property, plant and equipment acquired in a business combination involves significant estimates and assumptions related to proved and probable petroleum and natural gas reserves and the discount rates. The market value of property, plant and equipment and exploration and evaluation assets is the estimated amount for which the assets could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of oil and natural gas interests included in property, plant and equipment is estimated with reference to the discounted cash flows expected to be derived from oil and natural gas production based on independent third-party reserve evaluators estimate of proved and probable petroleum and natural gas reserves. The risk-adjusted discount rate is specific to the asset with reference to general market conditions. The market value for exploration and evaluation assets is determined based on quoted market prices for similar assets, if available, or discounted cash flows expected to be derived from oil and natural gas production based on available resource reports. The discount rate is specific to the exploration and evaluation asset with reference to general market conditions.

Financial assets and liabilities
The fair value of financial assets and liabilities is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date, except for marketable securities which are fair valued based on quoted trading prices.

Derivatives
The fair value of forward contracts and swaps is determined by discounting the difference between the contracted prices and published forward price curves as at the statement of financial position date, using the remaining contracted amounts and discounted using an appropriate interest rate (based on published government rates and considering counterparty credit risk). The fair value of options and costless collars is based on option models that use published information with respect to volatility, prices and interest rates.

Stock options
The fair value of employee stock options is measured using a Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility), weighted average expected life of the instruments (based on historical experience and general option and warrant behaviour), expected dividends, expected forfeiture rate and the risk-free interest rate (based on government bonds).

6. FCL ACQUISITION

On March 7, 2022, the Company closed the acquisition of certain Saskatchewan and Alberta petroleum and natural gas assets. Total cash consideration of the acquisition was $71.7 million, prior to purchase price adjustments of approximately $13.8 million for the operating results of the asset from November 1, 2021, effective date of the acquisition, until the closing date. 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. 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. Changes in these variables could significantly impact the carrying value of the net assets. 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:

Property, plant and equipment	158,000,000
Decommissioning liabilities	(16,516,528)
Deferred income tax liability	(16,701,630)
Gain on acquisition	(66,822,326)
Total net assets acquired	**57,959,516**

Cash consideration	71,736,498
Preliminary purchase price adjustments	(13,776,982)
Total purchase price	**57,959,516**

The Company used estimated proved and probable oil and gas reserves from an independent third-party reserve evaluation to estimate the fair value of property, plant and equipment acquired. For purposes of estimating the fair value of the property, plant and equipment, the Company used the April 1, 2022, independent third-party reserve evaluators estimate of proved and probable petroleum and natural gas reserves. The fair value recognized for property, plant and equipment acquired was based on level 3 inputs, being the net present value of estimated future cash flows using an average pre-tax discount rate of approximately 15%. The gain on acquisition of $66.8 million is primarily a result of significant commodity price volatility between the effective and closing date of the acquisition. The original gain of $57.9 million recognized as of the closing date was adjusted for 1) a reduction of $4.7 million to the estimated deferred income tax liability as at the date of the acquisition, and 2) further purchase price adjustments of $4.2 million in favor of the Company as of December 31, 2022. These adjustments are recognized retrospectively as of the closing date of the acquisition. The Company also incurred transaction costs related to the acquisition of $1.8 million, which have been included in business development expense (see Note 16).

The acquisition has contributed revenues of $81.1 million and operating income (revenue less royalties and operating costs) of $44.1 million since March 7, 2022. Had the acquisition closed on January 1, 2022, estimated revenues for fiscal 2022 would have been $97.2 million and estimated operating income for fiscal 2022 would have been $55.0 million for the year ended December 31, 2022. This disclosed pro-forma information is not necessarily indicative of the actual results that would have been achieved had the business combinations closed on January 1, 2022.

7. PROPERTY, PLANT AND EQUIPMENT

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

Cost	**2022**	**2021**
Balance, January 1	7,885,854	1,456,124
Acquisitions (Note 6)	158,000,000	5,035,503
Additions	28,402,308	1,693,492
Disposals	(10,450,000)	(95,000)
Change in decommissioning provision	(150,640)	(204,265)
Balance, December 31	**183,687,522**	**7,885,854**
Accumulated Depletion & Depreciation		
Balance, January 1	940,922	181,248
Depletion & depreciation	19,190,812	759,674
Balance, December 31	**20,131,734**	**940,922**
Net Book Value		
At January 1	6,944,932	1,274,876
At December 31	**163,555,788**	**6,944,932**

At December 31, 2022, the balance of PP&E consisted of those oil and gas properties acquired as part of the acquisitions, such as those outlined in Note 6, as well as ongoing capital additions. Disposals of $10.5 million for the year ended December 31, 2022, represent the fair value of the overriding royalty granted to ACES as part of the terms of the Senior Loan Facility (see Note 10). Future development costs in the amount of $124.7 million (2021 - $18.1 million) were included in the depletion calculated for the year ended December 31, 2022.

For capital additions recognized during the year ended December 31, 2022, non-cash additions of $224,277 related to new estimated asset retirement costs for new decommissioning obligations due to drilling activity in the year (see Note 12). Additionally, capital additions of $646,874 related to capitalized general and administrative costs for the year ended December 31, 2022 (2021 - $nil).

2021 Acquisitions

During the year ended December 31, 2021, the Corporation acquired through a series of transactions certain assets in Southeast Saskatchewan that had a fair value of $5.0 million and associated decommissioning liabilities of $0.3 million in exchange for cash consideration of $3.9 million, net of purchase price adjustments, and share consideration of $0.8 million.

8. EXPLORATION AND EVALUATION ASSETS

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

	2022	2021
Balance, January 1	1,321,693	1,178,458
Additions	-	327,321
Land expiries and write-offs	(428,417)	(184,086)
Balance, December 31	**893,276**	**1,321,693**

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. At December 31, 2022, there were no indicators of impairment.

9. DEBT NOTES

In June 2021, the Company completed the issuance of the first tranche of $3,500,000 of senior secured notes of the Company ("Debt Notes"), with each Debt Note consisting of a principal amount of $1,000 and with interest payable thereon at a rate of 14% per annum over a term of three years from the date of issuance thereof (the "Note Financing"). In July 2021, a second tranche of $500,000 of Debt Notes was closed by the Company under the same terms. The maturity date of the Debt Notes was May 28, 2024; however, the Company had the option to fully repay the Debt Notes at no penalty after two years from the date of issuance. Similarly, the debtholders could demand repayment after two years from the date of issuance. Payments of interest only of approximately $150,000 per quarter were to be made during the first year of the term of the Debt Notes and blended payments of interest and principal of approximately $520,000 per quarter were to be made during the second and third year of the term of the Debt Notes. The Debt Notes were secured by the assets of the Company and were senior to all other indebtedness of the Company.

In addition, 500 purchase warrants were issued to participants in the Note Financing for each $1,000 principal amount of Debt Notes purchased, with each purchase warrant being exercisable for one Class B Share at an exercise price of $0.35 per warrant for a period of two years.

In March 2022, in connection with the acquisition of the FCL assets (Note 6) and the Senior Loan Facility (Note 10), the Company converted $2.8 million principal amount of the Debt Notes into units of the Company (each unit consisting of one Class B Share and one purchase warrant) on the same terms as the Prospectus Offering (see Note 13). The remaining $1.2 million principal amount of the Debt Notes were fully repurchased by the Company, pursuant to the applicable terms of the Debt Notes. Interest outstanding on all Debt Notes as of the date of conversion and/or repurchase was paid in cash. This settlement on Debt Notes resulted in a loss on settlement of $320,170.

The components of the Company's Debt Notes as of December 31, 2022 and 2021, are as follows:

	Liability Component	Warrants	Total
Balance, December 31, 2021	3,839,726	96,367	3,936,093
Interest expense	103,562	-	103,562
Accretion	19,227	-	19,227
Loss on debt settlement	320,170	-	320,170
Payments on principal repurchase and interest	(1,482,685)	-	(1,482,685)
Principal redemption for units	(2,800,000)	-	(2,800,000)
Balance, December 31, 2022	**-**	**96,367**	**96,367**

10. SENIOR LOAN FACILITY

In March 2022, the Company entered into a senior secured loan facility with Anvil Channel Energy Solutions ("ACES") for an aggregate principal amount of $65 million (the "Senior Loan Facility"), denominated as $51.35 million US dollars. The Senior Loan Facility bore interest at a rate of US prime interest rate plus 8% (December 31, 2022 – 15%) and was being amortized over a four-year period, with monthly combined payments of principal and interest as well as additional quarterly "excess cash flow" payments based upon a prescribed formula wherein 25% of excess cash flow from the recently completed quarter is paid directly against the principal of the Senior Loan Facility. Under the terms of the Senior Loan Facility, the Company also granted an overriding royalty to ACES on the future oil and natural gas production from the existing oil and gas properties of the Company. The overriding royalty is 2.5% of oil and natural gas sale until the maturity date of the loan facility, and 1.5% thereafter. The Company is required to maintain certain debt covenants and other financial terms throughout the term of the Senior Loan Facility. One such covenant includes the requirement for the Company to maintain three months of debt service reserve (interest only) into a deposit account subject to a blocked account control agreement satisfactory to the Agent (the "Debt Service Reserve"), which ACES may withdraw from the deposit account in the event of a payment default. The initial Debt Service Reserve deposit held by the Company is $1.9 million, which is classified as restricted cash. Further financial covenants included compliance each quarter with certain financial ratios, which commenced for the three months ended June 30, 2022, until the maturity date of the Senior Loan Facility. Such financial ratio covenants included the following:

- a minimum consolidated current ratio (consolidated current assets including restricted cash to consolidated current liabilities excluding current portion of any long-term indebtedness of the Company) of 1:1 over the term of the Senior Loan Facility;
- a minimum consolidated debt service coverage ratio (sum of interest expense payable and scheduled principal amortization payable for a certain period to consolidated earnings before interest, taxes, depreciation and amortization ("EBITDA") for same such period) of a graduating range of 1.15:1 to 1.50:1 over the term of the Senior Loan Facility;
- a minimum collateral coverage ratio (sum of proved developed producing reserve value (discounted at 10%) to total unpaid principal and interest balance) of a graduating range of 1.25:1 to 2.50:1 over the term of the Senior Loan Facility;
- a maximum consolidated leverage ratio (consolidated total debt to consolidated annualized EBITDA) of a graduating range of 2:1 to 1:1 over the term of the Senior Loan Facility; and
- a minimum liability management rating of 2.00 in the Province of Alberta and a minimum licensee liability rating of 1.00 in the Province of Saskatchewan.

As of December 31, 2022, the Company was in compliance with each of the aforementioned financial ratios, as follows:

	Required	Actual
Consolidated current ratio (minimum)	1.00	1.73
Consolidated debt service coverage ratio (minimum)	1.25	1.51
Collateral coverage ratio (minimum)	1.25	2.62
Consolidated leverage ratio (maximum)	1.50	0.75
Alberta Liability management rating (minimum)	2.00	2.94
Saskatchewan Licensee liability rating (minimum)	1.00	1.45

The Company was also required, under the terms of the loan, to enter into oil and gas price hedges on 75% of Company oil and gas production for a period of not less than 24 months, and on 50% of oil and gas production for a period of not less than 12 months thereafter. Please refer to Note 19 for oil and gas price hedges held by the Company as of December 31, 2022. The Senior Loan Facility is secured by the assets of the Company and is senior to all other indebtedness of the Company.

The carrying balance of the Senior Loan Facility as of December 31, 2022, is as follows:

Proceeds on date of issuance	65,614,460
Transaction costs	(14,544,893)
Net proceeds	51,069,567
Interest payable	6,091,432
Accretion	7,462,248
Payments	(31,467,518)
Foreign exchange loss	2,504,446
Balance, December 31, 2022	**35,660,175**

Current portion of Senior Loan Facility	22,735,249
Non-current portion of Senior Loan Facility	12,924,926
Balance, December 31, 2022	**35,660,175**

Transaction costs of $14.5 million were incurred in relation to the issuance of the Senior Loan Facility. These transaction costs include the fair value of the overriding royalty granted to ACES of $10.5 million. Accordingly, the effective yield rate of the Senior Loan Facility at December 31, 2022, is 35.9%.

In January 2023, the Senior Loan Facility was repaid with the establishment of the 2023 Senior Loan Facility (see Note 22). As a result, the Debt Service Reserve deposit also became unrestricted.

11. DECOMMISSIONING LIABILITIES

Decommissioning liabilities 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, January 1, 2021	1,110,784
Liabilities acquired (Note 7)	287,013
Additions	1,545
Change in estimate	(204,265)
Accretion expense	167,073
Liabilities settled	(60,301)
Balance, December 31, 2021	1,301,849
Liabilities acquired (Note 6)	16,516,528
Additions	224,277
Change in estimate	(374,917)
Accretion expense	1,301,800
Liabilities settled	(511,146)
Balance, December 31, 2022	**18,458,391**

At December 31, 2022, the total estimated amount to settle ROK's decommissioning obligation on an uninflated and undiscounted basis was $52.4 million (December 31, 2021 - $3.9 million) and on an inflated and undiscounted basis $75.1 million (December 31, 2021 - $5.3 million). The inflated, undiscounted future value of decommissioning obligation was determined by applying an inflation factor of 2.09% (2021 – 1.82%), and subsequently discounting the inflated amount using the Company credit-adjusted rate of 12.0% (2021 – 12.0%) to arrive at the balance of $18.5 million. These costs are expected to be incurred over the next 20 years. In accordance with the Company's voluntary change in accounting policy (see Note 4), the inflated future cost estimates are discounted based on a credit-adjusted rate to determine the carrying amounts.

There are material uncertainties about the amount and timing of the decommissioning liabilities, 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.

12. LONG TERM DEPOSIT

During the year ended December 31, 2022, the Company entered into an agreement to purchase certain oil & gas assets in Southeast Saskatchewan in an asset acquisition transaction (see Note 22). As at December 31, 2022, $2.5 million in cash consideration had been paid as a non-refundable deposit if ROK did not fulfill the conditions precedent to the closing of the transaction. As such, the amounts paid are treated as a long-term non-refundable deposit at December 31, 2022. The balance at December 31, 2022, also includes costs incurred in relation to the transaction up to the end of the year. Upon closing of the transaction, the costs will be moved to property, plant and equipment.

13. SHARE CAPITAL

a) Common shares

At December 31, 2022, 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 two votes per share and to dividends, if declared. Outstanding Class B Shares as of December 31, 2022, are as follows:

	Class B shares	Amount
Balance, December 31, 2020	58,996,576	3,607,761
Shares issued for asset acquisitions	4,250,000	785,000
Private placement	11,000,000	1,875,359
Stock option exercise (1)	225,000	41,147
Balance, December 31, 2021	74,471,576	6,309,267
Prospectus Offering, March 2022	95,834,100	11,691,720
Shares issued for Debt Note conversion (Note 9)	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**

(1) Of the 300,000 stock options exercised during the year ended December 31, 2021, common shares were issued for 225,000 of those stock options prior to December 31, 2021. Shares for the remaining 75,000 stock options were issued during the year ended December 31, 2022.

Prospectus Offering

In March 2022, the Company completed a bought deal public offering (the "Prospectus Offering) for total gross proceeds of $17,250,138, whereby 95,834,100 units of the Company were issued at a price of $0.18 per unit. Each unit consisted of one Class B Share in the capital of the Company and one purchase warrant. Each purchase warrant is exercisable for one Class B Share at an exercise price of $0.25 per purchase warrant for a period of three years. The Company allocated $12,765,590 and $4,464,548 of gross proceeds from the Prospectus Offering to share capital and to purchase warrants (see Note 13b), respectively.

In connection with the Prospectus Offering, commissions were paid to brokers and finders in the amount of $1,102,510 plus the issuance of a total of 6,125,054 broker warrants, with each such broker warrant exercisable for one Class B Share and on purchase warrant at an exercise price of $0.18 per broker warrant for a period of three years (see Note 13b). Further cash expenses of $329,300 were incurred by the Company in association with the completion of the Prospectus Offering. Total issuance costs of $1,579,917, net of tax of $363,680, were allocated to share capital of $1,073,870 and warrants of $508,956.

Debt Note conversion

As part of the conversion of Debt Notes to units in March 2022 (see Note 9), the Company issued units to Debt Note holders at a price of $0.18 per unit on the principal of $2.8 million of Debt Notes on the same terms as the Prospectus Offering, resulting in the issuance of 15,555,550 units of the Company. The Company allocated $2,075,326 of the converted Debt Note principal to share capital and $724,674 to purchase warrants.

2021 private placement

In May 2021, the Company completed the first closing of a private placement for a total of $1,790,000, whereby 8,950,000 units of the Company were issued at a price of $0.20 per unit. In June 2021, the second closing of the aforementioned private placement for a total of $410,000 through the issuance of an additional 2,050,000 units of the Company was completed, bringing total gross proceeds to $2,200,000, before issuance costs, for 11,000,000 units. Each unit consisted of one Class B Share in the capital of the Company and one half of one purchase warrant. Each purchase warrant is exercisable for one Class B Share at an exercise price of $0.35 per purchase warrant for a period of two years. The Company allocated $1,945,292 of net proceeds from the private placement to share capital and $254,708 to purchase warrants. The warrant fair value was determined based on a Black-Scholes option pricing model (see Note 13b).

In connection with the offering, commissions were paid to brokers and finders in an amount of $56,000 plus the issuance of a total of 280,000 broker warrants, with each such broker warrant exercisable for one Class B Share at an exercise price of $0.35 per broker warrant for a period of two years. The issuance costs on the private placement totaling $79,090 were allocated to share capital of $69,933 and warrants of $9,157.

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, December 31, 2020	17,758,975	0.18
Purchase warrants issued, private placement	5,500,000	0.35
Broker warrants issued, private placement	280,000	0.35
Purchase warrants issued, Note Financing	2,000,000	0.35
Balance, December 31, 2021	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 exercised	(25,224,258)	0.15
Warrant expiries	(7,500)	0.15
Balance, December 31, 2022	**122,434,426**	**0.26**

Warrants on Prospectus Offering

As part of the Prospectus Offering of units in March 2022 (see Note 13a), the Company issued 95,834,100 purchase warrant. Each warrant can be exercised to purchase one additional Class B Share at an exercise price of $0.25 for a period of three years. A fair value of $4,464,548, before issuance costs of $508,956, was recognized at the time of issuance of these purchase warrants. In connection with the above, brokers and finders received 6,125,054 non-transferable broker warrants. Each broker warrant is exercisable into one Class B Share and one purchase warrant at a price of $0.18 per broker warrant for a period of three years. A fair value of $534,696 was recognized at the time of the issuance of these broker warrants. Each purchase warrant subsequently issued upon exercise of the broker warrants maintains the same terms of exercise and expiry date as the purchase warrants issued under the Prospectus Offering.

Warrants on Debt Note conversion

As part of the conversion of Debt Notes in March 2022 (see Note 13a), the Company issued 15,555,550 purchase warrants. Each warrant can be exercised to purchase one additional Class B Shares at an exercise price of $0.25 for a period of three years. A fair value of $724,674 was recognized at the time of issuance of these purchase warrants.

Purchase warrants on 2021 private placement

Pursuant to the private placement of units (see Note 13a), the Company issued 11,000,000 units, each consisting of one Class B Share in the capital of the Company and one half of one purchase warrant, for a total 5,500,000 purchase warrants. Each warrant can be exercised to purchase one additional Class B Shares at an exercise price of $0.35 for a period of two years. A fair value of $245,551 was recognized at the time of issuance of these purchase warrants. In connection with the above, brokers and finders received 280,000 non-transferable broker warrants. Each broker warrant is exercisable into one Class B Share at a price of $0.35 per share for a period of 2 years. A fair value $14,058 was recognized at the time of the issuance of these broker warrants.

Purchase warrants on Note Financing

Pursuant to the Note Financing (See Note 9), the Company issued 2,000,000 purchase warrants to Noteholders. Each purchase warrant can be exercised to purchase one Class B Shares at an exercise price of $0.35 for a period of two years. A fair value of $96,367 was recognized at the time of issuance of these purchase warrants.

The following summarizes information about total purchase warrants outstanding as at December 31, 2022:

Exercise prices	Number of warrants outstanding	Weighted average term to expiry (years)	Number of warrants exercisable
0.18	1,512,549	2.18	1,512,549
0.25	113,141,877	2.18	113,141,877
0.35	7,780,000	0.25	7,780,000
	122,434,426	**2.06**	**122,434,426**

Subsequent to December 31, 2022, a total of 375,000 warrants expiring in April 2023, 325,000 warrants expiring in May 2023, and 250,000 warrants expiring in June 2023 were exercised resulting in the issuance of 950,000 common shares. Gross proceeds of $332,500 were received by the Company on account of these warrant exercises.

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, December 31, 2020	2,740,000	0.13
Options issued	4,150,000	0.28
Options exercised [1]	(300,000)	0.10
Balance, December 31, 2021	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**
Exercisable, December 31, 2022	**9,006,675**	**0.24**

(1) Of the 300,000 stock options exercised during the year ended December 31, 2021, common shares were issued for 225,000 of those stock options prior to December 31, 2021. Shares for the remaining 75,000 stock options were issued during the year ended December 31, 2022.

In March 2022, the Company granted 10,760,000 options to acquire common shares to certain directors, officers and employees of the Company at a price of $0.25 per common share. In August 2022, the Company granted 1,550,000 options to acquire common shares to certain directors, officers and employees of the Company at a price of $0.30 per common share. In October 2022, the Company granted 800,000 options to acquire common shares to a certain director of the Company at a price of $0.35 per common share. For each respective option grant, 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 each respective date of grant.

For the stock options issued during the year ended December 31, 2021, the Black-Scholes option pricing model was used to estimate their fair value with the following assumptions:

	October 2022	August 2022	March 2022
Exercise price	$0.35	$0.30	$0.25
Expected stock price volatility	80%	80%	80%
Option life	5 years	5 years	5 years
Expected dividend yield	0%	0%	0%
Risk-free interest rate	3.43%	3.34%	2.49%
Fair value per option	$0.30	$0.24	$0.165

The following summarizes information about stock options outstanding as at December 31, 2022:

Exercise prices	Number of options outstanding	Weighted average term to expiry (years)	Number of options exercisable
0.10	420,000	0.55	420,000
0.15	1,600,000	1.93	1,600,000
0.25	10,343,333	4.23	3,503,339
0.28	4,050,000	3.56	2,699,997
0.30	1,550,000	4.67	516,672
0.35	800,000	4.84	266,667
	18,763,333	**3.87**	**9,006,675**

For the year ended December 31, 2022, the Company recognized $1,703,002 (December 31, 2021 - $369,702) in stock-based compensation expense. Recognized 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 years ended December 31, 2022 and 2021:

	2022	2021
WA common shares outstanding, basic	175,426,071	68,242,055
Dilutive effect of stock options	3,073,889	-
Dilutive effect of warrants	19,462,000	-
WA common shares outstanding, diluted	197,961,960	68,242,055
Net income (loss)	80,002,750	(2,316,717)
$ per common share, basic	0.46	(0.03)
$ per common share, diluted	0.40	(0.03)

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 year ended December 31, 2022, a total of 2,350,000 stock options and 7,780,000 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 year, and therefore anti-dilutive. For the year ended December 31, 2021, a total of 6,590,000 stock options and 25,538,975 warrants were excluded as their impact was anti-dilutive to the net loss per share in the year.

14. 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. Under the terms of the agreement, the Company earns its beneficial interest as ROK personnel will manage the following objectives of the project:

- Identify additional strategic lithium land prospects
- Complete multi-layer perforation and flow testing of a wellbore
- Obtain samples and conduct test for lithium concentrations
- Identify a location for a pilot project
- Identify a strategic partner to negotiate a lithium extraction technology pilot project
- Obtain a third party NI43-101 resource report
- Facilitate the completion of a preliminary economic assessment

The initial activities of this project will be wholly funded by the Company's partner (who holds the remaining 75% interest), up to $1.5 million. Any costs that exceed this financial threshold will then be proportionally financed by each partner based on their interest in the private entity. Alternatively, either partner may elect to proportionally reduce their interest in the private entity for any portion of additional costs above the threshold. These additional costs beyond the initial $1.5 million may be voluntarily paid for by the other partner who elects to participate in additional project activities, earning a proportionally increased interest in the private entity.

The Company's interest in the Investee is accounted for using the equity method. As of December 31, 2022, expenditures reported by the Company's partner for project activities had reached a total of $4.6 million, with the Company's financial contribution towards the project activities equating to $787,239.

15. REVENUE

The following table presents the Company's oil and natural gas revenue disaggregated by product type for the years ended December 31, 2022 and 2021:

	2022	2021
Oil sales	73,746,484	2,998,071
NGL sales	4,489,450	302,640
Natural gas sales	9,075,608	136,171
Total	**87,311,542**	**3,436,882**

As at December 31, 2022, receivables from contracts with customers, which are included in accounts receivable, were $7,597,682 (December 31, 2021 - $502,827).

16. BUSINESS DEVELOPMENT EXPENSES

Business development expenses relate to business initiatives towards the promotion, development, and growth of the Company's operations and assets outside the normal course of the Company's day-to-day endeavors. For the year ended December 31, 2022, the Company incurred business development expenses of $2,383,106 (December 31, 2021 - $343,066) relating to efforts towards completed and potential transactions.

17. NET FINANCE EXPENSE

The components of net finance expense for the years ended December 31, 2022 and 2021, are as follows:

	2022	2021
Interest income	(113)	(404)
Interest expenses and bank charges	360,084	4,451
Debt interest expense	6,209,994	318,740
Accretion on debt	7,481,475	62,083
Accretion on decommissioning obligations	1,301,800	167,072
Total net finance expense	**15,353,240**	**551,942**

18. INCOME TAXES

Reconciliation of effective tax rate

Income tax expense varies from the amount that would be computed by applying the expected basic federal and provincial income tax rates for Canada for the year ended December 31, 2022 of 25.4% (December 31, 2021 – 27.0%) to income before income taxes. A reconciliation of this difference is presented below.

	2022	2021
Income (loss) before income taxes	78,438,111	(2,331,275)
Tax rate	25.40%	27.00%
Computed income tax recovery	19,923,280	(629,444)
Increase (decrease) in taxes:		
Stock-based compensation and true-ups	842,272	99,820
Gain on acquisition	(16,701,630)	-
Chain in income tax rate	881,839	-
Change in unrecognized tax assets and other	(6,510,400)	529,624
Total tax expense (recovery)	**(1,564,639)**	**-**

Recognized deferred tax assets & liabilities

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2022	2021
Deferred income tax assets:		
Non-capital loss carryforwards	(1,577,398)	(238,476)
Decommissioning obligations	(4,688,431)	-
Share & debt issue costs	(3,345,166)	-
Deferred income tax liabilities:		
Risk management contracts	1,266,387	-
Property, Plant and Equipment and Other	21,318,927	195,202
Debt	1,798,992	43,274
	14,773,311	**-**

	Dec 31, 2021	Recognized in income	Acquired in business combination	Recognized in equity	Dec 31, 2022
Non-capital loss carryforwards	238,476	(1,815,874)	-	-	(1,577,398)
Decommissioning obligations	-	(493,233)	(4,195,198)	-	(4,688,431)
Share & debt issue costs	-	(2,981,486)	-	(363,680)	(3,345,166)
Risk management contracts	-	1,266,387	-	-	1,266,387
Property, Plant and Equipment	(195,202)	617,301	20,896,828	-	21,318,927
Debt	(43,274)	1,842,266		-	1,798,992
	-	(1,564,639)	16,701,630	(363,680)	**14,773,311**

Unrecognized Deductible Temporary Differences

Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2022	2021
Non-capital loss carryforwards	-	18,336,737
Capital loss carryforwards net of foreign exchange	101,417,937	98,913,492
Decommissioning liabilities and other	-	4,023,103
	101,417,937	**121,273,332**

The non-capital loss carryforwards are from Canada, which expire between 2028 and 2042. All the capital loss carryforwards presented above are also from Canada and have no expiration period. The deductible temporary differences presented in “Property, plant and equipment and other” do not expire under current tax legislation. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

19. 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.

Receivables from petroleum and natural gas marketers are normally collected on the 25th day of the month following production. When production is not taken in kind, payment comes from the common stream operator and facility operator in which payment is typically received on the 25th day of the month following production. The Company’s approach to mitigate credit risk associated with these balances is to maintain marketing relationships with established and reputable customers, common stream operators and facility operators that are considered to be creditworthy. The Company has not experienced any collection issues with its current common stream and facility operators.

Joint operations receivables are typically collected within two to three months of the joint operations billing being issued to the partner. The Company mitigates collection risk from joint operations receivables by obtaining partner approval of significant capital and operating expenditures prior to expenditure and, in certain circumstances, may collect cash deposits in advance of incurring financial obligations on behalf of joint operations partners. Joint operations receivables are from partners in the petroleum and natural gas industry who are subject to the risks and conditions of the industry. Significant changes in industry conditions and risks that negatively impact partners' ability to generate cash flow will increase the risk of not collecting joint operations receivables.

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	December 31, 2022	December 31, 2021
Oil and natural gas customers	7,597,682	502,827
Joint operations partners	2,083,791	50,812
Accruals and other	1,181,200	-
Total	**10,862,673**	**553,639**

The Company applies the simplified approach to providing for expected credit losses as prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable and accrued receivables. The expected credit losses below also incorporate forward looking information.

Aging	December 31, 2022	December 31, 2021
0 - 30 days	9,435,073	505,019
30 - 90 days	871,954	28,536
Greater than 90 days	555,646	20,084
Expected credit loss	-	-
Total	**10,862,673**	**553,639**

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. At December 31, 2022 there were no material receivables which were considered uncollectible (December 31, 2021 - $nil).

The Company held cash and cash equivalents of $5,258,881 as at December 31, 2022 (December 31, 2021 - $1,208,776). 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

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due and describes the Company's ability to access cash. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient cash resources in order to finance operations, fund capital expenditures, and to repay debt and other liabilities of the Company as they come due, without incurring unacceptable losses or risking harm to the Company's reputation. The Company's processes for managing liquidity risk include preparing and monitoring capital and operating budgets, coordinating and authorizing project expenditures, and authorization of contractual agreements. Management and the Board of Directors use budgets and forecasts to direct and monitor the strategy, operations and liquidity of the Company as well as the ongoing ability of the Company to remain in compliance with its commitments and the terms and covenants associated with its Senior Loan Facility (see Note 10) and subsequent to year end with the new 2023 Senior Loan Facility (see Note 22). The budgets are updated when required as conditions change.

The following table outlines the contractual maturities of the Company's financial liabilities at December 31, 2022:

	Less than 1 year	1-2 years	Thereafter	Total
Accounts payable	13,678,677	-	-	13,678,677
Senior Loan Facility - principal (1)	22,168,565	14,344,366	6,834,635	43,347,566
Senior Loan Facility - interest	4,965,480	2,100,481	348,430	7,414,391
	40,812,722	**16,444,847**	**7,183,065**	**64,440,634**

(1) Principal payments outlined above only reflects minimum principal payments required on a monthly basis.

Volatility in commodity prices in the oil and gas sector creates inherent challenges with the preparation of financial forecasts and may ultimately lead to adverse changes in the Company's future cash flows, working capital levels and/or debt balances. These and other factors may adversely affect the Company's liquidity and the ability to generate profits and cash flows in the future as well as the ability of the Company to remain in compliance with the terms and covenants of its Senior Loan Facility.

Market risk

Market risk is the risk or uncertainty that changes in price, such as commodity prices, foreign exchange rates, and interest rates will affect the Company's net earnings and the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns. From time to time, the Company may utilize financial derivative contracts to manage market risks in accordance with the risk management policy that has been approved by the Board of Directors. The Company's consolidated balance sheet at December 31, 2022 includes risk management assets for crude oil, natural gas and liquids derivative contracts recorded at a net positive fair market value of $5.0 million. The Company's consolidated statement of comprehensive income (loss) for the year ended December 31, 2022, includes unrealized gains on risk management contracts of $5.0 million.

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 the date of these financial statements, the Company has the following commodity risk management contracts outstanding:

Derivative swap contracts (1)(2)

	WTI Crude		Crude Edmonton Light Differential		AECO(3)		Propane	
Period	*Volumes (bbl/d)*	*US$/bbl*	*Volumes (bbl/d)*	*US$/bbl*	*Volumes (mmbtu/d)*	*US$/ mmbtu*	*Volumes (gal/d)*	*US$/gal*
Q1 2023	1,488	89.70	1,102	(4.31)	4,178	3.26	4,038	1.25
Q2 2023	1,825	85.14	1,057	(4.09)	5,507	2.20	3,924	1.05
Q3 2023	1,762	82.73	1,017	(4.25)	5,267	2.13	3,712	1.01
Q4 2023	1,710	80.50	981	(4.48)	5,165	2.48	3,586	1.02
Q1 2024	1,647	77.60	-	-	4,980	2.65	3,400	0.99
Q2 2024	1,380	73.77	-	-	4,338	2.63	3,176	0.78
Q3 2024	1,344	72.06	-	-	4,176	2.62	2,079	0.76
Q4 2024	1,300	69.92	-	-	4,000	2.61	-	-
Q1 2025	1,255	68.95	-	-	4,000	2.62	-	-

(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.

Foreign currency risk
Foreign currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The majority of the Company's administrative and operational costs will be based and paid in Canadian dollars. However, during the year ended December 31, 2022, the Company was exposed to the risk of changes in the US dollar/Canadian dollar exchange rate on the US denominated Senior Loan Facility, with debt service payments denominated in US dollars. As of the date of these financial statements, the US denominated Senior Loan Facility had been repaid in full through the Canadian dollar denominated 2023 Senior Loan Facility (see Note 22).

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 of December 31, 2022, the Company had not entered into any foreign currency derivatives. However, subsequent to December 31, 2022, the Company entered into the following foreign currency derivatives to manage its exposure to currency fluctuations:

Derivative US$/CAD average rate variable rate collar contracts

Period	US$ (millions)	Floor	Reset	Trigger
Q1 2023	3.7	1.32	1.34	1.37
Q2 2023	10.2	1.32	1.34	1.37
Q3 2023	9.6	1.32	1.34	1.37
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. As at December 31, 2021, the Company was exposed to interest rate risk on the Senior Loan Facility, with interest at US prime interest rate plus 8% per annum. Subsequently in 2023, the Senior Loan Facility has been replaced by the 2023 Senior Loan Facility (see Note 22). 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 December 31, 2022, if interest rates applicable to the floating US prime interest rate 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 $178,000 for the year ended December 31, 2022. This assumes that the change in interest rate is effective from the beginning of the Senior Loan Facility on March 7, 2022.

Fair value of financial instruments

The Company's financial instruments as at December 31, 2022, include cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities, risk management contracts, and Senior Loan Facility.

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 the Senior Loan Facility 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.

	Dec 31, 2022	Dec 31, 2021
Senior Loan Facility (15%) (1)	43,347,566	-
Debt Notes (14%) (1)	-	4,000,000
Less: adjusted working capital (2)	8,006,020	478,610
Net debt	**35,341,546**	**3,521,390**

1) Represents undiscounted face value of debt balances outstanding as of each respective date presented.
2) Calculation of working capital excludes current portion of debt as presented on the statement of financial position.

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.

20. COMMITMENTS

As of the date of these financial statements, the Company had no contractual commitments related to service arrangements or otherwise. Future capital expenditures may come about under joint operating agreements with operator and/or non-operator partners on oil and gas production assets where the Company has a participating interest. As the Company elects to participate in future exploration and/or development programs under these joint operating agreements, the Company becomes contractually obligated to fulfill its financial commitment for these projects, or otherwise incur certain financial penalties for non-compliance as is customary under standard joint operating agreements.

21. RELATED PARTY DISCLOSURES

Key management personnel compensation

The Company has determined that key management personnel consist of its managers and officers. In addition to the salaries paid to company officers, these groups participate in the stock option plan. The total compensation expense, including salaries, fees and stock-based compensation relating to key management personnel for the years ended December 31, 2022 and 2021, was as follows:

	2022	2021
Salary, fees and other benefits	**1,016,935**	450,000
Stock-based compensation (1)	**1,229,847**	315,973
	2,246,782	765,973

1) Represents the amortized portion recognized in the financial statements.

Related party transactions

In March 2022, the Company completed the aforementioned Prospectus Offering for proceeds of $17,250,138 before transaction costs. Of the total proceeds, approximately $416,000 were from subscriptions by directors and officers or by investors related to directors and officers of the Company.

In March 2022, as part of the conversion of Debt Notes to units (see Note 9), the Company issued units to Debt Note holders at a price of $0.18 per unit on the principal of $2.8 million of Debt Notes on the same terms as the Prospectus

Offering, resulting in the issuance of 15,555,550 units of the Company. Of the units issued, $0.5 million of the Debt Notes converted to 2,777,777 units which were issued to certain directors and officers of the Company.

In July 2021, the Company completed the aforementioned Note Financing through the issuance of Debt Notes for proceeds of $4,000,000 before transaction costs. Of the total proceeds, approximately $500,000 were from subscriptions by directors or by investors related to directors of the Company.

22. SUPPLEMENTAL CASH FLOW INFORMATION

For the years ended December 31	2022	2021
Accounts receivable	(10,309,034)	(108,544)
Prepaids and deposits	(1,003,705)	(53,993)
Accounts payable and accrued liabilities	12,253,905	1,069,161
Change in non-cash working capital	**941,166**	**906,624**
Relating to:		
Operating activities	(448,467)	509,086
Investing activities	1,604,706	182,465
Financing activities	(215,073)	215,073
Change in non-cash working capital	**941,166**	**906,624**

23. SUBSEQUENT EVENTS

2023 Asset 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 $22.9 million, after closing adjustments and the $2.5 million deposit paid in December 2022 (see Note 12), and 2) the disposition of certain oil & gas assets of the Company located in Southwest Saskatchewan to the selling party. The cash component of the consideration paid was funded through proceeds from the 2023 Senior Loan Facility.

2023 Senior Loan Facility

In January 2023, the Company entered into a senior secured loan facility with a Canadian Chartered Bank for an aggregate principal amount of $75 million (the "2023 Senior Loan Facility"). The proceeds of the 2023 Senior Loan Facility were used to pay out the existing Senior Loan Facility (Note 10) and fund the aforementioned 2023 asset acquisition (see above). The 2023 Senior Loan Facility is comprised of a non-revolving two-year term loan of $52.5 million, and a revolving credit facility of $22.5 million. The term loan carries monthly combined payments of $2 million towards principal plus interest accrued through the two-year term of the loan, with the balance of the principal due at maturity, as well as additional quarterly "excess cash flow" payments based upon a prescribed formula wherein 50% of excess cash flow from the recently completed quarter is paid directly against the principal of the term loan, with no penalty assessed with early repayment of any portion of the term loan principal. The term loan carries an interest rate constituted of current posted bankers' rates plus a set margin, resulting in a current combined rate of approximately 11.2%. The revolving credit facility carries an interest rate constituted of current posted bankers' rates plus a sliding scale margin based on a debt-to-cash flow ratio, resulting in a current combined rate of approximately 8.4%.

The Company is required to maintain certain debt covenants throughout the term of the 2023 Senior Loan Facility, as follows:

- Maintain a minimum liability management rating of 2.00 in the Province of Alberta and a minimum licensee liability rating of 1.00 in the Province of Saskatchewan.

- 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, and on 65% of oil and gas production for a period of not less than 12 months thereafter. Please refer to Note 19 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.

The 2023 Senior Loan Facility is secured by the assets of the Company and is senior to all other indebtedness of the Company.

2023 Asset Dispositions

In March 2023, the Company successfully closed disposition transactions of certain oil and gas assets in Saskatchewan for total combined proceeds of approximately $47.25 million, which includes the sale of ROK's non-operated 2.11685% interest in the Weyburn Unit for total proceeds of approximately $44.5 million, before normal closing adjustments. Two smaller dispositions for total proceeds of $2.75 million, before normal closing adjustments, were also closed. Of the net proceeds from these dispositions, a one-time principal payment of $41.3 million was made towards the exist term debt balance of the newly-established 2023 Senior Loan Facility.