INTERIM CONDENSED FINANCIAL STATEMENTS

MARCH 31, 2022

NOTICE OF NO AUDITORS' REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim condensed financial statements of ROK Resources Inc. have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditors.

ROK RESOURCES INC.

INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

(Unaudited, expressed in Canadian Dollars)	**March 31, 2022**	December 31, 2021	January 1, 2021
		Restated [1]	*Restated* [1]
Assets			
Current Assets			
Cash and cash equivalents	**8,625,754**	1,208,776	1,420,067
Accounts receivable	**7,823,541**	553,639	445,095
Prepaids and deposits	**761,750**	140,967	86,974
Risk management contracts (Note 13)	**3,849,223**	-	-
	21,060,268	1,903,382	1,952,136
Non-current Assets			
Restricted cash (Note 8)	**1,776,869**	-	-
Deferred transaction costs (Note 8 and 9)	**-**	427,235	-
Risk management contracts (Note 13)	**288,123**	-	-
Property, plant and equipment (Note 4 and 5)	**152,859,322**	6,944,932	1,274,876
Exploration & evaluation assets (Note 6)	**1,324,193**	1,321,693	1,178,458
	177,308,775	10,597,242	4,405,470
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	**4,309,957**	1,424,772	355,611
Current portion of debt notes (Note 7)	**-**	1,333,333	-
Current portion of senior loan facility (Note 8)	**24,062,610**	-	-
	28,372,567	2,758,105	355,611
Non-current Liabilities			
Non-current portion of debt notes (Note 7)	**-**	2,506,393	-
Non-current portion of senior loan facility (Note 8)	**25,029,630**	-	-
Decommissioning obligations	**17,898,879**	1,301,849	1,110,784
Deferred income tax	**15,382,855**	-	-
	86,683,931	6,566,347	1,466,395
Shareholders' Equity			
Share capital (Note 9a)	**19,712,633**	6,309,267	3,607,761
Warrants (Note 9b)	**6,016,982**	802,020	446,044
Contributed surplus (Note 9c)	**1,080,345**	405,318	54,263
Retained earnings (deficit)	**63,814,884**	(3,485,710)	(1,168,993)
	90,624,844	4,030,895	2,939,075
	177,308,775	10,597,242	4,405,470

(1) See Note 3 for retroactive adjustments due to voluntary change in accounting policy

Going concern (Note 2)
Commitments (Note 14)
Subsequent events (Note 17)

See accompanying notes to the interim condensed financial statements.

ROK RESOURCES INC.

INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the three months ended March 31

(Unaudited, expressed in Canadian Dollars)	**2022**	2021
		Restated [1]
Revenue:		
Oil and natural gas sales (Note 10)	**8,121,878**	440,027
Royalties	**(1,289,058)**	(84,192)
Petroleum and natural gas sales, net of royalties	**6,832,820**	355,835
Unrealized gain on commodity contracts (Note 13)	**4,137,346**	-
Other income	**62,475**	-
Total revenue and other income	**11,032,641**	355,835
Expenses and other items:		
Operating expenses	**1,844,131**	215,565
General and administrative	**659,199**	255,513
Business development (Note 12)	**2,005,558**	81,726
Gain on acquisition (Note 4)	**(57,913,364)**	-
Stock-based compensation (Note 9c)	**675,027**	8,344
Depletion and depreciation (Note 5)	**1,682,513**	130,978
Loss on debt settlement (Note 7)	**320,170**	-
Net finance expense	**1,571,638**	34,523
Foreign exchange loss (gain)	**(1,075,668)**	873
Total expenses and other items	**(50,230,796)**	727,522
Income (loss) before income taxes	**61,263,437**	(371,687)
Deferred income tax recovery	**(6,037,157)**	-
Net income (loss) and comprehensive income (loss)	**67,300,594**	(371,687)
Net income (loss) per share (Note 9d)		
Basic	**0.65**	(0.01)
Diluted	**0.61**	(0.01)

(1) See Note 3 for retrospective adjustments due to voluntary change in accounting policy

See accompanying notes to the interim condensed financial statements.

ROK RESOURCES INC.

INTERIM CONDENSED STATEMENTS OF CASH FLOWS

For the three months ended March 31

(Unaudited, expressed in Canadian Dollars)	**2022**	2021
		Restated [1]
Cash flows provided by (used in):		
Operating activities		
Net income (loss)	**67,300,594**	(371,687)
Adjustments for:		
Gain on acquisition	**(57,913,364)**	-
Gain on commodity contracts	**(4,137,346)**	-
Depletion and depreciation	**1,682,513**	130,978
Stock-based compensation	**675,027**	8,344
Foreign exchange loss (gain)	**(1,083,039)**	873
Loss on debt settlement	**320,170**	-
Net finance expense	**1,571,638**	34,523
Abandonment costs paid	**-**	(378)
Deferred income tax recovery	**(6,037,157)**	-
Change in non-cash working capital (Note 16)	**(4,684,874)**	54,130
	(2,305,838)	(143,217)
Investing activities		
Acquisition of property, plant and equipment	**(62,150,096)**	-
Expenditures on property, plant and equipment	**(46,903)**	(31,299)
Change in non-cash working capital (Note 16)	**(105,553)**	-
	(62,305,052)	(78,768)
Financing activities		
Proceeds on Prospectus Offering, net of costs	**15,833,477**	-
Proceeds on Senior Term Facility, net of costs	**61,931,653**	-
Debt Note payout settlement	**(1,379,123)**	-
Senior Term Facility principal payment	**(1,625,577)**	-
Proceeds on subscription receipts	**-**	70,000
Proceeds on option exercises	**-**	22,500
Net finance paid	**(701,228)**	(342)
Change in non-cash working capital (Note 16)	**(215,073)**	-
	72,027,872	92,158
Foreign exchange loss on cash	**(4)**	(873)
Increase (decrease) in cash and cash equivalents	**7,416,978**	(130,700)
Cash and cash equivalents, beginning of period	**1,208,776**	1,420,067
Cash and cash equivalents, end of period	**8,625,754**	1,289,367

(1) See Note 3 for retrospective adjustments due to voluntary change in accounting policy

Cash is defined as cash and cash equivalents.

See accompanying notes to the interim condensed financial statements.

ROK RESOURCES INC.

INTERIM CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited, expressed in Canadian Dollars)	**Number of Shares**	**Share Capital**	**Subscription Receipts**	**Warrants**	**Contributed Surplus**	**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	-	-	-	-	-	67,300,594	67,300,594
Prospectus Offering, March 2022	95,834,100	11,328,040	-	4,490,288	-	-	15,818,328
Debt Note redemption	15,555,550	2,075,326	-	724,674	-	-	2,800,000
Stock-based compensation	-	-	-	-	675,027	-	675,027
Balance at March 31, 2022	**185,861,226**	**19,712,633**	**-**	**6,016,982**	**1,080,345**	**63,814,884**	**90,624,844**
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	-	-	-	-	-	(371,687)	(371,687)
Subscription receipts	-	-	70,000	-	-	-	70,000
Stock option exercise	225,000	41,147	-	-	(18,647)	-	22,500
Stock-based compensation	-	-	-	-	8,344	-	8,344
Balance at March 31, 2021	59,221,576	3,648,908	70,000	446,044	43,960	(1,540,680)	2,668,232

(1) See Note 3 for retrospective adjustments due to voluntary change in accounting policy

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 office is located in Regina, Saskatchewan, Canada. 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 4). The assets acquired are concentrated in Southern Saskatchewan and Central Alberta. The Statements of Comprehensive Income (Loss) for the three months ended March 31, 2022, include the results of operations related to the acquired assets for the period from the closing date of each acquisition.

2. GOING CONCERN

These interim condensed financial statements have been prepared on a going concern basis, which assumes that the Company will be able to discharge its obligations and realize its assets in the normal course of operations for the foreseeable future. During the three months ended March 31, 2022, the Company generated net income of $67.3 million and used $2.3 million in cash flows for operating activities. As at March 31, 2022, the Company had a working capital deficiency of $7.3 million.

In the past two years, the Company has acquired revenue generating petroleum and natural gas assets (see Note 4). Until such time that it is sufficiently determined that these newly acquired producing assets will generate consistent cash flows to fund the Company’s ongoing operations and debt obligations, the Company will continue to rely upon its remaining financial resources and future financings to fund administrative costs, debt liabilities, and the development of its oil and gas properties. While the Company intends to move forward with the development of its oil and gas assets, there is no guarantee that the Company will be successful in generating sufficient operating cash flows or in raising the additional capital required to fund ongoing operations and exploration and development activities or that the terms of a financing, if any, will be acceptable to the Company. Furthermore, the Company has various terms, conditions and covenants that it must remain in compliance with relating to the Senior Loan Facility entered into during the three months ended March 31, 2022 (see Note 8). The impact on the global economy by the ongoing COVID-19 pandemic and international conflict between Russia and Ukraine further increases the risk associated with obtaining the capital necessary to develop the Company’s oil and gas properties. These conditions indicate the existence of a material uncertainty that casts significant doubt about the Company’s ability to continue as a going concern.

Management believes that the going concern assumption is appropriate for these interim condensed financial statements and that the Company will be able to fund its operations during the upcoming year. Acquisitions and financing that have occurred in the three months ended March 31, 2022, further support management’s belief regarding the going concern assumption. Should the going concern assumption not be appropriate and the Company is not able to realize its assets and settle its liabilities in the normal course of operations, these financial statements would require adjustments to the amounts and classifications of assets and liabilities.

3. BASIS OF PRESENTATION

Statement of compliance

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

These interim condensed financial statements follow the same accounting policies and method of computation as the Company's annual audited financial statements for the year ended December 31, 2021, with the exception of certain disclosures that are normally required to be included in annual financial statements which have been condensed or omitted, and as described under the section captioned "Voluntary change in accounting policy" below.

These interim condensed financial statements should be read in conjunction with the Company's annual audited financial statements for the year ended December 31, 2021. These interim condensed financial statements were approved and authorized for issuance by the Company's Board of Directors on May 30, 2022.

Basis of measurement

These interim condensed financial statements have been prepared on the historical cost basis except for certain financial and non-financial assets and liabilities, which have been measured at fair value. The methods used to measure fair values are consistent with the Company's December 31, 2021, audited financial statements.

The COVID-19 pandemic and international turmoil in Europe continue to impact global economic conditions. Global financial markets, and commodity prices in particular, have experienced significant volatility and uncertainty. While the current outlook for commodity prices is relatively strong, long-term price support from future demand remains uncertain. The scale and duration of these developments remain uncertain but could impact the Company's operations, future net earnings and cash flows given the aforementioned global events are an evolving situation that will continue to have widespread implications for the Company's business environment and financial condition. Management cannot reasonably estimate the length or severity of these global events, or the extent to which the disruption may materially impact the Company's financial statements in fiscal 2022 and beyond.

The preparation of 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 years affected.

Estimates and judgements made by management in the preparation of these interim condensed financial statements are subject to a higher degree of measurement uncertainty during this volatile period.

Functional and presentation currency

Unless otherwise stated, these interim condensed financial statements are presented in Canadian dollars ("CAD") which is also the Company's functional currency.

Significant accounting policies

Except as described in the section below, the Company's significant accounting policies can be read in Note 4 to the Company's annual audited financial statements as at and for the year ended December 31, 2021.

There were no material changes in the Company's significant accounting policies from those disclosed in the 2021 annual audited financial statements.

Voluntary change in accounting policy

Under the Corporation'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. The Corporation has now elected to change its policy for the measurement of decommissioning obligations to utilize a credit-adjusted risk-free rate. The use of a credit-adjusted risk-free 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, provides a better indication of the risk associated with such obligations, and increases the comparability of the Corporation's financial statements to those of its peers.

Management has applied the voluntary change in accounting policy retrospectively, including the restatement of certain comparative amounts in these interim condensed financial statements. 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 three months ended March 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	(3,534,157)	33,889	(3,500,268)

Impacts on the Statement of Comprehensive Loss

For the three months ended March 31, 2021	*Previous policy*	*Adjustments*	*Restated*
Depletion and depreciation	155,874	(24,896)	130,978
Net finance expense	13,380	21,143	34,523
Net loss	(375,440)	3,753	(371,687)

Impacts on the Statement of Cash Flows

For the three months ended March 31, 2021	*Previous policy*	*Adjustments*	*Restated*
Net loss	(375,440)	3,753	(371,687)
Depletion and depreciation	155,874	(24,896)	130,978
Net finance expense	13,380	21,143	34,523

4. CORPORATE TRANSACTIONS

a) FCL asset acquisition

In March 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 preliminary purchase price adjustments of approximately $9.6 million for the operating results of the asset from the 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. The amounts below are based on management's preliminary estimates of fair value at the time of preparation of these financial statements based on the best available information. Amendments may be made to these amounts as the values subject to estimation are finalized. The following table summarizes the total consideration paid and net assets acquired:

Development and production assets	158,000,000
Decommissioning liability	(16,516,528)
Deferred income tax liability	(21,420,012)
Gain on acquisition	(57,913,364)
Total net assets acquired	**62,150,096**

Cash consideration	71,736,498
Preliminary purchase price adjustments	(9,586,402)
Total purchase price	**62,150,096**

The gain on acquisition of $57.9 million is primarily a result of commodity price volatility between effective and 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 11).

The acquisition of these assets has contributed revenues of $6.9 million and operating income (revenue less royalties and operating costs) of $4.6 million since March 8, 2022. Had the acquisition closed on January 1, 2022, estimated contributed revenues would have been $23.2 million and estimated contributed operating income would have been $14.4 million for the three months ended March 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.

b) Carievale farmout

In March 2021, the Company entered into a farmout agreement to acquire the rights to earn certain undeveloped oil and gas assets in the Carievale area of Southeastern Saskatchewan. The Company will participate in the drilling, completion and equipping of two earning wells, paying 70% of the costs to earn a 35% working interest in the two earning wells, plus a 35% working interest in approximately 2,900 gross acres of undeveloped lands. Prior to July 31, 2022, the Company has the option to purchase up to a 50% interest in the undeveloped oil and gas assets, which includes two producing oil and gas wells for proceeds totaling $2 million.

c) Non-operated Carnduff asset acquisition

In February 2021, the Company entered into a purchase and sale agreement to acquire certain producing and non-producing petroleum and natural gas assets and interest in a multi-well facility within the Carnduff area of Southeastern Saskatchewan. Total consideration for the acquisition was the assumption of all liabilities associated with the acquired assets.

The transaction was accounted for as an acquisition of net assets with the following net fair values assigned:

Development and production assets	97,269
Decommissioning liability	(97,269)
Total net assets acquired	**-**

d) Non-operated Florence asset acquisition

In April 2021, the Company closed the acquisition of non-operated working interests in certain producing petroleum and natural gas properties located within the Florence area of Southeastern Saskatchewan. The acquired assets also include associated facilities and land, as well as associated liabilities relating to future abandonment obligations on well and facility sites.

The transaction was accounted for as an acquisition of net assets with the following net fair values assigned:

Development and production assets	1,959,301
Decommissioning liability	(94,475)
Total net assets acquired	**1,864,826**

Cash consideration	1,500,000
Share consideration	380,000
Purchase price adjustments	(45,120)
Transaction costs	29,946
Total purchase price	**1,864,826**

e) Operated Florence asset acquisition

In May 2021, the Company closed the acquisition of operated working interests in certain producing petroleum and natural gas properties located within the Florence area of Southeastern Saskatchewan. The acquired assets also include associated facilities and land, as well as associated liabilities relating to future abandonment obligations on well and facility sites.

The transaction was accounted for as an acquisition of net assets with the following net fair values assigned:

Development and production assets	2,978,933
Decommissioning liability	(95,269)
Total net assets acquired	**2,883,664**

Cash consideration	2,500,000
Share consideration	405,000
Purchase price adjustments	(66,961)
Transaction costs	45,625
Total purchase price	**2,883,664**

f) Lithium exploration management agreement

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.

As of March 31, 2022, reported expenditures for project activities have not exceeded the aforementioned financial threshold.

The Company's interest in the Investee is accounted for using the equity method. As of March 31, 2022, the Company's financial investment in the Investee is $nil. Furthermore, no financial results were realized by the Investee for the period ended March 31, 2022. As such, the carrying balance for this investment is $nil, and no earnings or loss attributable to the Company from this investment were recognized for the period ended March 31, 2022.

g) Steelman farmout

In October 2021, the Company entered into a farmout agreement to acquire the rights to earn certain undeveloped oil and gas assets in the Steelman area of Southeastern Saskatchewan. ROK will participate in the drilling , completion and equipping of one test well, paying 100% of the costs to earn a 100% interest in the test well and the quarter section containing the test well. Furthermore, the Company will have the option to drill additional option wells within 120 days of drilling of the test well, earning a 100% interest in each option well and two contiguous quarter sections (including the quarter section that each option well is drilled upon) for each option well to a maximum earning of eight additional quarter sections on top of the test well quarter section. The test well, option well(s) and associated undeveloped acreage are subject to a 1% non-convertible overall gross overriding royalty, a 4% non-convertible additional gross overriding royalty on the test well and 6.5% non-convertible additional gross overriding royalty on the option well(s) up to 6,000 m^3 of oil production (the "Incentive Period"), declining to 4% after the Incentive Period. The test well is required to be spud on or before July 31, 2022, or a non-performance fee of $50,000 will be paid by ROK to the farmor counterparty, and the farmout agreement will terminate without earning.

As of March 31, 2022, no costs nor any liabilities have been incurred by the Company relating to the Steelman farmout objectives.

5. 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	
Balance, December 31, 2021	7,885,854
Acquisitions (Note 4)	158,000,000
Additions	46,903
Disposals	(10,450,000)
Balance, March 31, 2022	**155,482,757**

Accumulated Depletion & Depreciation	
Balance, December 31, 2021	940,922
Depletion & depreciation	1,682,513
Balance, March 31, 2022	**2,623,435**

Net Carrying Amount	
Balance, December 31, 2021	6,944,932
Balance, March 31, 2022	**152,859,322**

At March 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 4, as well as ongoing capital additions. Disposals of $10.5 million for the three months ended March 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 8). Future development costs in the amount of $124.5 million (2021 - $12.3 million) were included in the depletion calculated for the period ended March 31, 2022.

6. EXPLORATION AND EVALUATION ASSETS

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

Balance, December 31, 2021	1,321,693
Additions	2,500
Balance, March 31, 2022	**1,324,193**

The Company’s E&E assets represent the recognized acquisition value and subsequent costs incurred in relation to the undeveloped land interests located in Saskatchewan on which it intends to conduct petroleum and natural gas exploratory work. At March 31, 2022, there were no indicators of impairment.

7. 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 4) and the Senior Loan Facility (Note 8), 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 9). 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.

The components of the Company's Debt Notes as of March 31, 2022, 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, March 31, 2022	**-**	**96,367**	**96,367**

8. 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 bears interest at a rate of US prime interest rate plus 8% (March 31, 2022 – 11.50%) and will amortize over a four-year period, with monthly combined payments of principal and interest. 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 will be 2.5% of oil and natural gas production 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 $1.8 million, which is classified as restricted cash. Further financial covenants are expected to include compliance with certain financial ratios commencing for the three months ended June 30, 2022, until the maturity date of the Senior Loan Facility. Such financial ratio covenants include with the following:

- a minimum consolidated current ratio (consolidated current assets including restricted cash to consolidated current liabilities excluding current portion of debt) 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.

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 during the duration of the loan (Note 12). 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 March 31, 2022, is as follows:

Proceeds on date of issuance	65,614,460
Unamortized transaction costs	(14,544,893)
Net proceeds	51,069,567
Interest payable	510,648
Accretion	770,681
Payments	(2,136,225)
Foreign exchange gain	(1,122,431)
Balance, March 31, 2022	**49,092,240**

Current portion of Senior Loan Facility	24,062,610
Non-current portion of Senior Loan Facility	25,029,630
Balance, March 31, 2022	**49,092,240**

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.

9. SHARE CAPITAL

a) Common shares

At March 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 March 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	225,000	41,147
Balance, December 31, 2021	74,471,576	6,309,267
Prospectus Offering March 2022	95,834,100	11,328,040
Shares issued for Debt Note conversion (Note 7)	15,555,550	2,075,326
Balance, March 31, 2022	**185,861,226**	**19,712,633**

2022 Prospectus Offering

In March 2022, the Company completed a bought deal public offering (the “Prospectus Offering) for a 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 $12,785,590 of gross proceeds from the Prospectus Offering to share capital and $4,464,548 to purchase warrants. The warrant fair value was determined based on a Black-Scholes option pricing model (see Note 9b).

In connection with the Prospectus Offering, commissions were paid to brokers and finders in an 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 at an exercise price of $0.25 per broker warrant for a period of three years. The broker warrant fair value was determined based on a Black-Scholes option pricing model (see Note 9b). Further cash expenses of $329,300 were incurred by the Company in association with the completion of the Prospectus Offering. Total issuance costs of $1,966,506 were allocated to share capital of $1,457,550 and warrants of $508,956.

2022 Debt Note conversion

As part of the conversion of Debt Notes to units in March 2022 (see Note 7), the Company were 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 gross 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 9b).

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	0.25
Purchase warrants issued, Debt Note Conversion	15,555,550	0.25
Balance, March 31, 2022	**143,053,679**	**0.25**

Warrants on 2022 Prospectus Offering

As part of the Prospectus Offering of units in March 2022 (see Note 9a), the Company issued 95,834,100 purchase warrant. 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 $4,464,548 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 at a price of $0.25 per share for a period of three years. A fair value of $534,696 was recognized at the time of the issuance of these broker warrants.

Warrants on 2022 Debt Note conversion

As part of the conversion of Debt Notes in March 2022 (see Note 9a), the Company issued 15,555,550 purchase warrant. 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.

Warrants on 2021 private placement

Pursuant to the private placement of units in May 2021 (see Note 9a), the Company issued 11,000,000 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 two years. A fair value of $14,058 was recognized at the time of the issuance of these broker warrants.

Purchase warrants on 2021 Note Financing

Pursuant to the Note Financing in June 2021 (See Note 7), 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 March 31, 2022:

Exercise prices	**Number of warrants outstanding**	**Weighted average term to expiry (years)**	**Number of warrants exercisable**
0.15	14,208,975	0.28	14,208,975
0.25	117,514,704	2.93	117,514,704
0.30	3,550,000	0.61	3,550,000
0.35	7,780,000	1.11	7,780,000
	143,053,679	**2.51**	**143,053,679**

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	10,760,000	0.25
Options exercised [(1)]	(210,000)	0.10
Balance, March 31, 2022	**17,140,000**	**0.24**
Exercisable, March 31, 2022	**7,200,004**	**0.22**

(1) Of the 300,000 stock options exercised during the year ended December 31, 2021, and the 210,000 stock options exercised during the three months ended March 31, 2022, common shares were issued for 225,000 of those stock options prior to December 31, 2021. Shares for the remaining 285,000 stock options were issued subsequent to March 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. The options are for a five-year term, expiring in March 2025, and vesting one-third on date of grant, one-third on the first anniversary date and one-third on the second anniversary date from the date of grant.

Options granted in March 2022 were allocated an estimated fair value using the Black-Scholes option pricing model to estimate the fair value with the following weighted average assumptions:

Expected forfeiture rate	10%
Risk-free interest rate	2.49%
Expected dividend yield	0%
Expected stock price volatility	80%
Expected option life	5 years
Fair value of options granted	$0.165

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

Exercise prices	Number of options outstanding	Weighted average term to expiry (years)	Number of options exercisable
0.10	630,000	1.30	630,000
0.15	1,600,000	2.68	1,600,000
0.25	10,760,000	4.99	3,586,674
0.28	4,150,000	4.31	1,383,330
	17,140,000	**4.47**	**7,200,004**

For the period ended March 31, 2022, the Company recognized $675,027 (March 31, 2021 - $8,344) 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 three months ended March 31, 2022 and 2021:

	2022	**2021**
WA common shares outstanding, basic	104,175,483	47,892,173
Dilutive effect of stock options	912,609	-
Dilutive effect of warrants	4,942,253	-
WA common shares outstanding, diluted	110,030,345	47,892,173
Net income (loss)	67,300,594	(371,687)
$ per common share, basic	0.65	(0.01)
$ per common share, diluted	0.61	(0.01)

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

In computing diluted net income per share for the three months ended March 31, 2022, 14,190,000 stock options and 128,844,704 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 $0.23 during the period, and therefore anti-dilutive. For the period ended March 31, 2021, 2,515,000 stock options and 17,758,975 warrants were excluded as their impact was anti-dilutive to the net loss per share.

10. DECOMMISSIONING LIABILITIES

Balance, January 1, 2021	1,110,784
Liabilities acquired (Note 4)	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 4)	16,516,528
Accretion expense	80,502
Balance, March 31, 2022	**17,898,879**

In accordance with the Company's voluntary change in accounting policy (see Note 3), the inflated future cost estimates are discounted based on a credit-adjusted risk-free rate to determine the carrying amounts. The table above reflects the applicable retrospective adjustment made to prior periods as a result of this accounting policy change.

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.

11. REVENUE

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

	2022	2021
Oil sales	7,261,484	368,406
NGL sales	370,313	45,755
Natural gas sales	490,081	25,866
Total	**8,121,878**	**440,027**

As at March 31, 2022, receivables from contracts with customers, which are included in accounts receivable, were $264,927 (December 31, 2021 - $502,827).

12. 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 three months ended March 31, 2022, the Company incurred business development expenses of $2,005,558 (March 31, 2021 - $81,726) relating to efforts towards potential strategic transactions.

	2022	2021
Costs related to FCL asset acquisition (Note 4)	1,818,139	-
Other business development expenses	187,419	81,726
Total	**2,005,558**	**81,726**

13. 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	**March 31, 2022**	**December 31, 2021**
Oil and natural gas customers	264,927	502,827
Joint operations partners	-	50,812
Accruals and other	7,558,614	-
Total	**7,823,541**	**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	**March 31, 2022**	**December 31, 2021**
0 - 30 days	7,657,628	505,019
30 - 90 days	91,806	28,536
Greater than 90 days	74,107	20,084
Expected credit loss	-	-
Total	**7,823,541**	**553,639**

The Company considers amounts outstanding greater than 90 days to be past due, 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 March 31, 2022 there were no significant receivables which were considered past due (December 31, 2021 - $nil).

The Company held cash and cash equivalents of $8,625,754 as at March 31, 2022 (December 31, 2020 - $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. The Company seeks additional financing based on the results of these processes. The budgets are updated when required as conditions change. See further discussion relating to liquidity in Note 2.

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

	Less than 1 year	1-2 years	Thereafter	Total
Accounts payable	4,309,957	-	-	4,309,957
Anvil Debt - principal	24,062,610	19,250,088	19,237,151	62,549,849
Anvil Debt - interest	6,010,746	3,468,761	2,073,481	11,552,988
	34,383,313	**22,718,849**	**21,310,632**	**78,412,794**

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 March 31, 2022 includes risk management assets for crude oil, natural gas and liquids derivative contracts recorded at a fair market value of $4.1 million. The Company's consolidated statement of comprehensive income (loss) for the period ended March 31, 2022 includes unrealized gains on risk management contracts of $4.1 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 at March 31, 2022, the following commodity risk management contracts were outstanding:

WTI Crude oil derivative contracts

Type	Remaining Term	Total Volume (bbls)	Swap Price (US$/bbl)[1]
Swap	Apr - June 2022	133,604	113.63
Swap	Jul - Sept 2022	128,717	102.49
Swap	Oct - Dec 2022	123,231	96.47
Swap	Jan - Mar 2023	115,291	91.48
Swap	Apr - June 2023	111,886	88.44
Swap	Jul - Sept 2023	108,775	85.58
Swap	Oct - Dec 2023	104,914	83.12
Swap	Jan - Mar 2024	98,908	79.72

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

Crude Edmonton Light differential contracts

Type	Remaining Term	Total Volume (bbls)	Swap Price (US$/bbl)(1)
Swap	Jul - Sept 2022	110,697	-2.45
Swap	Oct - Dec 2022	105,978	-2.95
Swap	Jan - Mar 2023	99,150	-4.31
Swap	Apr - June 2023	96,221	-4.09
Swap	Jul - Sept 2023	93,546	-4.25
Swap	Oct - Dec 2023	90,225	-4.48

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

WCS Crude differential contracts

Type	Remaining Term	Total Volume (bbls)	Swap Price (US$/bbl)(1)
Swap	Apr - June 2022	18,705	-10.96
Swap	Jul - Sept 2022	18,020	-11.40
Swap	Oct - Dec 2022	17,253	-13.61

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

Henry Hub Natural Gas contracts

Type	Remaining Term	Total Volume (mmbtu)	Swap Price (US$/mmbtu)(1)	Swap Price (US$/GJ)(2)
Swap	Apr - June 2022	342,248	4.48	4.25
Swap	Jul - Sept 2022	335,274	4.57	4.33
Swap	Oct - Dec 2022	325,106	4.69	4.45
Swap	Jan - Mar 2023	308,452	4.66	4.42
Swap	Apr - June 2023	302,721	3.35	3.18
Swap	Jul - Sept 2023	292,751	3.40	3.22
Swap	Oct - Dec 2023	283,342	3.58	3.39
Swap	Jan - Mar 2024	263,468	3.74	3.54

(1) Prices reported are the average price for the period
(2) Prices reported are converted from mmbtu to GJ by a conversion factor of 1.0551

AECO differential contracts

Type	Remaining Term	Total Volume (mmbtu)	Swap Price (US$/mmbtu)(1)	Swap Price (US$/GJ)(2)
Swap	Apr - June 2022	342,248	-1.38	-1.31
Swap	Jul - Sept 2022	335,274	-1.48	-1.40
Swap	Oct - Dec 2022	325,106	-1.28	-1.21
Swap	Jan - Mar 2023	308,452	-1.18	-1.12
Swap	Apr - June 2023	302,721	-1.09	-1.03
Swap	Jul - Sept 2023	292,751	-1.15	-1.09
Swap	Oct - Dec 2023	283,342	-1.00	-0.95
Swap	Jan - Mar 2024	263,468	-1.01	-0.96

(1) Prices reported are the average price for the period
(2) Prices reported are converted from mmbtu to GJ by a conversion factor of 1.0551

Propane contracts

Type	Remaining Term	Total Volume (gal)	Swap Price (US$/gal)(1)
Swap	Apr - June 2022	405,823	1.42
Swap	Jul - Sept 2022	396,554	1.32
Swap	Oct - Dec 2022	384,109	1.32
Swap	Jan - Mar 2023	363,408	1.25
Swap	Apr - June 2023	357,100	1.05
Swap	Jul - Sept 2023	341,467	1.01
Swap	Oct - Dec 2023	329,881	1.02
Swap	Jan - Mar 2024	309,397	0.99

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

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, 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). Furthermore, the Company is exposed to the risk of changes in the US/Canadian dollar exchange rate on the US denominated Senior Loan Facility, with debt service payments denominated in US dollars. As at March 31, 2022, the Company had not entered into any foreign currency derivatives to manage its exposure to currency fluctuations. Given that a significant amount of the Company's crude oil sales as well as all commodity contracts are settled in US dollars, such proceeds are to be used to directly service debt service payments on the Senior Loan Facility, eliminating a certain amount of potential foreign exchange rate fluctuation risk within the Company's cash flows.

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. Currently, the Company is exposed to interest rate risk on the Senior Loan Facility, which bears interest at US prime interest rate plus 8% per annum. Fluctuations of interest rates could result in an increase or decrease in the amount ROK pays to service the variable interest rate debt.

If interest rates applicable to the floating US prime interest rate at March 31, 2022 were to have increased or decreased by 50 basis points, it is estimated that the Company's income before tax would change by approximately $18,000 for the three months ended March 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 March 31, 2022, include cash and cash equivalents, 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 (see Note 2). 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 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.

	March 31, 2022	December 31, 2021
Senior Loan Facility (11.5%)	62,549,849	-
Debt Notes (14%)	-	4,000,000
Less: adjusted working capital (1)	16,750,311	478,610
Net debt (surplus)	**45,799,538**	**3,521,390**

(1) 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.

14. COMMITMENTS

Carievale Farmout Commitments

In March 2021, the Company entered into a farmout agreement to acquire the rights to earn certain oil and gas assets in the Carievale area of Southeastern Saskatchewan (see Note 4). Under the terms of the farmout agreement, ROK must participate in the drilling, completion and equipping of two earning wells, paying 70% of the costs to earn a 35% working interest in the earning wells, plus a 35% working interest in 2,900 gross acres of prospective land in the Carievale area. The first commitment well was completed in October 2021. The second commitment well, estimated at $700,000, must be spud by June 30, 2022, under the current terms of the farmout agreement.

Steelman Farmout Commitments

In October 2021, the Company entered into a farmout agreement to acquire the rights to earn certain undeveloped oil and gas assets in the Steelman area of Southeastern Saskatchewan (see Note 4). Under the terms of the farmout agreement, ROK must participate in the drilling , completion and equipping of one test well, paying 100% of the costs to earn a 100% interest in the test well and the quarter section containing the test well. The test well must be spud on or before July 31, 2022, or a non-performance fee of $50,000 will be paid by ROK to the farmor counterparty, and the farmout agreement will terminate without earning.

15. 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 7), 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 were issued to certain directors and officers of the Company.

16. SUPPLEMENTAL CASH FLOW INFORMATION

For the period ended March 31	2022	2021
Accounts receivable	(7,269,902)	52,008
Prepaids and deposits	(620,783)	(40,610)
Accounts payable and accrued liabilities	2,885,185	42,732
Change in non-cash working capital	**(5,005,500)**	**54,130**
Relating to:		
Operating activities	(4,684,874)	54,130
Investing activities	(105,553)	-
Financing activities	(215,073)	-
Change in non-cash working capital	**(5,005,500)**	**54,130**

17. SUBSEQUENT EVENTS

Warrant Exercises

Subsequent to March 31, 2022, warrant holders have exercised 3,375,000 warrants resulting in the issuance of 3,375,000 common shares. Based on the exercise price of warrants exercised, approximately $506,250 in gross proceeds was received by the Company.