INTERIM CONDENSED FINANCIAL STATEMENTS

MARCH 31, 2024

ROK RESOURCES INC.

INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

(Unaudited, expressed in Canadian Dollars)	**March 31, 2024**	December 31, 2023
Assets		
Current Assets		
Accounts receivable (Note 11)	**12,420,173**	13,021,111
Prepaids and deposits	**580,854**	364,090
Risk management contracts (Note 11)	**-**	4,521,075
	13,001,027	17,906,276
Non-current Assets		
Property, plant and equipment (Note 3)	**140,015,515**	144,684,677
Exploration and evaluation assets (Note 4)	**495,192**	495,192
Investment in lithium exploration project (Note 8)	**2,229,981**	1,981,275
	155,741,715	165,067,420
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	**14,692,423**	17,560,130
Current portion of lease liability	**96,272**	99,810
Risk management contracts (Note 11)	**1,134,038**	-
	15,922,733	17,659,940
Non-current Liabilities		
Non-current portion of debt (Note 5)	**12,424,919**	14,083,639
Non-current portion of lease liability	**333,198**	356,131
Risk management contracts (Note 11)	**1,420,496**	-
Decommissioning obligations (Note 6)	**17,648,464**	17,660,569
Deferred income tax	**12,002,080**	13,875,338
	59,751,890	63,635,617
Shareholders' Equity		
Share capital (Note 7a)	**28,052,555**	28,052,264
Warrants (Note 7b)	**4,562,166**	4,562,207
Contributed surplus (Note 7c)	**3,457,252**	3,287,226
Retained earnings	**59,917,852**	65,530,106
	95,989,825	101,431,803
	155,741,715	165,067,420

See accompanying notes to the interim condensed financial statements.

ROK RESOURCES INC.

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

For the three months ended March 31

(Unaudited, expressed in Canadian Dollars)	**2024**	2023
Revenue:		
Oil and natural gas sales (Note 9)	**20,931,235**	24,137,513
Royalties	**(3,955,043)**	(4,771,385)
Oil and natural gas sales, net of royalties	**16,976,192**	19,366,128
Realized gain on commodity contracts (Note 11)	**926,017**	2,666,447
Unrealized gain (loss) on commodity contracts (Note 11)	**(7,075,609)**	1,691,837
Processing and other income	**862,078**	734,731
Total revenue and other income	**11,688,678**	24,459,143
Expenses and other items:		
Operating expenses	**10,724,039**	9,471,536
General and administrative	**1,245,586**	1,293,872
Business development	**-**	283,486
Gain on dispositions	**-**	(5,687,123)
Stock-based compensation (Note 7c)	**170,026**	451,620
Depletion and depreciation (Note 3)	**6,163,711**	6,893,350
Loss on debt settlement	**-**	7,320,119
Net finance expense (Note 10)	**896,562**	3,685,368
Foreign exchange gain	**(25,734)**	(343,240)
Total expenses and other items	**19,174,190**	23,368,988
Income (loss) before income taxes	**(7,485,512)**	1,090,155
Deferred income tax expense (recovery)	**(1,873,258)**	284,893
Net income (loss) and comprehensive income (loss)	**(5,612,254)**	805,262
Net (loss) income per share (Note 7d)		
Basic	**(0.03)**	0.00
Diluted	**(0.03)**	0.00

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)	**2024**	2023
Cash flows provided by (used in):		
Operating activities		
Net income (loss)	**(5,612,254)**	805,262
Adjustments for:		
Gain on dispositions	-	(5,687,123)
Unrealized loss (gain) on commodity contracts (Note 11)	**7,075,609**	(1,691,837)
Depletion and depreciation (Note 3)	**6,163,711**	6,893,350
Stock-based compensation (Note 7c)	**170,026**	451,620
Unrealized foreign exchange gain	**(921)**	(438,961)
Loss on debt settlement	-	7,320,119
Net finance expense (Note 10)	**896,562**	3,685,368
Net interest expense paid	**(378,968)**	(1,830,857)
Abandonment costs paid (Note 6)	**(98,289)**	(107,958)
Deferred income tax expense (recovery)	**(1,873,258)**	284,893
Change in non-cash working capital (Note 12)	**(2,166,493)**	(4,791,873)
	4,175,725	4,892,003
Investing activities		
Acquisitions	-	(23,152,458)
Expenditures on property, plant and equipment	**(1,818,760)**	(5,445,650)
Proceeds on property, plant and equipment disposals	-	44,213,855
Expenditures on lithium exploration project (Note 8)	**(248,706)**	(190,589)
Change in non-cash working capital (Note 12)	**(317,040)**	1,254,960
	(2,384,506)	16,680,118
Financing activities		
Proceeds on debt financing, net of costs	-	64,887,714
Proceeds on warrant exercises (Note 7b)	**250**	332,500
Proceeds on option exercises	-	20,834
Debt principal payments	-	(45,356,467)
Senior Loan Facility payout	-	(42,896,705)
Amounts paid on Credit Facility	**(1,756,279)**	-
Change in restricted cash	-	1,908,475
Lease payments	**(36,111)**	(3,760)
	(1,792,140)	(21,107,409)
Foreign exchange gain (loss) on cash and cash equivalents	**921**	(1,505)
Increase in cash and cash equivalents	-	463,207
Cash and cash equivalents, beginning of period	-	5,258,881
Cash and cash equivalents, end of period	-	5,722,088

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**	**Warrants**	**Contributed Surplus**	**Retained Earnings**	**Total**
Balance at December 31, 2023	218,418,315	28,052,264	4,562,207	3,287,226	65,530,106	101,431,803
Net loss	-	-	-	-	(5,612,254)	(5,612,254)
Warrant exercises	1,000	291	(41)	-	-	250
Stock-based compensation	-	-	-	170,026	-	170,026
Balance at March 31, 2024	**218,419,315**	**28,052,555**	**4,562,166**	**3,457,252**	**59,917,852**	**95,989,825**

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	-	-	-	-	805,262	805,262
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
Balance at March 31, 2023	212,613,817	26,263,814	5,006,660	2,525,011	77,322,302	111,117,787

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 ("IAS") 34 "Interim Financial Reporting" under IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS").

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, 2023, with the exception of certain disclosures that are normally required to be included in annual financial statements which have been condensed or omitted.

On January 1, 2024, the Company adopted amendments to IAS 1 *Presentation of financial statements* regarding classification of liabilities as current or non-current. The amendment clarifies that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. These amendments to IAS 1 did not have a material impact on the Company's financial statements.

These Financial Statements should be read in conjunction with the Company's audited annual financial statements for the year ended December 31, 2023. These Financial Statements were approved and authorized for issuance by the Company's Board of Directors on May 21, 2024.

3. PROPERTY, PLANT AND EQUIPMENT

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

Cost	**D&P**	**ROU**	**Total**
Balance, December 31, 2023	179,516,536	499,788	180,016,324
Additions	1,818,760	-	1,818,760
Change in decommissioning provisions	(324,211)	-	(324,211)
Balance, March 31, 2024	**181,011,085**	**499,788**	**181,510,873**
Accumulated Depletion & Depreciation			
Balance, December 31, 2023	35,282,039	49,608	35,331,647
Depletion & depreciation	6,131,726	31,985	6,163,711
Balance, March 31, 2024	**41,413,765**	**81,593**	**41,495,358**
Net Carrying Amount			
Balance, December 31, 2023	144,234,497	450,180	144,684,677
Balance, March 31, 2024	**139,597,320**	**418,195**	**140,015,515**

Future development costs in the amount of $184.7 million (December 31, 2023 - $184.7 million) were included in the depletion calculated for the period ended March 31, 2024.

4. EXPLORATION AND EVALUATION ASSETS

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

Balance, December 31, 2023	495,192
Additions	-
Balance, March 31, 2024	**495,192**

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, 2024, there were no indicators of impairment.

5. DEBT

a) Credit Facility

The Company maintains a $22.5 million revolving credit facility with a syndicate of banks (the "Credit Facility"). At March 31, 2024, the amount drawn on the Credit Facility was $12.7 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 June 27, 2024 (the "Term Out Date"), at which time the facility (and the Term Out Date) may be extended for a further one-year period at the request of the Company and subject to the approval of the syndicate. Such one-year extensions may continue to occur on each subsequent Term Out Date, subject to the approval of the syndicate. Alternatively, on the Term Out Date, at the Company's discretion, the facility is available on a non-revolving basis for an additional one-year period, at the end of which time the facility would be due and payable. As the available lending limits of the facility are based on the syndicate's interpretation of the Company's reserves, commodity prices and decommissioning obligations, there can be no assurance that the amount of the available facility will not decrease at the next scheduled review.

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. For the three months ended March 31, 2024, the Credit Facility had an effective interest rate of 8.4% per annum. The Credit Facility is secured by a floating charge debenture on the assets of the Company.

A summary of outstanding debt as at March 31, 2024, is as follows:

Credit Facility	
Total commitment	22,500,000
Amount drawn	12,745,469
Amount drawn, net of unamortized issue costs	12,424,919
Current portion	-
Non-current portion	12,424,919

b) Financial covenants

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

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

- Maintain oil and gas price hedges on a minimum of 75% of Company oil and gas production for a period of not less than 12 months. Please refer to Note 11 for oil and gas price hedges held by the Company as of the date of these financial statements.
- Make expenditures of not less than $2,000,000 during each fiscal year toward asset retirement and abandonment and reclamation liabilities.
- Maintain a debt to cash flow ratio (as defined in the lending agreement) of less than 2.00. As of March 31, 2024, the Company's debt to cash flow ratio was 0.50 : 1.

As at March 31, 2024, the Company was compliant with all restrictions and covenants for the Credit Facility.

6. 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, 2023	17,660,569
Change in estimate	(324,211)
Accretion expense	410,395
Liabilities settled	(98,289)
Balance, March 31, 2024	**17,648,464**

At March 31, 2024, the total estimated amount to settle ROK's decommissioning obligations on an uninflated and undiscounted basis was $63.6 million (December 31, 2023 - $63.9 million) and on an inflated and undiscounted basis was $95.3 million (December 31, 2023 - $95.9 million). The inflated, undiscounted future value of decommissioning obligation was determined by applying an inflation factor of 2.0% (2023 – 2.0%), and subsequently discounting the inflated amount using the Company credit-adjusted rate of 12.0% (2023 – 12.0%) to arrive at the balance of $17.7 million. These costs are expected to be incurred over the next 20 years.

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

7. SHARE CAPITAL

a) Common shares

At March 31, 2024, the Company was authorized to issue an unlimited number of Class B Shares, with no par value, with holders of Class B Shares entitled to one vote per share and to dividends, if declared. Outstanding Class B Shares as of March 31, 2024, are as follows:

	Class B shares	Amount
Balance, January 1, 2023	211,580,484	25,853,185
Stock option exercise	603,333	146,180
Warrant exercise	6,234,498	2,052,899
Balance, December 31, 2023	218,418,315	28,052,264
Warrant exercise	1,000	291
Balance, March 31, 2024	**218,419,315**	**28,052,555**

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, 2022	122,434,426	0.25
Warrant exercise	(4,721,949)	0.35
Warrant expiries	(4,570,600)	0.35
Balance, December 31, 2023	113,141,877	0.25
Warrant exercise	(1,000)	0.25
Balance, March 31, 2024	**113,140,877**	**0.25**

The following summarizes information about total warrants outstanding as at March 31, 2024:

Exercise prices	Number of warrants outstanding	Weighted average term to expiry (years)	Number of warrants exercisable
0.25	113,140,877	0.93	113,140,877

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, 2022	18,763,333	0.25
Options issued	1,775,000	0.39
Options exercised	(603,333)	0.15
Options forfeited	(75,000)	0.40
Balance, December 31, 2023	19,860,000	0.27
Balance, March 31, 2024	**19,860,000**	**0.27**
Exercisable, March 31, 2024	**18,451,664**	**0.26**

The following summarizes information about stock options outstanding as at March 31, 2024:

Exercise prices	Number of options outstanding	Weighted average term to expiry (years)	Number of options exercisable
0.15	1,600,000	0.68	1,600,000
0.25	10,260,000	2.98	10,260,000
0.28	4,050,000	2.31	4,050,000
0.30	1,450,000	3.42	966,669
0.35	1,075,000	3.80	625,000
0.40	1,425,000	3.92	949,995
	19,860,000	**2.80**	**18,451,664**

For the period ended March 31, 2024, the Company recognized $170,026 (March 31, 2023 - $451,620) 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 three months ended March 31, 2024 and 2023:

	2024	**2023**
WA common shares outstanding, basic	218,418,348	211,916,317
Dilutive effect of stock options	-	7,188,540
Dilutive effect of warrants	-	46,000,945
WA common shares outstanding, diluted	218,418,348	265,105,802
Net income (loss)	(5,612,254)	805,262
$ per common share, basic	(0.03)	0.00
$ per common share, diluted	(0.03)	0.00

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, 2024, a total of 19,860,000 stock options and 113,140,877 warrants were excluded as their impact was anti-dilutive to the net loss per share in the period. 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.

8. 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, 2024, expenditures reported by the Company's partner for project activities had reached a total of $10.5 million (December 31, 2023 - $9.4 million), with the Company's financial contribution towards the project activities equating to $2.2 million (December 31, 2023 - $2.0 million).

9. REVENUE

The following table presents the Company's oil and natural gas revenue disaggregated by product type for the three months ended March 31, 2024 and 2023:

	2024	2023
Oil sales	16,523,065	19,538,977
NGL sales	2,079,767	2,174,019
Natural gas sales	2,328,403	2,424,517
Total	**20,931,235**	**24,137,513**

As at March 31, 2023, receivables from contracts with customers, which are included in accounts receivable, were $8,125,006 (December 31, 2023 - $7,756,737).

10. NET FINANCE EXPENSE

The components of net finance expense for the periods ended March 31, 2024 and 2023, are as follows:

	2024	2023
Interest income	(683)	(12,324)
Interest expenses and bank charges	4,615	39,709
Debt interest expense	375,036	1,803,472
Lease liability interest expense	9,640	441
Accretion on debt	97,559	1,395,325
Accretion on decommissioning obligations	410,395	458,745
Total net finance expense	**896,562**	**3,685,368**

11. FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

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

Credit risk

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

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

Carrying Amount	March 31, 2024	December 31, 2023
Oil and natural gas customers	8,125,006	7,756,737
Joint operations partners	4,187,215	4,237,670
Accruals and other	107,952	1,026,704
Total	**12,420,173**	**13,021,111**

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, 2024	December 31, 2023
0 - 30 days	8,721,380	10,011,741
30 - 90 days	890,878	1,561,514
Greater than 90 days	3,016,822	1,656,763
Expected credit loss	(208,907)	(208,907)
Total	**12,420,173**	**13,021,111**

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, 2024, there were $208,907 in receivables which were considered uncollectible (December 31, 2023 - $208,907).

Liquidity risk

The table below outlines the contractual maturities of the Company's financial liabilities as at March 31, 2024:

	Less than 1 year	1-2 years	Thereafter	Total
Accounts payable	14,692,423	-	-	14,692,423
Credit Facility	-	12,745,469	-	12,745,469
Lease obligations (1)	127,862	126,620	255,258	509,740
	14,820,285	**12,872,089**	**255,258**	**27,947,632**

1) Reflects timing of lease payments on existing lease obligations

Commodity price risk

Commodity price risk is the risk that the fair value of the future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices have fluctuated widely in recent years due to global and regional factors including supply and demand fundamentals, inventory levels, weather and economic and geopolitical factors.

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 March 31, 2024, the Company has the following commodity risk management contracts outstanding:

Derivative swap contracts (1)(2)

	WTI Crude		AECO(3)		Propane	
Period	*Volumes (bbl/d)*	*USD/bbl*	*Volumes (mmbtu/d)*	*USD/ mmbtu*	*Volumes (gal/d)*	*USD/gal*
Q2 2024	1,674	75.67	6,973	2.09	3,176	0.78
Q3 2024	1,537	75.04	6,500	2.03	2,079	0.76
Q4 2024	1,539	74.48	5,397	2.13	-	.
Q1 2025	1,200	72.57	5,000	2.42	-	-
Q2 2025	378	72.05	1,648	2.14	-	-

1) Prices reported are the average price for the period.
2) Swaps include trades in USD and CAD. Canadian swaps are converted from CAD to USD 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 given the risk of changes in the USD/CAD exchange rate on crude oil sales based on USD benchmark prices and certain commodity contracts that are settled in USD (see above).

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, 2024, 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 $17,000 for the year three months ended March 31, 2024.

Fair value of financial instruments

The Company's financial instruments as at March 31, 2024, include accounts receivable, risk management contracts, accounts payable and accrued liabilities, 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 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, 2024	**December 31, 2023**
Accounts receivable	12,420,173	13,021,111
Prepaids and deposits	580,854	364,090
Current portion of risk management contracts	(1,134,038)	4,521,075
Accounts payable	(14,692,423)	(17,560,130)
Adjusted working capital (2)	**(2,825,434)**	**346,146**
Credit Facility (8.4%) (1)	12,745,469	14,501,748
Lease obligations (1)	509,740	545,851
Less: adjusted working capital (2)	2,825,434	(346,146)
Net debt	**16,080,643**	**14,701,453**

1) Represents undiscounted face value of debt balances and lease obligations outstanding as of each respective date presented.
2) Calculation of adjusted working capital excludes current portion of debt and lease liabilities as presented on the statement of financial position. The mark-to-market fair value of the current portion of risk management contracts is included within adjusted working capital.

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

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

12. SUPPLEMENTAL CASH FLOW INFORMATION

For the periods ended March 31	**2024**	**2023**
Accounts receivable	600,938	(2,909,745)
Prepaids and deposits	(216,764)	(3,164,642)
Accounts payable and accrued liabilities	(2,867,707)	2,537,474
Change in non-cash working capital	**(2,483,533)**	**(3,536,913)**
Relating to:		
Operating activities	(2,166,493)	(4,791,873)
Investing activities	(317,040)	1,254,960
Change in non-cash working capital	**(2,483,533)**	**(3,536,913)**