ROK RESOURCES

INTERIM CONDENSED FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

ROK RESOURCES INC.

INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

(Unaudited, expressed in Canadian Dollars)	**September 30, 2022**	December 31, 2021	January 1, 2021
		Restated [1]	*Restated* [1]
Assets			
Current Assets			
Cash and cash equivalents	**13,256,724**	1,208,776	1,420,067
Accounts receivable (Note 12)	**16,158,590**	553,639	445,095
Prepaids and deposits	**600,262**	140,967	86,974
Risk management contracts (Note 12)	**9,026,982**	-	-
	39,042,558	1,903,382	1,952,136
Non-current Assets			
Restricted cash (Note 7)	**1,949,046**	-	-
Deferred transaction costs	**-**	427,235	-
Risk management contracts (Note 12)	**4,204,384**	-	-
Property, plant and equipment (Note 3 and 4)	**157,763,335**	6,944,932	1,274,876
Exploration & evaluation assets (Note 5)	**893,276**	1,321,693	1,178,458
Investment in Hub City (Note 9)	**156,113**	-	-
	204,008,712	10,597,242	4,405,470
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	**17,525,934**	1,424,772	355,611
Current portion of debt notes (Note 6)	**-**	1,333,333	-
Current portion of senior loan facility (Note 7)	**21,699,459**	-	-
	39,225,393	2,758,105	355,611
Non-current Liabilities			
Non-current portion of debt notes (Note 6)	**-**	2,506,393	-
Non-current portion of senior loan facility (Note 7)	**20,540,960**	-	-
Decommissioning obligations (Note 10)	**18,088,428**	1,301,849	1,110,784
Deferred income tax	**14,896,348**	-	-
	92,751,129	6,566,347	1,466,395
Shareholders' Equity			
Share capital (Note 8a)	**22,652,660**	6,309,267	3,607,761
Warrants (Note 8b)	**5,797,442**	802,020	446,044
Contributed surplus (Note 8c)	**1,719,292**	405,318	54,263
Retained earnings (deficit)	**81,088,189**	(3,485,710)	(1,168,993)
	111,257,583	4,030,895	2,939,075
	204,008,712	10,597,242	4,405,470

(1) See Note 2 for retroactive adjustments due to voluntary change in accounting policy

Commitments (Note 13)

See accompanying notes to the interim condensed financial statements.

ROK RESOURCES INC.

INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the three and nine months ended September 30

(Unaudited, expressed in Canadian Dollars)	Three months ended **2022**	Three months ended 2021 *Restated* [1]	Nine months ended **2022**	Nine months ended 2021 *Restated* [1]
Revenue:				
Oil and natural gas sales (Note 11)	**26,554,511**	1,075,829	**63,386,401**	2,225,065
Royalties	**(4,303,644)**	(205,357)	**(10,185,960)**	(425,826)
Oil and natural gas sales, net of royalties	**22,250,867**	870,472	**53,200,441**	1,799,239
Realized gain on commodity contracts (Note 12)	**1,552,524**	-	**1,788,499**	-
Unrealized gain on commodity contracts (Note 12)	**14,266,819**	-	**13,231,366**	-
Processing and other income	**627,612**	-	**1,212,622**	-
Total revenue and other income	**38,697,822**	870,472	**69,432,928**	1,799,239
Expenses and other items:				
Operating expenses	**9,926,624**	473,924	**17,551,783**	954,577
General and administrative	**566,885**	399,851	**2,901,648**	1,076,613
Business development	**276,006**	32,839	**2,286,320**	114,565
Gain on acquisition (Note 3)	**-**	-	**(65,836,481)**	-
Stock-based compensation (Note 8c)	**390,270**	277,220	**1,335,774**	294,001
Depletion and depreciation (Note 4)	**5,995,441**	216,071	**12,855,041**	518,753
Exploration & evaluation expense (Note 5)	**428,417**	184,086	**428,417**	184,086
Loss on debt settlement (Note 6)	**-**	-	**320,170**	-
Net finance expense	**4,762,327**	207,568	**10,840,806**	334,101
Foreign exchange loss	**2,358,539**	(1,865)	**2,754,690**	(19)
Total expenses and other items	**24,704,509**	1,789,694	**(14,561,832)**	3,476,677
Income (loss) before income taxes	**13,993,313**	(919,222)	**83,994,760**	(1,677,438)
Current income tax provision	**1,891,625**	-	**1,891,625**	-
Deferred income tax expense (recovery)	**1,290,959**	-	**(2,470,764)**	-
Net income (loss) and comprehensive income (loss)	**10,810,729**	(919,222)	**84,573,899**	(1,677,438)
Net income (loss) per share (Note 8d)				
Basic	**0.05**	(0.01)	**0.51**	(0.03)
Diluted	**0.05**	(0.01)	**0.50**	(0.03)

(1) See Note 2 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 and nine months ended September 30

(Unaudited, expressed in Canadian Dollars)	**Three months ended**		**Nine months ended**	
	2022	2021	**2022**	2021
		Restated [1]		*Restated* [1]
Cash flows provided by (used in):				
Operating activities				
Net income (loss)	**10,810,729**	(919,222)	**84,573,899**	(1,677,438)
Adjustments for:				
Gain on acquisition (Note 3)	**-**	-	**(65,836,481)**	-
Unrealized loss on commodity contracts	**(14,266,819)**	-	**(13,231,366)**	-
Depletion and depreciation	**5,995,441**	216,071	**12,855,041**	518,753
Exploration & evaluation expense	**428,417**	184,086	**428,417**	184,086
Stock-based compensation	**390,270**	277,220	**1,335,774**	294,001
Unrealized foreign exchange loss (gain)	**2,273,235**	(1,864)	**2,624,497**	(18)
Loss on debt settlement	**-**	-	**320,170**	-
Net finance expense	**4,762,327**	207,568	**10,840,806**	334,101
Abandonment costs paid	**(103,400)**	(8,289)	**(278,831)**	(12,951)
Deferred income tax expense (recovery)	**1,290,959**	-	**(2,470,764)**	-
Change in non-cash working capital (Note 15)	**846,783**	(152,774)	**(2,377,375)**	(289,517)
	12,427,942	(197,204)	**28,783,787**	(648,983)
Investing activities				
Acquisitions (Note 3)	**-**	(35,730)	**(57,893,290)**	(3,963,490)
Expenditures on property, plant and equipment	**(11,938,870)**	(1,535,102)	**(16,441,696)**	(1,650,334)
Proceeds on property, plant and equipment disposals	**-**	70,000	**-**	70,000
Expenditures on exploration and evaluation assets	**-**	(193,687)	**-**	(315,787)
Change in non-cash working capital (Note 15)	**3,843,760**	812,333	**2,629,364**	232,988
	(8,095,110)	(882,186)	**(71,705,622)**	(5,626,623)
Financing activities				
Proceeds on equity financing, net of costs	**-**	-	**15,833,477**	2,134,968
Proceeds on debt financing, net of costs	**-**	500,000	**61,931,653**	3,909,725
Proceeds on warrant exercises	**910,444**	-	**2,262,598**	-
Proceeds on option exercises	**21,000**	-	**49,500**	22,500
Debt Note payout settlement	**-**	-	**(1,379,123)**	-
Senior Term Facility principal payment	**(9,357,669)**	-	**(17,137,669)**	-
Change in restricted cash	**-**	-	**(1,816,257)**	-
Net finance expense paid	**(1,989,454)**	(178,662)	**(4,650,629)**	(179,809)
Change in non-cash working capital (Note 15)	**-**	35,000	**(215,073)**	-
	(10,415,679)	356,338	**54,878,477**	5,887,384
Foreign exchange loss (gain) on cash	**78,389**	1,865	**91,306**	19
Increase (decrease) in cash and cash equivalents	**(6,004,458)**	(721,187)	**12,047,948**	(388,203)
Cash and cash equivalents, beginning of period	**19,261,182**	1,753,051	**1,208,776**	1,420,067
Cash and cash equivalents, end of period	**13,256,724**	1,031,864	**13,256,724**	1,031,864

(1) See Note 2 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 CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited, expressed in Canadian Dollars)	Number of Shares	Share Capital	Warrants	Contributed Surplus	Retained Earnings (Deficit)	Total
Balance at December 31, 2021	74,471,576	6,309,267	802,020	405,318	(3,485,710)	4,030,895
Net income	-	-	-	-	84,573,899	84,573,899
Prospectus Offering, March 2022	95,834,100	12,785,590	4,464,548	-	-	17,250,138
Issue costs, net of tax of $386,589	-	(1,070,961)	(508,956)			(1,579,917)
Broker warrants, Prospectus Offering	-	-	534,696	-	-	534,696
Debt Note redemption	15,555,550	2,075,326	724,674	-	-	2,800,000
Stock option exercises	495,000	71,300	-	(21,800)	-	49,500
Warrant exercises	14,891,480	2,482,138	(219,540)	-	-	2,262,598
Stock-based compensation	-	-	-	1,335,774	-	1,335,774
Balance at September 30, 2022	**201,247,706**	**22,652,660**	**5,797,442**	**1,719,292**	**81,088,189**	**111,257,583**
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	-	-	-	-	(1,677,438)	(1,677,438)
Private placement, June 2021	11,000,000	1,875,359	259,609	-	-	2,134,968
Shares issued in net asset acquisitions	4,250,000	785,000	-	-	-	785,000
Warrants issued in Note Financing	-	-	96,367	-	-	96,367
Stock option exercise	225,000	41,147	-	(18,647)	-	22,500
Stock-based compensation	-	-	-	294,001	-	294,001
Balance at September 30, 2021	74,471,576	6,309,267	802,020	329,617	(2,846,431)	4,594,473

(1) See Note 2 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 has head offices located in Regina, Saskatchewan, Canada and Calgary, Alberta, Canada, and the Company’s shares are listed and publicly traded on the TSX Venture Exchange (the “Exchange”) under the trading symbol “ROK”.

ROK continued to execute on its acquisitive growth strategy with a series of property acquisitions in 2021 and a large acquisition of producing assets in early 2022 (see Note 3). The assets acquired are concentrated in Southern Saskatchewan and Central Alberta. The Statements of Comprehensive Income (Loss) for the three and nine months ended September 30, 2022, include the results of operations related to the acquired assets for the period from the closing date of each acquisition.

2. 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 November 21, 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.

In recent years, global economic conditions, 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 any disruption may materially impact the Company’s financial statements in fiscal 2022 and beyond.

The Company also faces uncertainties related to future environmental laws and climate-related regulations, which could affect the Company's financial position and future earnings. This transition to a lower-carbon society, as well as the potential impacts of climate change, could result in increased operating costs and reduced demand for oil and gas products. As a result, this could change a number of variables and assumptions used to determine the estimated recoverable amounts of the Company’s oil and gas assets. The unpredictable nature, timing and extent of climate-related initiatives presents various risks and uncertainties, including to management’s judgements, estimates and assumptions that affect the application of accounting policies.

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

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. With the exception of the below, there were no material changes in the Company’s significant accounting policies from those disclosed in the 2021 annual audited financial statements.

Financial derivative instruments policy

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

Voluntary change in accounting policy

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

Management has applied the voluntary change in accounting policy retrospectively, including the restatement of 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 and nine months ended September 30, 2021, for each of the line items impacted.

Impacts on the Statement of Financial Position

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

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

Impacts on the Statement of Comprehensive Loss

For the three months ended September 30, 2021	*Previous policy*	*Adjustments*	*Restated*
Depletion and depreciation	252,508	(36,437)	216,071
Net finance expense	178,485	29,083	207,568
Net loss	(926,576)	7,354	(919,222)

For the nine months ended September 30, 2021	*Previous policy*	*Adjustments*	*Restated*
Depletion and depreciation	614,408	(95,655)	518,753
Net finance expense	257,075	77,026	334,101
Net loss	(1,696,067)	18,629	(1,677,438)

Impacts on the Statement of Cash Flows

For the three months ended September 30, 2021	*Previous policy*	*Adjustments*	*Restated*
Net loss	(926,576)	7,354	(919,222)
Depletion and depreciation	252,508	(36,437)	216,071
Net finance expense	178,485	29,083	207,568

For the nine months ended September 30, 2021	*Previous policy*	*Adjustments*	*Restated*
Net loss	(1,696,067)	18,629	(1,677,438)
Depletion and depreciation	614,408	(95,655)	518,753
Net finance expense	257,075	77,026	334,101

3. FCL 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 purchase price adjustments of approximately $13.8 million for the operating results of the asset from November 1, 2021, effective date of the acquisition, until the closing date. The acquisition has been accounted for as a business combination under IFRS 3.

The below amounts are estimates which were made by management at the time of the preparation of these financial statements based on information then available. The fair value of assets acquired and liabilities assumed in a business combination is estimated based on information available at the date of acquisition. Various valuation techniques are applied for measuring fair value including an independent reserves evaluation of the acquired properties, market comparables and discounted cash flows which rely on assumptions such as forward commodity prices, reserves and resources estimates, production costs, foreign exchange rates and discount rates. Changes in these variables could significantly impact the carrying value of the net assets. 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	(17,753,701)
Gain on acquisition	(65,836,481)
Total net assets acquired	**57,893,290**

Cash consideration	71,736,498
Preliminary purchase price adjustments	(13,843,208)
Total purchase price	**57,893,290**

The fair value recognized for development and production assets acquired was based on level 3 inputs, being the net present value of estimated future cash flows using a discount rate of approximately 15%. The gain on acquisition of $65.8 million is primarily a result of commodity price volatility between effective and closing date of the acquisition. The original gain of $57.9 million recognized as of the closing date was adjusted for 1) reduction of $3.7 million to estimated deferred income tax liability as at the date of the acquisition, and 2) further purchase price adjustments of $4.2 million in favor of the Company as of September 30, 2022. These adjustments are being recognized retrospectively as of the closing date of the acquisition. The Company also incurred transaction costs related to the acquisition of $1.8 million, which have been included in business development expense.

The acquisition has contributed revenues of $58.2 million and operating income (revenue less royalties and operating costs) of $33.5 million since March 8, 2022. Had the acquisition closed on January 1, 2022, estimated contributed revenues would have been $74.4 million and estimated contributed operating income would have been $44.5 million for the nine months ended September 30, 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.

4. 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 3)	158,000,000
Additions	16,665,408
Change in decommissioning costs	(541,964)
Disposals	(10,450,000)
Balance, September 30, 2022	**171,559,298**

Accumulated Depletion & Depreciation	
Balance, December 31, 2021	940,922
Depletion & depreciation	12,855,041
Balance, September 30, 2022	**13,795,963**

Net Carrying Amount	
Balance, December 31, 2021	6,944,932
Balance, September 30, 2022	**157,763,335**

At September 30, 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 3, as well as ongoing capital additions. Disposals of $10.5 million for the nine months ended September 30, 2022, represent the fair value of the overriding royalty granted to ACES as part of the terms of the Senior Loan Facility (see Note 7). Future development costs in the amount of $124.5 million (2021 - $12.3 million) were included in the depletion calculated for the period ended September 30, 2022.

5. EXPLORATION AND EVALUATION ASSETS

The Company's Exploration and evaluation ("E&E") assets consist of the following amounts:

Balance, December 31, 2021	1,321,693
Land expiries and write-offs	(428,417)
Balance, September 30, 2022	**893,276**

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.

6. 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 3) and the Senior Loan Facility (Note 7), 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 8). The remaining $1.2 million principal amount of the Debt Notes were fully repurchased by the Company, pursuant to the applicable terms of the Debt Notes. Interest outstanding on all Debt Notes as of the date of conversion and/or repurchase was paid in cash. This settlement on Debt Notes resulted in a loss on settlement of $320,170.

The components of the Company's Debt Notes as of September 30, 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, September 30, 2022	**-**	**96,367**	**96,367**

7. 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% (September 30, 2022 – 14.25%) and will amortize over a four-year period, with monthly combined payments of principal and interest as well as additional quarterly "excess cash flow" payments based upon a prescribed formula wherein 25% of excess cash flow from the recently completed quarter is paid directly against the principal of the Senior Loan Facility. Under the terms of the Senior Loan Facility, the Company also granted an overriding royalty to ACES on the future oil and natural gas production from the existing oil and gas properties of the Company. The overriding royalty is 2.5% of oil and natural gas sale until the maturity date of the loan facility, and 1.5% thereafter. The Company is required to maintain certain debt covenants and other financial terms throughout the term of the Senior Loan Facility. One such covenant includes the requirement for the Company to maintain three months of debt service reserve (interest only) into a deposit account subject to a blocked account control agreement satisfactory to the Agent (the "Debt Service Reserve"), which ACES may withdraw from the deposit account in the event of a payment default. The initial Debt Service Reserve deposit held by the Company is $1.8 million, which is classified as restricted cash. Further financial covenants include compliance each quarter 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 the following:

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

As of September 30, 2022, the Company was in compliance with each of the aforementioned financial ratios, as follows:

	Required	Actual
Consolidated current ratio (minimum)	1.00	2.34
Consolidated debt service coverage ratio (minimum)	1.15	1.46
Collateral coverage ratio (minimum)	1.25	2.18
Consolidated leverage ratio (maximum)	2.00	0.84
Alberta Liability management rating (minimum)	2.00	2.97
Saskatchewan Licensee liability rating (minimum)	1.00	1.19

The Company is also required, under the terms of the loan, to enter into oil and gas price hedges on 75% of Company oil and gas production for a period of not less 24 months, and on 50% of oil and gas production for a period of not less than 12 months thereafter. Please refer to Note 12 for oil and gas price hedges held by the Company as of September 30, 2022. The Senior Loan Facility is secured by the assets of the Company and is senior to all other indebtedness of the Company.

The carrying balance of the Senior Loan Facility as of September 30, 2022, is as follows:

Proceeds on date of issuance	65,614,460
Transaction costs	(14,544,893)
Net proceeds	51,069,567
Interest payable	4,265,081
Accretion	5,303,816
Payments	(21,402,750)
Foreign exchange loss	3,004,705
Balance, September 30, 2022	**42,240,419**

Current portion of Senior Loan Facility	21,699,459
Non-current portion of Senior Loan Facility	20,540,960
Balance, September 30, 2022	**42,240,419**

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.

8. SHARE CAPITAL

a) Common shares

At September 30, 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 September 30, 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	11,714,629
Shares issued for Debt Note conversion (Note 6)	15,555,550	2,075,326
Stock option exercise	495,000	71,300
Warrant exercise	14,891,480	2,482,138
Balance, September 30, 2022	**201,247,706**	**22,652,660**

Prospectus Offering

In March 2022, the Company completed a bought deal public offering (the "Prospectus Offering) for total gross proceeds of $17,250,138, whereby 95,834,100 units of the Company were issued at a price of $0.18 per unit. Each unit consisted of one Class B Share in the capital of the Company and one purchase warrant. Each purchase warrant is exercisable for one Class B Share at an exercise price of $0.25 per purchase warrant for a period of three years. The Company allocated $12,785,590 and $4,464,548 of gross proceeds from the Prospectus Offering to share capital and to purchase warrants (see Note 8b), respectively.

In connection with the Prospectus Offering, commissions were paid to brokers and finders in the amount of $1,102,510 plus the issuance of a total of 6,125,054 broker warrants, with each such broker warrant exercisable for one Class B Share at an exercise price of $0.25 per broker warrant for a period of three years (see Note 8b). Further cash expenses of $329,300 were incurred by the Company in association with the completion of the Prospectus Offering. Total issuance costs of $1,579,917, net of tax of $386,589, were allocated to share capital of $1,070,961 and warrants of $508,956.

Debt Note conversion

As part of the conversion of Debt Notes to units in March 2022 (see Note 6), the Company issued units to Debt Note holders at a price of $0.18 per unit on the principal of $2.8 million of Debt Notes on the same terms as the Prospectus Offering, resulting in the issuance of 15,555,550 units of the Company. The Company allocated $2,075,326 of the converted Debt Note principal to share capital and $724,674 to purchase warrants.

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
Purchase warrants issued, broker warrant exercise	612,505	0.25
Warrant exercise	(14,891,480)	0.15
Balance, September 30, 2022	**128,774,704**	**0.26**

Warrants on Prospectus Offering

As part of the Prospectus Offering of units in March 2022 (see Note 8a), the Company issued 95,834,100 purchase warrant. Each warrant can be exercised to purchase one additional Class B Share at an exercise price of $0.25 for a period of three years. A fair value of $4,464,548, before issuance costs of $508,956, was recognized at the time of issuance of these purchase warrants. In connection with the above, brokers and finders received 6,125,054 non-transferable broker warrants. Each broker warrant is exercisable into one Class B Share and one purchase warrant at a price of $0.25 per broker warrant for a period of three years. A fair value of $534,696 was recognized at the time of the issuance of these broker warrants. Each purchase warrant subsequently issued upon exercise of the broker warrants maintains the same terms of exercise and expiry date as the purchase warrants issued under the Prospectus Offering.

Warrants on Debt Note conversion

As part of the conversion of Debt Notes in March 2022 (see Note 8a), 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.

The following summarizes information about total purchase warrants outstanding as at September 30, 2022:

Exercise prices	Number of warrants outstanding	Weighted average term to expiry (years)	Number of warrants exercisable
0.25	117,514,704	2.43	117,514,704
0.30	3,480,000	0.11	3,480,000
0.35	7,780,000	0.61	7,780,000
	128,774,704	**2.26**	**128,774,704**

Subsequent to September 30, 2022, a total of 3,472,500 warrants expiring in November 2022 and 2,360,278 warrants and 2,000,000 broker warrants expiring in March 2025 were exercised resulting in the issuance of 7,832,778 common shares. Gross proceeds of $1,991,820 were received by the Company on account of these warrant exercises.

c) Stock options

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

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

	Stock options	Weighted average exercise price
Balance, December 31, 2020	2,740,000	0.13
Options issued	4,150,000	0.28
Options exercised [(1)]	(300,000)	0.10
Balance, December 31, 2021	6,590,000	0.23
Options issued	12,310,000	0.26
Options exercised	(420,000)	0.10
Options forfeited	(350,000)	0.26
Balance, September 30, 2022	**18,130,000**	**0.25**
Exercisable, September 30, 2022	**8,740,009**	**0.24**

(1) Of the 300,000 stock options exercised during the year ended December 31, 2021, common shares were issued for 225,000 of those stock options prior to December 31, 2021. Shares for the remaining 75,000 stock options were issued during the nine months ended September 30, 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 2027, 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 of $0.165 per option using the Black-Scholes option pricing model based on a risk-free interest rate of 2.49%, expected dividend yield of 0%, expected stock price volatility of 80%, and expected option life of 5 years.

In August 2022, the Company granted 1,550,000 options to acquire common shares to certain directors, officers and employees of the Company at a price of $0.30 per common share. The options are for a five-year term, expiring in August 2027, 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 August 2022 were allocated an estimated fair value of $0.24 per option using the Black-Scholes option pricing model based a risk-free interest rate of 3.34%, expected dividend yield of 0%, expected stock price volatility of 80%, and expected option life of 5 years.

The following summarizes information about stock options outstanding as at September 30, 2022:

Exercise prices	Number of options outstanding	Weighted average term to expiry (years)	Number of options exercisable
0.10	420,000	0.80	420,000
0.15	1,600,000	2.18	1,600,000
0.25	10,510,000	4.48	3,503,340
0.28	4,050,000	3.81	2,699,997
0.30	1,550,000	4.92	516,672
	18,130,000	**4.08**	**8,740,009**

For the nine months ended September 30, 2022, the Company recognized $1,335,774 (September 30, 2021 - $294,001) in stock-based compensation expense. Recognized stock-based compensation is recorded as an expense and as contributed surplus.

In October 2022, the Company granted 800,000 options to acquire common shares to a newly appointed director of the Company at a price of $0.35 per common share. The options are for a five-year term, expiring in October 2027, 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.

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 and nine months ended September 30, 2022 and 2021:

	Three months ended		NIne months ended	
	2022	**2021**	**2022**	**2021**
WA common shares outstanding, basic	199,711,392	74,471,576	164,762,938	66,142,730
Dilutive effect of stock options	3,101,667	-	1,339,617	-
Dilutive effect of warrants	19,585,784	-	4,519,797	-
WA common shares outstanding, diluted	222,398,843	74,471,576	170,622,352	66,142,730
Net income (loss)	10,810,729	(919,222)	84,573,899	(1,677,438)
$ per common share, basic	0.05	(0.01)	0.51	(0.03)
$ per common share, diluted	0.05	(0.01)	0.50	(0.03)

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 nine months ended September 30, 2022, a total of 5,600,000 stock options and 11,260,000 warrants were excluded as they were not in-the-money based on the volume weighted average trading price of the Company's common shares of $0.26 during the period, and therefore anti-dilutive. For the three months ended September 30, 2022, a total of 1,550,000 stock options and 11,260,000 warrants were excluded as they were not in-the-money based on the volume weighted average trading price of the Company's common shares of $0.30 during the period, and therefore anti-dilutive. For the three and nine months ended September 30, 2021, a total of 6,665,000 stock options and 25,538,975 warrants were excluded as their impact was anti-dilutive to the net loss per share in each respective period.

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

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

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

The Company's interest in the Investee is accounted for using the equity method. As of September 30, 2022, expenditures reported by the Company's partner for project activities had reached a total of $2,124,451, with the Company's financial contribution towards the project activities equating to $156,113.

10. DECOMMISSIONING OBLIGATIONS

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

Balance, January 1, 2021	1,110,784
Liabilities acquired (Note 3)	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 3)	16,516,528
Additions	223,712
Change in estimate	(541,964)
Accretion expense	867,134
Liabilities settled	(278,831)
Balance, September 30, 2022	**18,088,428**

At September 30, 2022, the total estimated amount to settle ROK's decommissioning obligation on an uninflated and undiscounted basis was $57.1 million (December 31, 2021 - $3.9 million) and on an inflated and undiscounted basis $75.6 million (December 31, 2021 - $5.3 million). The inflated, undiscounted future value of decommissioning obligation was determined by applying an inflation factor of 1.65% (2021 – 1.82%), and subsequently discounting the inflated amount using the Company credit-adjusted rate of 12.0% (2021 – 12.0%) to arrive at the balance of $18.1 million. The majority of the costs are expected to be incurred over the next 25 years.

In accordance with the Company's voluntary change in accounting policy (see Note 2), the inflated future cost estimates are discounted based on a credit-adjusted 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 and nine months ended September 30, 2022 and 2021:

	Three months ended		**Nine months ended**	
	2022	**2021**	**2022**	**2021**
Oil sales	21,987,866	945,898	53,648,597	1,970,785
NGL sales	1,583,058	95,523	3,263,288	177,281
Natural gas sales	2,983,587	34,408	6,474,516	76,999
Total	**26,554,511**	**1,075,829**	**63,386,401**	**2,225,065**

As at September 30, 2022, receivables from contracts with customers, which are included in accounts receivable, were $993,206 (December 31, 2021 - $502,827).

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.

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	September 30, 2022	December 31, 2021
Oil and natural gas customers	993,206	502,827
Joint operations partners	3,368,743	50,812
Accruals and other	11,796,641	-
Total	**16,158,590**	**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	September 30, 2022	December 31, 2021
0 - 30 days	14,649,860	505,019
30 - 90 days	1,190,045	28,536
Greater than 90 days	318,685	20,084
Expected credit loss	-	-
Total	**16,158,590**	**553,639**

The Company considers amounts outstanding greater than 90 days to be at greater risk of being uncollectible, unless circumstances on particular balances provide certainty of collection. Receivables normally collectible within 30 to 60 days can take longer as information requests and timing can come into effect in dealing with receivables from joint venture partners. At September 30, 2022 there were no material receivables which were considered uncollectible (December 31, 2021 - $nil).

The Company held cash and cash equivalents of $13,256,724 as at September 30, 2022 (December 31, 2021 - $1,208,776). The Company manages the credit exposure related to cash and cash equivalents by selecting counter parties based on credit ratings and monitors all investments to ensure a stable return, avoiding complex investment vehicles with higher risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due and describes the Company's ability to access cash. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient cash resources in order to finance operations, fund capital expenditures, and to repay debt and other liabilities of the Company as they come due, without incurring unacceptable losses or risking harm to the Company's reputation. The Company's processes for managing liquidity risk include preparing and monitoring capital and operating budgets, coordinating and authorizing project expenditures, and authorization of contractual agreements. Management and the board of directors use budgets and forecasts to direct and monitor the strategy, operations and liquidity of the Company as well as the ongoing ability of the Company to remain in compliance with its commitments and the terms and covenants associated with its Senior Loan Facility (see Note 7). The budgets are updated when required as conditions change.

The following table outlines the contractual maturities of the Company's financial liabilities at September 30, 2022:

	Less than 1 year	**1-2 years**	**Thereafter**	**Total**
Accounts payable	17,525,934	-	-	17,525,934
Senior Loan Facility - principal (1)	23,755,088	16,716,543	11,719,548	52,191,179
Senior Loan Facility - interest	5,872,018	2,851,195	907,414	9,630,627
	47,153,040	**19,567,738**	**12,626,962**	**79,347,740**

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

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

Market risk

Market risk is the risk or uncertainty that changes in price, such as commodity prices, foreign exchange rates, and interest rates will affect the Company's net earnings and the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns. From time to time, the Company may utilize financial derivative contracts to manage market risks in accordance with the risk management policy that has been approved by the Board of Directors. The Company's consolidated balance sheet at September 30, 2022 includes risk management assets for crude oil, natural gas and liquids derivative contracts recorded at a net positive fair market value of $13.2 million. The Company's consolidated statement of comprehensive income (loss) for the nine months ended September 30, 2022 includes unrealized gains on risk management contracts of $13.2 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. The Company has the following commodity risk management contracts outstanding:

WTI Crude oil derivative contracts

Type	Remaining Term	Total Volume (bbls)	Swap Price (US$/bbl)[(1)]
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
Swap	Apr - June 2024	94,670	74.40
Swap	Jul - Aug 2024	62,474	73.27

(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	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	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	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
Swap	Apr - June 2024	258,283	4.43	4.20
Swap	Jul - Aug 2024	171,223	4.55	4.32

(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	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
Swap	Apr - June 2024	258,283	-1.47	-1.39
Swap	Jul - Aug 2024	171,223	-1.56	-1.48

(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	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
Swap	Apr - June 2024	288,996	0.78
Swap	Jul - Aug 2024	191,278	0.76

(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 September 30, 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 financial commodity contracts are settled in US dollars, such proceeds are to be used to directly service debt 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 September 30, 2022 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 $133,000 for the nine months ended September 30, 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 September 30, 2022, include cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities, risk management contracts, and Senior Loan Facility.

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

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

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

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

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

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

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

Capital management

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

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

	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
Senior Loan Facility (14.25%)	52,191,179	58,298,629	62,549,849	-
Debt Notes (14%)	-	-	-	4,000,000
Less: adjusted working capital (1)	21,516,624	19,912,783	16,750,311	478,610
Net debt	**30,674,555**	**38,385,846**	**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.

13. COMMITMENTS

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

14. 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 6), the Company issued units to Debt Note holders at a price of $0.18 per unit on the principal of $2.8 million of Debt Notes on the same terms as the Prospectus Offering, resulting in the issuance of 15,555,550 units of the Company. Of the units issued, $0.5 million of the Debt Notes converted to 2,777,777 units which were issued to certain directors and officers of the Company.

15. SUPPLEMENTAL CASH FLOW INFORMATION

For the periods ended September 30	**Three months ended**		**Nine months ended**	
	2022	**2021**	**2022**	**2021**
Accounts receivable	(1,213,428)	123,015	(15,604,951)	(207,869)
Prepaids and deposits	(1,756)	529,148	(459,295)	(74,230)
Accounts payable and accrued liabilities	5,905,727	42,396	16,101,162	225,570
Change in non-cash working capital	**4,690,543**	**694,559**	**36,916**	**(56,529)**
Relating to:				
Operating activities	846,783	(152,774)	(2,377,375)	(289,517)
Investing activities	3,843,760	812,333	2,629,364	232,988
Financing activities	-	35,000	(215,073)	-
Change in non-cash working capital	**4,690,543**	**694,559**	**36,916**	**(56,529)**