



**INTERIM CONDENSED FINANCIAL STATEMENTS**

**MARCH 31, 2023**

# ROK RESOURCES INC.

## INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

(Unaudited, expressed in Canadian Dollars)

March 31, 2023

December 31, 2022

### Assets

#### Current Assets

|                                     |                   |            |
|-------------------------------------|-------------------|------------|
| Cash and cash equivalents           | 5,722,088         | 5,258,881  |
| Accounts receivable (Note 12)       | 13,772,418        | 10,862,673 |
| Prepays and deposits                | 4,309,314         | 1,144,672  |
| Risk management contracts (Note 12) | 6,310,937         | 4,418,471  |
|                                     | <b>30,114,757</b> | 21,684,697 |

#### Non-current Assets

|  |                    |             |
|--|--------------------|-------------|
| Restricted cash                                    | -                  | 1,925,869   |
| Long term non-refundable deposit and other         | -                  | 2,663,952   |
| Risk management contracts (Note 12)                | 366,675            | 567,304     |
| Property, plant and equipment (Note 4)             | 152,690,041        | 163,555,788 |
| Exploration and evaluation assets (Note 5)         | 893,276            | 893,276     |
| Investment in lithium exploration project (Note 9) | 977,828            | 787,239     |
|  | <b>185,042,577</b> | 192,078,125 |

### Liabilities

#### Current Liabilities

|  |                   |            |
|--|-------------------|------------|
| Accounts payable and accrued liabilities | 16,216,151        | 13,678,677 |
| Current portion of lease liability       | 28,323            | -          |
| Current portion of debt (Note 6)         | 6,265,229         | 22,735,249 |
|  | <b>22,509,703</b> | 36,413,926 |

#### Non-current Liabilities

|                                      |                   |            |
|--------------------------------------|-------------------|------------|
| Non-current portion of debt (Note 6) | 14,287,071        | 12,924,926 |
| Decommissioning obligations (Note 7) | 22,545,049        | 18,458,391 |
| Deferred income tax                  | 15,058,204        | 14,773,311 |
|                                      | <b>74,400,027</b> | 82,570,554 |

### Shareholders' Equity

|                               |                    |             |
|-------------------------------|--------------------|-------------|
| Share capital (Note 8a)       | 26,263,814         | 25,853,185  |
| Warrants (Note 8b)            | 5,006,660          | 5,050,223   |
| Contributed surplus (Note 8c) | 2,525,011          | 2,087,123   |
| Retained earnings             | 76,847,065         | 76,517,040  |
|                               | <b>110,642,550</b> | 109,507,571 |
|                               | <b>185,042,577</b> | 192,078,125 |

See accompanying notes to the interim condensed financial statements.

# ROK RESOURCES INC.

## INTERIM CONDENSED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the three months ended March 31

| <i>(Unaudited, expressed in Canadian Dollars)</i> | 2023           | 2022              |
|---|----------------|-------------------|
| <b>Revenue:</b>                                   |                |                   |
| Oil and natural gas sales (Note 10)               | 24,137,513     | 8,121,878         |
| Royalties   | (4,771,385)    | (1,289,058)       |
| Oil and natural gas sales, net of royalties       | 19,366,128     | 6,832,820         |
| Realized gain on commodity contracts (Note 12)    | 2,666,447      | -                 |
| Unrealized gain on commodity contracts (Note 12)  | 1,691,837      | 4,137,346         |
| Processing and other income                       | 734,731        | 62,475            |
| Total revenue and other income                    | 24,459,143     | 11,032,641        |
| <b>Expenses and other items:</b>                  |                |                   |
| Operating expenses                                | 9,471,536      | 1,844,131         |
| General and administrative                        | 1,293,872      | 659,199           |
| Business development (Note 3a)                    | 283,486        | 2,005,558         |
| Gain on dispositions (Note 3b)                    | (5,211,886)    | -                 |
| Gain on acquisition                               | -              | (66,822,326)      |
| Stock-based compensation (Note 8c)                | 451,620        | 675,027           |
| Depletion and depreciation (Note 4)               | 6,893,350      | 1,682,513         |
| Loss on debt settlement (Note 6)                  | 7,320,119      | 320,170           |
| Net finance expense (Note 11)                     | 3,685,368      | 1,571,638         |
| Foreign exchange gain                             | (343,240)      | (1,075,668)       |
| Total expenses and other items                    | 23,844,225     | (59,139,758)      |
| Income before income taxes                        | 614,918        | 70,172,399        |
| Deferred income tax expense (recovery)            | 284,893        | (6,037,157)       |
| <b>Net income and comprehensive income</b>        | <b>330,025</b> | <b>76,209,556</b> |
| Net income per share (Note 8d)                    |                |                   |
| Basic   | 0.00           | 0.73              |
| Diluted   | 0.00           | 0.69              |

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

| <i>(Unaudited, expressed in Canadian Dollars)</i>    | 2023                | 2022                |
|--|---------------------|---------------------|
| <b>Cash flows provided by (used in):</b>             |                     |                     |
| <b>Operating activities</b>                          |                     |                     |
| Net income   | 330,025             | 76,209,556          |
| Adjustments for:                                     |                     |                     |
| Gain on dispositions                                 | (5,211,886)         | -                   |
| Gain on acquisition                                  | -                   | (66,822,326)        |
| Unrealized gain on commodity contracts               | (1,691,837)         | (4,137,346)         |
| Depletion and depreciation                           | 6,893,350           | 1,682,513           |
| Stock-based compensation                             | 451,620             | 675,027             |
| Unrealized foreign exchange gain                     | (438,961)           | (1,083,039)         |
| Loss on debt settlement                              | 7,320,119           | 320,170             |
| Net finance expense                                  | 3,685,368           | 1,571,638           |
| Abandonment costs paid                               | (107,958)           | -                   |
| Deferred income tax recovery                         | 284,893             | (6,037,157)         |
| Change in non-cash working capital (Note 13)         | (4,791,873)         | (4,684,874)         |
|  | <b>6,722,860</b>    | <b>(2,305,838)</b>  |
| <b>Investing activities</b>                          |                     |                     |
| Acquisitions (Note 3)                                | (23,152,458)        | (57,959,516)        |
| Expenditures on property, plant and equipment        | (5,445,650)         | (49,403)            |
| Proceeds on property, plant and equipment disposals  | 44,213,855          | -                   |
| Expenditures on lithium exploration project (Note 9) | (190,589)           | -                   |
| Change in non-cash working capital (Note 13)         | 1,254,960           | (4,296,133)         |
|  | <b>16,680,118</b>   | <b>(62,305,052)</b> |
| <b>Financing activities</b>                          |                     |                     |
| Proceeds on equity financing, net of costs           | -                   | 15,833,477          |
| Proceeds on debt financing, net of costs             | 64,887,714          | 61,931,653          |
| Proceeds on warrant exercises (Note 8b)              | 332,500             | -                   |
| Proceeds on option exercises (Note 8c)               | 20,834              | -                   |
| Debt principal payments (Note 6b)                    | (45,356,467)        | (1,379,123)         |
| Senior Loan Facility payout (Note 6d)                | (42,896,705)        | (1,625,577)         |
| Change in restricted cash                            | 1,908,475           | (1,816,257)         |
| Net finance expense paid                             | (1,830,857)         | (701,228)           |
| Lease payments                                       | (3,760)             | -                   |
| Change in non-cash working capital (Note 13)         | -                   | (215,073)           |
|  | <b>(22,938,266)</b> | <b>72,027,872</b>   |
| Foreign exchange loss on cash and cash equivalents   | (1,505)             | (4)                 |
| <b>Increase in cash and cash equivalents</b>         | <b>463,207</b>      | <b>7,416,978</b>    |
| Cash and cash equivalents, beginning of period       | 5,258,881           | 1,208,776           |
| <b>Cash and cash equivalents, end of period</b>      | <b>5,722,088</b>    | <b>8,625,754</b>    |

See accompanying notes to the interim condensed financial statements.

# ROK RESOURCES INC.

## INTERIM CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

| <i>(Unaudited, expressed in Canadian Dollars)</i> | Number of<br>Shares | Share Capital     | Warrants         | Contributed<br>Surplus | Retained<br>Earnings (Deficit) | Total              |
|---|---------------------|-------------------|------------------|------------------------|--------------------------------|--------------------|
| Balance at December 31, 2022                      | 211,580,484         | 25,853,185        | 5,050,223        | 2,087,123              | 76,517,040                     | 109,507,571        |
| Net income  | -                   | -                 | -                | -                      | 330,025                        | 330,025            |
| Warrant exercises                                 | 950,000             | 376,063           | (43,563)         | -                      | -                              | 332,500            |
| Stock option exercises                            | 83,333              | 34,566            | -                | (13,732)               | -                              | 20,834             |
| Stock-based compensation                          | -                   | -                 | -                | 451,620                | -                              | 451,620            |
| <b>Balance at March 31, 2023</b>                  | <b>212,613,817</b>  | <b>26,263,814</b> | <b>5,006,660</b> | <b>2,525,011</b>       | <b>76,847,065</b>              | <b>110,642,550</b> |
| <hr/>   |                     |                   |                  |                        |                                |                    |
| Balance at December 31, 2021                      | 74,471,576          | 6,309,267         | 802,020          | 405,318                | (3,485,710)                    | 4,030,895          |
| Net income  | -                   | -                 | -                | -                      | 76,209,556                     | 76,209,556         |
| 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              | 72,723,846                     | 99,533,806         |

See accompanying notes to the interim condensed financial statements.

## 1. REPORTING ENTITY

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

## 2. BASIS OF PRESENTATION

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

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

These Financial Statements should be read in conjunction with the Company’s audited annual financial statements for the year ended December 31, 2022. These Financial Statements were approved and authorized for issuance by the Company’s Board of Directors on May 26, 2023.

## 3. ACQUISITIONS & DISPOSITIONS

### a) Southeast Saskatchewan acquisition

In January 2023, the Company successfully closed the acquisition of certain oil and gas assets in Southeast Saskatchewan in exchange for total consideration of 1) cash payment of \$22.9 million, after closing adjustments and the \$2.5 million deposit paid in December 2022, and 2) the disposition of certain oil & gas assets of the Company located in Southwest Saskatchewan to the selling party that had a carrying value of \$23.8 million and associated decommissioning obligations of \$1.6 million. The acquisition has been accounted for as a business combination under IFRS 3.

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

|   |                   |
|---|-------------------|
| Development and production assets       | 53,666,474        |
| Decommissioning obligations             | (6,081,012)       |
| <b>Total net assets acquired</b>        | <b>47,585,462</b> |
| Development and productions assets      | 23,808,032        |
| Decommissioning obligations             | (1,630,841)       |
| Net assets disposed of as consideration | 22,177,191        |
| Cash consideration                      | 26,500,000        |
| Purchase price adjustments              | (1,091,729)       |
| <b>Total purchase price</b>             | <b>47,585,462</b> |

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

**b) Weyburn asset disposition**

In March 2023, the Company closed the disposition of ROK's non-operated 2.11685% interest in the Weyburn Unit for cash proceeds of \$41.5 million, after closing adjustments and transaction costs. The assets had a carrying value of \$37.0 million and an associated decommissioning liability of \$0.5 million, resulting in a gain on disposal of \$5.0 million. The transaction was accounted for as follows:

|                                   |                   |
|-----------------------------------|-------------------|
| Development and production assets | 36,984,650        |
| Decommissioning obligations       | (505,241)         |
| <b>Total net assets disposed</b>  | <b>36,479,409</b> |
| Cash consideration                | 44,500,000        |
| Purchase price adjustments        | (2,548,533)       |
| Transaction costs                 | (445,500)         |
| <b>Total proceeds received</b>    | <b>41,505,967</b> |
| <b>Realized gain on disposal</b>  | <b>5,026,558</b>  |

**c) Other asset acquisitions and dispositions**

During the three months ended March 31, 2023, the Company closed a further acquisition of oil and gas assets in Southeast Saskatchewan for consideration of \$0.4 million, after closing adjustments. As well, the Company closed two smaller dispositions for total proceeds of \$2.7 million, after closing adjustments. The disposed assets had a carrying value of \$2.9 million and associated decommissioning obligations of \$0.4 million, resulting in a gain on disposal of \$0.2 million.

**4. PROPERTY, PLANT AND EQUIPMENT**

The Company's property, plant and equipment ("PP&E") consist of development and production assets ("D&P"), right-of-use leased assets ("ROU"). D&P 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:

| <b>Cost</b>                                     | <b>D&amp;P</b>     | <b>ROU</b>    | <b>Total</b>       |
|---|--------------------|---------------|--------------------|
| Balance, December 31, 2022                      | 183,687,522        | -             | 183,687,522        |
| Acquisitions (Note 3)                           | 54,098,841         | -             | 54,098,841         |
| Additions                                       | 5,445,650          | 31,641        | 5,477,291          |
| Disposals (Note 3)                              | (71,742,262)       | -             | (71,742,262)       |
| Change in decommissioning provisions            | 112,861            | -             | 112,861            |
| <b>Balance, March 31, 2023</b>                  | <b>171,602,612</b> | <b>31,641</b> | <b>171,634,253</b> |
| <b>Accumulated Depletion &amp; Depreciation</b> |                    |               |                    |
| Balance, December 31, 2022                      | 20,131,734         | -             | 20,131,734         |
| Depletion & depreciation                        | 6,889,834          | 3,516         | 6,893,350          |
| Disposals (Note 3)                              | (8,080,872)        | -             | (8,080,872)        |
| <b>Balance, March 31, 2023</b>                  | <b>18,940,696</b>  | <b>3,516</b>  | <b>18,944,212</b>  |
| <b>Net Carrying Amount</b>                      |                    |               |                    |
| Balance, December 31, 2022                      | 163,555,788        | -             | 163,555,788        |
| <b>Balance, March 31, 2023</b>                  | <b>152,661,916</b> | <b>28,125</b> | <b>152,690,041</b> |

At March 31, 2023, the changes in the balance of PP&E consisted of those oil and gas properties acquisitions and disposals as outlined in Note 3, as well as ongoing capital additions. Future development costs in the amount of \$194.0 million (2022 - \$124.5 million) were included in the depletion calculated for the period ended March 31, 2023.

## 5. EXPLORATION AND EVALUATION ASSETS

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

|                                |                |
|--------------------------------|----------------|
| Balance, December 31, 2022     | 893,276        |
| Additions                      | -              |
| <b>Balance, March 31, 2023</b> | <b>893,276</b> |

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 March 31, 2023, there were no indicators of impairment.

## 6. DEBT

### a) Credit Facility

In January 2023, the Company entered into a \$22.5 million revolving credit facility with a syndicate of banks (the “Credit Facility”). At March 31, 2023, the amount drawn on the Credit Facility was \$15.0 million. A review and redetermination of the borrowing base is scheduled to occur semi-annually on or before June 30 and November 30 of each year. The facility is available on a revolving basis until January 24, 2024 (the “Term Out Date”), at which time the facility (and the Term Out Date) may be extended for a further one-year period at the request of the Company and subject to the approval of the syndicate. Such one-year extensions may continue to occur on each subsequent Term Out Date, subject to the approval of the syndicate. Alternatively, on the Term Out Date, at the Company’s discretion, the facility is available on a non-revolving basis for an additional one-year period, at the end of which time the facility would be due and payable. As the available lending limits of the facility are based on the syndicate’s interpretation of the Company’s reserves, commodity prices and decommissioning obligations, there can be no assurance that the amount of the available facility will not decrease at the next scheduled review. In the current pricing environment, there is an increased risk that the lenders may decrease the amount available under the Credit Facility and the decreases could be material.



The Credit Facility provides that advances may be made by way of direct advances, banker's acceptances or letters of credit/guarantees. The facility bears interest at the bank's prime lending or bankers' acceptance rates plus applicable margins. The applicable margin charged by the bank is dependent upon the Company's debt to cash flow ratio (as defined in the lending agreement) for the most recent quarter. The bankers' acceptances bear interest at the applicable banker's acceptance rate plus an explicit stamping fee based upon the Company's debt to cash flow ratio. As at March 31, 2023, the Credit Facility had an effective interest rate of 8.2% per annum. The Credit Facility is secured by a floating charge debenture on the assets of the Company.

#### b) Term Loan

In January 2023, the Company entered into a non-revolving term facility of \$52.5 million with a Canadian Chartered Bank (the "Term Loan"), excluding unamortized issue costs of \$1.8 million. The proceeds of the Term Loan were used to pay out the prior Senior Loan Facility and fund certain asset acquisitions (see Note 3). The Term Loan matures two years from issuance, and carries monthly payments of \$2 million towards principal, commencing on February 28, 2023, with the balance of the principal due at maturity. As well, additional quarterly "excess cash flow" payments based upon a prescribed formula wherein 50% of excess cash flow from the recently completed quarter are 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 bears interest at the bank's prime lending or bankers' acceptance rates plus applicable margins. The applicable margin charged by the bank is dependent upon the Company's debt to cash flow ratio for the most recent quarter. As at March 31, 2023, the Term Loan had an effective interest rate of 10.9% per annum. The Term Loan is secured by a floating charge debenture on the assets of the Company.

In March 2023, the Company made a voluntary principal repayment of \$41.3 million, reducing the remaining balance of the Term Loan to \$7.1 million, excluding unamortized issue costs of \$0.9 million. In May 2023, the Company made a final voluntary principal repayment of \$5.1 million to settle the remaining balance of the Term Loan. As a result, the Term Loan is now terminated.

A summary of outstanding debt as at March 31, 2023, is as follows:

|  |             |
|--|-------------|
| <b>Credit Facility</b>                       |             |
| Total commitment                             | 22,500,000  |
| Amount drawn                                 | 15,000,000  |
| Amount drawn, net of unamortized issue costs | 14,287,071  |
| <b>Term Loan</b>                             |             |
| Amount drawn                                 | 7,143,533   |
| Amount drawn, net of unamortized issue costs | 6,265,229   |
| Total debt, net of unamortized issue costs   | 20,552,300  |
| Less: Current portion                        | (6,265,229) |
| Non-current portion                          | 14,287,071  |

#### c) Financial covenants

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

- Maintain a minimum liability management rating of 2.00 in the 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. Please refer to Note 12 for oil and gas price hedges held by the Company as of the date of these financial statements.
- Make expenditures of not less than \$2,000,000 during each fiscal year toward asset retirement and abandonment and reclamation liabilities.

As at March 31, 2023, the Company was compliant with all restrictions and covenants for the Credit Facility.

#### d) Senior Loan Facility

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

### 7. DECOMMISSIONING OBLIGATIONS

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

|                                |                   |
|--------------------------------|-------------------|
| Balance, December 31, 2022     | 18,458,391        |
| Liabilities acquired (Note 3)  | 6,105,240         |
| Additions                      | 28,094            |
| Change in estimate             | 84,767            |
| Accretion expense              | 458,745           |
| Liabilities settled            | (107,958)         |
| Disposals (Note 3)             | (2,482,230)       |
| <b>Balance, March 31, 2023</b> | <b>22,545,049</b> |

At March 31, 2023, the total estimated amount to settle ROK's decommissioning obligations on an uninflated and undiscounted basis was \$67.9 million (December 31, 2022 - \$52.4 million) and on an inflated and undiscounted basis \$97.5 million (December 31, 2022 - \$75.1 million). The inflated, undiscounted future value of decommissioning obligation was determined by applying an inflation factor of 2.0% (2022 – 2.0%), and subsequently discounting the inflated amount using the Company credit-adjusted rate of 12.0% (2022 – 12.0%) to arrive at the balance of \$22.5 million. These costs are expected to be incurred over the next 20 years.

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

### 8. SHARE CAPITAL

#### a) Common shares

At March 31, 2023, the Company was authorized to issue an unlimited number of Class B Shares, with no par value, with holders of Class B Shares entitled to two votes per share and to dividends, if declared. Outstanding Class B Shares as of March 31, 2023, are as follows:

|  | Class B shares     | Amount            |
|--|--------------------|-------------------|
| Balance, January 1, 2022               | 74,471,576         | 6,309,267         |
| Prospectus Offering, March 2022        | 95,834,100         | 11,691,720        |
| Shares issued for Debt Note conversion | 15,555,550         | 2,075,326         |
| Stock option exercise                  | 495,000            | 71,300            |
| Warrant exercise                       | 25,224,258         | 5,705,572         |
| Balance, December 31, 2022             | 211,580,484        | 25,853,185        |
| Stock option exercise                  | 83,333             | 34,566            |
| Warrant exercise                       | 950,000            | 376,063           |
| <b>Balance, March 31, 2023</b>         | <b>212,613,817</b> | <b>26,263,814</b> |

## b) Warrants

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

A summary of the changes in warrants is presented below:

|  | Warrants           | Weighted average exercise price |
|--|--------------------|---------------------------------|
| Balance, January 1, 2022                               | 25,538,975         | 0.23                            |
| Purchase warrants issued, Prospectus Offering          | 95,834,100         | 0.25                            |
| Broker warrants issued, Prospectus Offering            | 6,125,054          | 0.18                            |
| Purchase warrants issued, Debt Note Conversion         | 15,555,550         | 0.25                            |
| Purchase warrants issued upon broker warrant exercised | 4,612,505          | 0.25                            |
| Warrant exercise                                       | (25,224,258)       | 0.15                            |
| Warrant expiries                                       | (7,500)            | 0.15                            |
| Balance, December 31, 2022                             | 122,434,426        | 0.26                            |
| Warrant exercise                                       | (950,000)          | 0.35                            |
| <b>Balance, March 31, 2023</b>                         | <b>121,484,426</b> | <b>0.26</b>                     |

The following summarizes information about total purchase warrants outstanding as at March 31, 2023:

| Exercise prices | Number of warrants outstanding | Weighted average term to expiry (years) | Number of warrants exercisable |
|-----------------|--------------------------------|---|--------------------------------|
| 0.18            | 1,512,549                      | 1.93                                    | 1,512,549                      |
| 0.25            | 113,141,877                    | 1.93                                    | 113,141,877                    |
| 0.35            | 6,830,000                      | 0.11                                    | 6,830,000                      |
|                 | <b>121,484,426</b>             | <b>1.83</b>                             | <b>121,484,426</b>             |

Subsequent to March 31, 2023, a total of 2,259,400 warrants expiring between April 2023 and May 2023 were exercised resulting in the issuance of 2,259,400 common shares. Gross proceeds of \$790,790 were received by the Company on account of these warrant exercises. Additionally, a further 2,545,600 warrants and broker warrants expired in April 2023.

## 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<br>exercise price |
|------------------------------------|-------------------|------------------------------------|
| Balance, January 1, 2022           | 6,590,000         | 0.23                               |
| Options issued                     | 13,110,000        | 0.26                               |
| Options exercised                  | (420,000)         | 0.10                               |
| Options forfeited                  | (516,667)         | 0.26                               |
| Balance, December 31, 2022         | 18,763,333        | 0.25                               |
| Options issued                     | 1,450,000         | 0.40                               |
| Options exercised                  | (83,333)          | 0.25                               |
| <b>Balance, March 31, 2023</b>     | <b>20,130,000</b> | <b>0.26</b>                        |
| <b>Exercisable, March 31, 2023</b> | <b>12,826,672</b> | <b>0.25</b>                        |

In March 2023, the Company granted 1,450,000 options to acquire common shares to certain employees of the Company at a price of \$0.40 per common share. For options granted, one-third of the options vest on date of grant, one-third on the first anniversary date, and one-third on the second anniversary date. The options under each grant expire five years from the date of grant. For the stock options granted, the Black-Scholes option pricing model was used to estimate a fair value of \$0.26 per option based the assumptions of expected stock price volatility of 80%, option life of 5 years, expected dividend yield of 0%, and a risk-free interest rate of 3.59%.

The following summarizes information about stock options outstanding as at March 31, 2023:

| Exercise prices | Number of options<br>outstanding | Weighted average term to<br>expiry (years) | Number of options<br>exercisable |
|-----------------|----------------------------------|--|----------------------------------|
| 0.10            | 420,000                          | 0.30                                       | 420,000                          |
| 0.15            | 1,600,000                        | 1.68                                       | 1,600,000                        |
| 0.25            | 10,260,000                       | 3.99                                       | 6,840,006                        |
| 0.28            | 4,050,000                        | 3.31                                       | 2,699,997                        |
| 0.30            | 1,550,000                        | 4.42                                       | 516,672                          |
| 0.35            | 800,000                          | 4.59                                       | 266,667                          |
| 0.40            | 1,450,000                        | 4.92                                       | 483,330                          |
|                 | <b>20,130,000</b>                | <b>3.72</b>                                | <b>12,826,672</b>                |

For the period ended March 31, 2023, the Company recognized \$451,620 (March 31, 2022 - \$675,027) in stock-based compensation expense. Recognized stock-based compensation is recorded as an expense and as contributed surplus.

#### d) Net income per share

The table below summarizes the weighted average (“WA”) number of common shares outstanding used in the calculation of net income (loss) per share for the periods ended March 31, 2023 and 2022:

|                                       | 2023        | 2022        |
|---------------------------------------|-------------|-------------|
| WA common shares outstanding, basic   | 211,916,317 | 104,175,483 |
| Dilutive effect of stock options      | 7,188,540   | 912,609     |
| Dilutive effect of warrants           | 46,000,945  | 4,942,253   |
| WA common shares outstanding, diluted | 265,105,802 | 110,030,345 |
| Net income                            | 330,025     | 76,209,556  |
| \$ per common share, basic            | 0.00        | 0.73        |
| \$ per common share, diluted          | 0.00        | 0.69        |

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 period ended March 31, 2023, no stock options or warrants were excluded as they were all in-the-money based on the volume weighted average trading price of the Company’s common shares of \$0.41 during the period. For the period ended March 31, 2022, a total of 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.

## 9. LITHIUM EXPLORATION PROJECT

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

The Company’s interest in the Investee is accounted for using the equity method. As of March 31, 2023, expenditures reported by the Company’s partner for project activities had reached a total of \$5.4 million, with the Company’s financial contribution towards the project activities equating to \$977,828.

## 10. REVENUE

The following table presents the Company’s oil and natural gas revenue disaggregated by product type for the periods ended March 31, 2023 and 2022:

|                   | <b>2023</b>       | <b>2022</b>      |
|-------------------|-------------------|------------------|
| Oil sales         | 19,538,977        | 7,261,484        |
| NGL sales         | 2,174,019         | 370,313          |
| Natural gas sales | 2,424,517         | 490,081          |
| <b>Total</b>      | <b>24,137,513</b> | <b>8,121,878</b> |

As at March 31, 2023, receivables from contracts with customers, which are included in accounts receivable, were \$10,533,109 (December 31, 2022 - \$7,597,682).

## 11. NET FINANCE EXPENSE

The components of net finance expense for the periods ended March 31, 2023 and 2022, are as follows:

|  | <b>2023</b>      | <b>2022</b>      |
|--|------------------|------------------|
| Interest income                          | (12,324)         | (113)            |
| Interest expenses and bank charges       | 39,709           | 72,131           |
| Debt interest expense                    | 1,803,472        | 629,210          |
| Lease liability interest expense         | 441              | -                |
| Accretion on debt                        | 1,395,325        | 789,908          |
| Accretion on decommissioning obligations | 458,745          | 80,502           |
| <b>Total net finance expense</b>         | <b>3,685,368</b> | <b>1,571,638</b> |

## 12. FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks, and the Company's management of capital. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

### Credit risk

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

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

| <b>Carrying Amount</b>        | <b>March 31, 2023</b> | <b>December 31, 2022</b> |
|-------------------------------|-----------------------|--------------------------|
| Oil and natural gas customers | 10,533,109            | 7,597,682                |
| Joint operations partners     | 1,754,142             | 2,083,791                |
| Accruals and other            | 1,485,167             | 1,181,200                |
| <b>Total</b>                  | <b>13,772,418</b>     | <b>10,862,673</b>        |

| <b>Aging</b>         | <b>March 31, 2023</b> | <b>December 31, 2022</b> |
|----------------------|-----------------------|--------------------------|
| 0 - 30 days          | 12,015,246            | 9,435,073                |
| 30 - 90 days         | 941,016               | 871,954                  |
| Greater than 90 days | 816,156               | 555,646                  |
| Expected credit loss | -                     | -                        |
| <b>Total</b>         | <b>13,772,418</b>     | <b>10,862,673</b>        |

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 March 31, 2023, there were no material receivables which were considered uncollectible (December 31, 2022 - \$nil).

The Company held cash and cash equivalents of \$5,722,088 as at March 31, 2023 (December 31, 2022 - \$5,258,881). The Company manages the credit exposure related to cash and cash equivalents by selecting counter parties based on credit ratings and monitors all investments to ensure a stable return, avoiding complex investment vehicles with higher risk.

## Liquidity risk

The following table outlines the contractual maturities of the Company's financial liabilities at March 31, 2023:

|                                      | Less than 1 year  | 1-2 years         | Thereafter | Total             |
|--------------------------------------|-------------------|-------------------|------------|-------------------|
| Accounts payable                     | 16,216,151        | -                 | -          | 16,216,151        |
| Term Loan - principal <sup>(1)</sup> | 7,143,533         | -                 | -          | 7,143,533         |
| Term Loan - interest                 | 124,066           | -                 | -          | 124,066           |
| Credit Facility - principal          | -                 | 15,000,000        | -          | 15,000,000        |
| Lease obligations                    | 30,077            | -                 | -          | 30,077            |
|                                      | <b>23,513,827</b> | <b>15,000,000</b> | -          | <b>38,513,827</b> |

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

## 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 <sup>(1)(2)</sup>

| Period  | WTI Crude       |          | Crude Edmonton Light Differential |          | AECO <sup>(3)</sup> |            | Propane         |          |
|---------|-----------------|----------|-----------------------------------|----------|---------------------|------------|-----------------|----------|
|         | Volumes (bbl/d) | US\$/bbl | Volumes (bbl/d)                   | US\$/bbl | Volumes (mmbtu/d)   | US\$/mmbtu | Volumes (gal/d) | US\$/gal |
| Q2 2023 | 1,560           | 86.36    | 1,057                             | (4.09)   | 5,507               | 2.20       | 3,924           | 1.05     |
| Q3 2023 | 1,382           | 84.45    | 1,017                             | (4.25)   | 5,267               | 2.13       | 3,712           | 1.01     |
| Q4 2023 | 1,340           | 82.07    | 981                               | (4.48)   | 5,165               | 2.48       | 3,586           | 1.02     |
| Q1 2024 | 1,087           | 79.72    | -                                 | -        | 4,980               | 2.65       | 3,400           | 0.99     |
| Q2 2024 | 1,099           | 74.26    | -                                 | -        | 4,338               | 2.63       | 3,176           | 0.78     |
| Q3 2024 | 679             | 73.27    | -                                 | -        | 2,872               | 2.64       | 2,079           | 0.76     |

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

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

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

## Foreign currency risk

The Company is exposed to the risk of fluctuations in foreign exchange rates between the Canadian dollar and the US dollar (US\$) given the Company is exposed to the risk of changes in the US/Canadian dollar exchange rate on crude oil sales based on US dollar benchmark prices and commodity contracts that are settled in US dollars (see above). As at March 31, 2023, the Company had the following foreign currency derivatives in place to manage its exposure to currency fluctuations:

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

| <b>Period</b> | <b>US\$ (millions)</b> | <b>Floor</b> | <b>Reset</b> | <b>Trigger</b> |
|---------------|------------------------|--------------|--------------|----------------|
| 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. The Company is exposed to interest rate risk on the Credit Facility, with interest rates based on the bank's prime lending or bankers' acceptance rates plus applicable margins. The applicable margin charged by the bank is dependent upon the Company's debt to cash flow ratio for the most recent quarter. Fluctuations of interest rates could result in an increase or decrease in the amount ROK pays to service the variable interest rate debt.

As at March 31, 2023, if interest rates applicable to the Credit Facility were to have increased or decreased by 50 basis points, it is estimated that the Company's income before tax would similarly change by approximately \$12,500 for the period ended March 31, 2023.

**Fair value of financial instruments**

The Company's financial instruments as at March 31, 2023, include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, risk management contracts, and debt.

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

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

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

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

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

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

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



### Capital management

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

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

|   | March 31, 2023   | December 31, 2022 |
|---|------------------|-------------------|
| Credit Facility (8.2%) <sup>(1)</sup>         | 15,000,000       | -                 |
| Term Loan (10.9%) <sup>(1)</sup>              | 7,143,533        | -                 |
| Lease obligations <sup>(1)</sup>              | 30,077           | -                 |
| Senior Loan Facility (15%) <sup>(1)</sup>     | -                | 43,347,566        |
| Less: adjusted working capital <sup>(2)</sup> | 13,870,283       | 8,006,020         |
| <b>Net debt</b>                               | <b>8,303,327</b> | <b>35,341,546</b> |

1) Represents undiscounted face value of debt balances and lease obligations 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.

### 13. SUPPLEMENTAL CASH FLOW INFORMATION

| For the periods ended March 31            | 2023               | 2022               |
|---|--------------------|--------------------|
| Accounts receivable                       | (2,909,745)        | (11,460,482)       |
| Prepays and deposits                      | (3,164,642)        | (620,783)          |
| Accounts payable and accrued liabilities  | 2,537,474          | 2,885,185          |
| <b>Change in non-cash working capital</b> | <b>(3,536,913)</b> | <b>(9,196,080)</b> |
| Relating to:                              |                    |                    |
| Operating activities                      | (4,791,873)        | (4,684,874)        |
| Investing activities                      | 1,254,960          | (4,296,133)        |
| Financing activities                      | -                  | (215,073)          |
| <b>Change in non-cash working capital</b> | <b>(3,536,913)</b> | <b>(9,196,080)</b> |