



**MANAGEMENT'S DISCUSSION & ANALYSIS**

**FOR THE THREE MONTHS ENDED  
MARCH 31, 2025 AND 2024**

## FINANCIAL AND OPERATING HIGHLIGHTS

Expressed in \$000s, except where stated	Q1 2025	Q1 2024
<b>Financial Highlights</b>		
Oil and natural gas sales	20,980	20,931
Realized gain (loss) on commodity contracts	(334)	926
Processing and other income	637	862
Net loss	(1,545)	(5,612)
\$ per share, basic	(0.01)	(0.03)
\$ per share, diluted	(0.01)	(0.03)
Funds Flow <sup>(1)</sup>	7,149	6,342
Expenditures on property, plant & equipment	669	1,819
Total assets	148,243	155,742
Principal balance of long-term debt	5,087	12,745
Net Debt <sup>(1)</sup>	6,362	16,081
Shareholders' equity	99,900	95,990
Common shares outstanding	219,769,315	218,419,315
<b>Operating Highlights <sup>(2)</sup></b>		
Average daily production		
Crude oil (bbl/d)	2,166	2,206
NGLs (boe/d)	417	458
Natural gas (mcf/d)	8,144	9,681
Total (boe/d)	3,941	4,278
Average realized prices, before hedging		
Crude oil (\$/bbl)	89.85	82.31
NGLs (\$/boe)	49.28	49.88
Natural gas (\$/mcf)	2.20	2.64
Combined average (\$/boe)	59.16	53.77
Operating Netback <sup>(1)</sup>		
Oil and natural gas sales (\$/boe)	59.16	53.77
Royalties (\$/boe)	(9.81)	(10.16)
Operating expenses (\$/boe)	(25.46)	(27.55)
Operating Netback (\$/boe)	23.89	16.06
Funds from Operations (\$/boe) <sup>(1)</sup>	24.35	20.65
Operating Income Profit Margin <sup>(1)</sup>	40.4%	29.9%
Funds from Operations Profit Margin <sup>(1)</sup>	41.2%	38.4%

- 1) "Funds Flow", "Operating Netback", "Funds from Operations", "Operating Income Profit Margin", "Funds from Operations Profit Margin", "Net Debt" do not have standardized meanings under IFRS. Refer to "Non-IFRS Measures" section of this MD&A.
- 2) Barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. Refer to the section entitled "Conversion Measures" at the end of this MD&A.

## INTRODUCTION

The following is management's discussion and analysis ("MD&A") of the operating and financial results of ROK Resources Inc. ("ROK" or the "Company"), for the three months ended March 31, 2025, as compared to the three months ended March 31, 2024, as well as information and expectations concerning the Company's outlook based on currently available information.

This MD&A should be read in conjunction with ROK's interim condensed financial statements for the three months ended March 31, 2025, as well as the audited annual financial statements for the year ended December 31, 2024, prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB"), together with the accompanying notes.

This MD&A contains forward-looking information about our current expectations, estimates, projections and assumptions. Additional information on the Company, its financial statements, this MD&A and other factors that could affect the Company's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR+ website ([www.sedarplus.ca](http://www.sedarplus.ca)).

***All dollar values are expressed in Canadian dollars, unless otherwise indicated, and are prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB").***

This MD&A is prepared as of May 15, 2025.

## NON-IFRS MEASURES

The non-IFRS measures and ratios referred to below do not have any standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures used by other companies. Management uses these non-IFRS measurements to provide its shareholders and investors with a measurement of the Company's financial performance and are not intended to be viewed as an alternative to cash provided by operating activities, net income or other measures of financial performance calculated in accordance with IFRS. The reader is cautioned that these amounts may not be directly comparable to measures for other companies where similar terminology is used.

### Funds Flow

"Funds Flow" include all cash from (used in) operating activities and are calculated before the change in non-cash working capital. A reconciliation of cash provided by (used in) operating activities to Funds Flow for the three months ended March 31, 2025 and 2024, are as follows:

(\$000s)	Q1 2025	Q1 2024
Cash provided by operating activities	3,037	4,177
Change in non-cash working capital	4,112	2,166
Funds Flow	7,149	6,343

### Operating Income, Operating Netback, Operating Income Profit Margin, Funds from Operations, and Funds from Operations Profit Margin

"Operating Income" is calculated by deducting operating expense from total revenue. Total revenue is comprised of oil and natural gas sales, net of royalties. The Company refers to Operating Income expressed per unit of production as an "Operating Netback". "Operating Income Profit Margin" is calculated by the Company as Operating Income as a percentage of oil and natural gas sales. "Funds from Operations" and "Funds from Operations Profit Margin" adjust Operating Income and Operating Income Profit Margin for processing and other income and realized gains/losses from the economic hedges in place during the period. A reconciliation of the measures for the three months March 31, 2025 and 2024, are as follows:

(\$000s)	Q1 2025	Q1 2024
Oil and Natural Gas Sales	20,980	20,931
Royalties	(3,478)	(3,955)
Operating Expenses	(9,031)	(10,724)
Operating Income	8,471	6,252
Processing and other income <sup>(1)</sup>	499	862
Realized gain (loss) on commodity contracts	(334)	926
Funds from Operations	8,636	8,040
Sales volume (boe)	354,657	389,261
(\$ per boe)		
Oil and Natural Gas Sales	59.16	53.77
Royalties	(9.81)	(10.16)
Operating Expenses	(25.46)	(27.55)
Operating Netback	23.89	16.06
Funds from Operations	24.35	20.65
Operating Income Profit Margin	40.4%	29.9%
Funds from Operations Profit Margin	41.2%	38.4%

- 1) Non-cash revenue derived from management fees that are recognized over time from deferred revenue is excluded from processing and other income for the calculation of Funds from Operations.

## Net Debt

Throughout this MD&A, references to “Net Debt” means the principal amount of its outstanding long-term obligations, net of Adjusted Working Capital. “Adjusted Working Capital” is calculated as current assets less current liabilities, excluding current portion of debt and lease liabilities as presented on the statement of financial position. As at March 31, 2025, the Adjusted Working Capital includes accounts receivable, prepaid expenses and deposits, the current portion of risk management contracts, and accounts payable and accrued liabilities. ROK uses “Net Debt” as a measure of the Company’s financial position and liquidity, however it is not intended to be viewed as an alternative to other measures calculated in accordance with IFRS.

(\$000s)	March 31, 2025	December 31, 2024
Accounts receivable	9,784	11,528
Prepays and deposits	1,015	284
Current portion of risk management contracts	(1,627)	(771)
Accounts payable	(10,013)	(15,346)
<b>Adjusted working capital <sup>(2)</sup></b>	<b>(841)</b>	<b>(4,305)</b>
Credit Facility (9.0%) <sup>(1)</sup>	5,087	7,349
Lease obligations <sup>(1)</sup>	434	475
Less: adjusted working capital <sup>(2)</sup>	841	4,305
<b>Net debt</b>	<b>6,362</b>	<b>12,129</b>

- 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.

## BUSINESS PROFILE AND STRATEGY

ROK 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 traded on the TSX Venture Exchange ("**TSXV**") under the trading symbol "ROK". ROK continues to target being a prospect-oriented oil and gas company focused on the components to capitalize on the current commodity cycle. The Company's assets are concentrated in Southeast Saskatchewan and Central Alberta.

The Board of Directors and management continue to develop existing properties to maximize production from existing reserves and have also continued to evaluate potential transactions available to the Company with the mission to identify opportunities that may provide the best future for the Company and the shareholders with the goal to maximize shareholder value.

## LIQUIDITY AND CAPITAL RESOURCES

The Company's approach to managing liquidity is to ensure a balance between expenditure requirements and cash provided by operations and working capital. As at March 31, 2025, the Company had a working capital deficiency of \$1.0 million (\$4.4 million working capital deficiency at December 31, 2024). Changes in working capital have been primarily due to cash flows derived from oil and natural gas sales, net of royalties and operating expenses, general and administrative costs, and capital expenditures. These cash flows have been principally utilized in the servicing of existing debt obligations (see below). Another factor influencing changes in working capital has been the fluctuations in the mark-to-market fair value of the current portion of risk management contracts.

In recent years, global economic conditions, financial markets, geopolitical uncertainty, and commodity prices in particular, have created significant volatility and uncertainty. Such conditions have resulted in long-term price support from future demand becoming uncertain. The scale and duration of these developments remain uncertain but could impact the Company's operations, future net earnings and cash flows given that 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 position in fiscal 2025 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. A 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.

### Company Debt

As of March 31, 2025, the Company maintained a \$22.5 million revolving credit facility with a syndicate of banks (the "**Credit Facility**"), with a drawn balance of \$5.1 million. Under the existing terms of the Credit Facility, 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 30, 2025 (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, CORRA loans or letters of credit/guarantees. The facility bears interest at the bank's prime lending or CORRA 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 CORRA loans bear interest at the prevailing CORRA rate plus an explicit stamping fee based upon the Company's debt to cash flow ratio. For the year ended March 31, 2025, the Credit Facility had an effective interest rate of 9.0% per annum. The Credit Facility is secured by a floating charge debenture on the assets of the Company.

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 "*Financial Risk Management*" below for oil and gas price hedges held by the Company as of the date of this MD&A.
- Establish one-time oil and gas price hedges on 25% of Company oil and gas production for the months of July 2025 through June 2026 with such hedges eventually forming part of the 12-month rolling oil and gas price hedges on a minimum of 75% of Company oil and gas production mentioned above as time transpires. Please refer to "*Financial Risk Management*" below for oil and gas price hedges held by the Company as of the date of this MD&A.
- Make expenditures of not less than \$2 million 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, 2025, the Company's debt to cash flow ratio was 0.21 : 1.

As at March 31, 2025, the Company was compliant with all restrictions and covenants for the Credit Facility.

In May 2025, with the approval of the Credit Facility lender, the Company performed a liquidation of existing WTI Crude commodity risk management contracts for total proceeds of \$6.3 million. These proceeds were utilized in part to eliminate the remaining drawn balance on the Credit Facility with the remainder held as cash. As of the date of this MD&A, the Company is now working with its lender to review available financing options that allow the Company to achieve the financial flexibility desired.

## PETROLEUM AND NATURAL GAS PROPERTIES

ROK's existing portfolio of core oil and gas assets are as follows:

- Southeast Saskatchewan - comprised of oil weighted conventional Frobisher and Midale prospects; and
- Kaybob Alberta - a gas weighted, stacked multi-zone reservoir with upside locations in the Cardium, Montney, Bluesky and Dunvegan formations.

Production in Q1 2025 averaged 3,941 boe/d, comprised of 2,166 bbl/d of Light/Medium Oil, 417 bbl/d of Natural Gas Liquids and 8,144 Mcf/d of Natural Gas. Production in Q1 2024 averaged 4,278 boe/d, comprised of 2,206 bbl/d of Light/Medium Oil, 458 bbl/d of Natural Gas Liquids and 9,681 Mcf/d of Natural Gas.

## CORPORATE & OPERATIONAL REVIEW

As of March 31, 2025, the Company maintains low Debt to Cash Flow levels while efficiently utilizing cash flows from operations towards accretive capital endeavors in the field. The Company maintained a reduced capital program in Q1 2025, further reducing corporate debt while maintaining similar production levels to Q4 2024. This disciplined capital allocation has provided flexibility as the Company prepares for its development program later in the 2025 year.

Performance highlights in Q1 2025 include:

- Average production of 3,941 boe/d (66% liquids)
- Reduction on outstanding debt principal by \$2.3 million from year end 2024

For Q1 2025, the Company's capital expenditures were as follows:

- Drill, Complete and Tie-In ("DCET"): \$0.2 million
- Facilities and gathering systems: \$0.3 million
- Land and seismic: \$0.2 million
- Abandonment and reclamation: \$0.1 million

## 2025 CAPITAL BUDGET

For 2025, should commodity prices remain rangebound at US\$50 to US\$70 per bbl, the Company will prioritize disciplined capital allocation with a focus on increasing working capital surplus. Alternatively, if commodity prices improve, the Company will pursue a more robust development plan aimed at maximizing Funds from Operations derived from the continued delineation of core plays, while maintaining a resilient balance sheet. In both instances, the Company will be well positioned to consider alternate forms of returns to its shareholders. During a period of pricing volatility, ROK believes a flexible approach best positions the Company to maximize shareholder value through disciplined capital allocation.

## 2025 Budget Highlights

All capital development will be subject to commodity price levels, and in the event of an extended low-price environment, capital allocation will be reduced. Operational initiatives in 2025 are:

- Focus on Southeast Saskatchewan light oil prospects with development commencing late Q2 2025;
- Approximately 75% of capital expenditures allocated to DCET and production optimization;
- Conventional Frobisher drilling expected to continue to deliver strong capital efficiencies and quick payouts;
- Continue to exploit vast inventory of multi-lateral Midale prospects;
- Drill emerging State A (Frobisher) open hole multi-lateral well; and
- Initiate Southeast Saskatchewan Midale waterflood project.

## LITHIUM EXPLORATION PROJECT

The Company maintains ownership of 18,925,000 common shares of EMP Metals Corp. ("EMP"), a public entity which trades on the Canadian Securities Exchange (trading symbol "EMPS") who focuses lithium exploration and development on large scale direct lithium extraction (DLE) assets in Saskatchewan. The Company also provides services under a Management Agreement with Hub City Lithium Corp. ("HCL"), the wholly-owned subsidiary of EMP through which EMP's lithium assets in Saskatchewan are operated.

Under the Management Agreement, services include the following:

- Investigate the lithium potential of those areas, including but not limited to the property, that are considered likely to be suited to the occurrence of such resource;
- Recommend and target additional properties that are considered likely to be suited to the occurrence of lithium; and
- Make recommendations with respect to the exploration, drilling, and testing of wells or wellbores and conduct, manage and administer such exploration, drilling, testing and development activities.

The EMP common shares held by ROK, shares are subject to escrow provisions under which 50% of the EMP common shares are to be released from escrow in September 2026 and the remaining 50% are to be released from escrow in September 2027.

## COMMITMENT SUMMARY UPDATE

As of the date of the MD&A, the Company had no material 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.

## DISCUSSION OF OPERATING RESULTS

### Production

	Q1 2025	Q1 2024
Crude oil (bbl/d)	2,166	2,206
NGLs (boe/d)	417	458
Natural gas (Mcf/d)	8,144	9,681
Total (boe/d) <sup>(1)</sup>	3,941	4,278

1) Barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. Refer to the section entitled "Conversion Measures" at the end of this MD&A.

### Oil and Natural Gas Sales

(\$000s)	Q1 2025	Q1 2024
Crude Oil	17,515	16,523
NGLs	1,851	2,080
Natural gas	1,614	2,328
Total	20,980	20,931

### Realized Sales Prices, before Hedging

	Q1 2025	Q1 2024
Crude oil (\$/bbl)	89.85	82.31
NGLs (\$/boe)	49.28	49.88
Natural gas (\$/Mcf)	2.20	2.64
Total (\$/boe)	59.16	53.77

Decreased production for Q1 2025 when compared to the comparative period in 2024 is due to a reduced capital budget in 2024, natural production declines in existing production assets and no new drilling projects in Q1 2025. In a volatile commodity pricing market, overall crude pricing was up while natural gas remained depressed. Volatility in commodity pricing is still prevalent due to ongoing global economic uncertainty, increased global trade conflicts, and reduced global demand, causing fluctuations in revenue per boe and overall sales revenue of the Company.

### Royalties

	Q1 2025	Q1 2024
Total royalties (\$000s)	3,478	3,955
Total royalties (% of sales)	16.6%	18.9%
Total royalties (\$/boe)	9.81	10.16



Royalties as a percentage of total oil and natural gas sales are highly sensitive to commodity prices and adjustments to gas cost allowance. Thus, royalty rates can fluctuate from quarter-to-quarter and year-to-year. Royalties as a percentage of revenues in Q1 2025 were 16.6 percent compared to 18.9 percent in the 2024 comparative period. Q1 2025 royalty rates were similar to those realized in Q4 2024 of 16.9 percent.

The Company expects average corporate royalty rate to decrease as new wells are drilled on its existing land base, with a focus on Crown acreage in Saskatchewan, which carries a royalty holiday for the first 37,700 bbls of oil produced from each new well.

### Operating Expenses

(\$000s)	Q1 2025	Q1 2024
General operating	4,726	5,852
Processing and treatment	2,096	2,626
Transportation and gathering	1,416	1,011
Maintenance and workovers	793	1,235
Total operating expenses	9,031	10,724
(\$/boe)		
General operating	13.33	15.03
Processing and treatment	5.91	6.75
Transportation and gathering	3.99	2.60
Maintenance and workovers	2.23	3.17
Total operating expenses	25.46	27.55

Operating costs include expenses incurred to operate wells, gather, treat, and transport production volumes as well as costs to perform well and facility repairs and maintenance. The Company's Q1 2025 operating expenses are lower when compared to the prior year comparative period due to reduced maintenance and workover costs and reductions in overall general operating costs on account of the Company's continued efforts to improve operating efficiencies in order to achieve lower overall operating expenses. However, uncertainty around ongoing inflationary effects on operating costs will continue to be a contributing factor in 2025.

### Gains (Losses) on Commodity Contracts

(\$000s)	Q1 2025	Q1 2024
Realized gain (loss) on commodity contracts	(334)	926
Unrealized loss on commodity contracts	(870)	(7,076)
Total	(1,204)	(6,150)

For the three months ended March 31, 2025, the Company recognized realized losses of \$0.3 million on risk management commodity contracts maturing in the period (Q1 2024 – realized gain of \$0.9 million) and unrealized losses of \$0.9 million on existing risk management commodity contracts to mature at a future date (2024 - unrealized losses of \$7.1 million). The unrealized gains/losses reflect the mark-to-market change in fair value of the oil and gas price hedges existing as of the end of March 2025 on future oil and gas production from the Company's oil and gas assets (see below) while realized gains reflect the cash settlement on oil and gas price hedges at the time of maturity of each hedge contract.

### General and Administrative Expenses

(\$000s)	Q1 2025	Q1 2024
Wages & Salaries	795	856
Professional Fees	117	88
Fees, Rent, Investor Relations and Other	283	302
Total	1,195	1,246

Overall G&A expenses were relatively the same between Q1 2025 and Q1 2024. While decreases in staff costs and general overhead were seen in Q1 2025, costs related to professional fees were higher than the comparative Q1 2024. These shifts in expenses by category resulted in nominal difference in overall G&A between the quarters.

### Stock-Based Compensation

The Company recorded stock-based compensation expense of \$38,000 for the three months ended March 31, 2025 (2024 - \$170,000). The decreased stock-based compensation expense is a reflection of less stock options vesting over the Q1 2025 period versus the comparative Q1 2024 period. No stock options were granted in Q1 2025.

### Depletion and Depreciation

The carrying costs for property, plant and equipment directly associated with oil and gas operations, including estimated future development costs, are recognized as depletion expense in the statements of loss and comprehensive loss on a unit of production basis over proved plus probable reserves. The carrying costs of office and computer equipment are recognized as depreciation expense on a straight-line or declining-balance basis.

For the three months ended March 31, 2025, the Company recorded depletion expense of \$5.2 million (\$6.1 million for the 2024 comparative period). Depletion is calculated based on oil and gas production on the Company's developed properties. Depreciation expense of \$31,000 on leased equipment was also recognized in 2025 (\$32,000 for the 2024 comparative period).

### Net Finance Expenses

(\$000s)	Q1 2025	Q1 2024
Interest income	(1)	(1)
Debt fees & bank charges	7	5
Debt interest expense	164	375
Lease liability interest expense	9	10
Accretion on debt	26	98
Accretion on decommissioning obligations	411	410
Total	616	897

Net finance expenses were \$0.6 million for the three months ended March 31, 2025, compared to finance expenses of \$0.9 million for the comparative period in 2024. Finance expenses include accretion on decommissioning obligations that are associated with oil and gas properties, and accretion and interest expense related to the Credit Facility in each period. Decrease in finance expenses quarter-over-quarter is a result of reductions in outstanding debt levels resulting in reduced debt service costs.

## CAPITAL EXPENDITURES

For the three months ended March 31, 2025, the Company incurred \$0.7 million in capital expenditures, not including \$0.2 million that was allocated to asset retirement obligations. Capital expenditures consisted of \$0.2 million towards finalization costs of new wells drilled in 2024 including surface infrastructure, \$0.2 million towards land and seismic acquisitions, and \$0.3 million towards facilities and equipment.

## FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

The following 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 (\$000s)	March 31, 2025	December 31, 2024
Oil and natural gas customers	6,651	7,701
Joint operations partners	2,865	3,503
Accruals and other	268	324
<b>Total</b>	<b>9,784</b>	<b>11,528</b>

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 (\$000s)	March 31, 2025	December 31, 2024
0 - 30 days	5,871	7,799
30 - 90 days	879	846
Greater than 90 days	3,222	3,069
Expected credit loss	(188)	(186)
<b>Total</b>	<b>9,784</b>	<b>11,528</b>

The Company considers amounts outstanding greater than 90 days to be at greater risk of being uncollectible, unless circumstances on particular balances provide certainty of collection. Receivables normally collectible within 30 to 60

days can take longer as information requests and timing can come into effect in dealing with receivables from joint venture partners. At March 31, 2025, there were \$0.2 million in receivables which were considered uncollectible (December 31, 2024 - \$0.2 million).

### Liquidity risk

The table below outlines the contractual maturities of the Company's financial liabilities as at March 31, 2025:

(\$000s)	Less than 1 year	1-2 years	Thereafter	Total
Accounts payable	10,013	-	-	10,013
Credit Facility	-	5,087	-	5,087
Lease obligations <sup>(1)</sup>	148	125	161	434
	<b>10,161</b>	<b>5,212</b>	<b>161</b>	<b>15,534</b>

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, 2025, the Company has the following commodity risk management contracts outstanding:

	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026
<b>Swap Contracts - WTI Crude</b>					
Volumes (bbl/d)	1,352	1,238	1,154	276	260
C\$/bbl <sup>(1)</sup>	97.72	94.65	93.43	94.62	93.46
<b>Swap Contracts - AECO</b>					
Volumes (mmbtu/d)	5,070	4,192	3,765	1,416	1,348
C\$/mmbtu <sup>(1)</sup>	2.66	2.19	2.84	3.37	2.47

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

In May 2025, with the approval of the Credit Facility lender, the Company performed a liquidation of existing WTI Crude commodity risk management contracts for total proceeds of \$6.3 million. As a result of this liquidation, the Company subsequently maintains only the AECO commodity risk management contracts as outlined in the table above.

### 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.

### 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 CORRA 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, 2025, 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 \$9,000 for the three months ended March 31, 2025.

### **Fair value of financial instruments**

The Company's financial instruments as at March 31, 2025, include, accounts receivable, prepaids and deposits, accounts payable and accrued liabilities, risk management contracts, marketable securities, and debt.

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

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

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

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

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

The fair value of cash and cash equivalents, accounts receivable, prepaids and deposits, and accounts payable and accrued liabilities approximate their carrying amounts due to their short terms to maturity. The fair value measurement of the marketable securities have a fair value hierarchy of Level 1. 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.

(\$000s)	March 31, 2025	December 31, 2024
Accounts receivable	9,784	11,528
Prepays and deposits	1,015	284
Current portion of risk management contracts	(1,627)	(771)
Accounts payable and accrued liabilities	(10,013)	(15,346)
<b>Adjusted working capital <sup>(2)</sup></b>	<b>(841)</b>	<b>(4,305)</b>
Credit Facility <sup>(1)</sup>	5,087	7,349
Lease obligations <sup>(1)</sup>	434	475
Less: adjusted working capital <sup>(2)</sup>	841	4,305
<b>Net debt</b>	<b>6,362</b>	<b>12,129</b>

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.

## SHAREHOLDERS' EQUITY

### Common shares

The Company is 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, 2025, are as follows:

	Class B shares	Amount (\$000s)
Balance, December 31, 2023	218,418,315	28,052
Stock option exercise	1,350,000	367
Warrant exercise	1,000	1
<b>Balance, December 31, 2024 and March 31, 2025</b>	<b>219,769,315</b>	<b>28,420</b>

### Warrants

The Company had 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, 2023	113,141,877	0.25
Warrants exercised	(1,000)	0.25
Balance, December 31, 2024	113,140,877	0.25
Warrants expired	(113,140,877)	0.25
<b>Balance, March 31, 2025</b>	<b>-</b>	<b>-</b>

### 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.

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

	Stock options	Weighted average exercise price
Balance, December 31, 2023	19,860,000	0.27
Options issued	1,885,000	0.23
Options exercised	(1,350,000)	0.15
Options forfeited	(1,400,000)	0.25
<b>Balance, December 31, 2024 and March 31, 2025</b>	<b>18,995,000</b>	<b>0.27</b>
<b>Exercisable, March 31, 2025</b>	<b>17,646,660</b>	<b>0.27</b>

The following summarizes information about stock options outstanding as at March 31, 2025:

Exercise prices	Number of options outstanding	Weighted average term to expiry (years)	Number of options exercisable
0.21	1,435,000	4.53	478,329
0.25	9,560,000	1.98	9,560,000
0.28	3,700,000	1.31	3,700,000
0.30	1,900,000	2.81	1,599,999
0.35	1,075,000	2.80	983,332
0.40	1,325,000	2.92	1,325,000
	<b>18,995,000</b>	<b>2.24</b>	<b>17,646,660</b>

As of the date of this MD&A, the Company maintained balances of 219,769,315 Class B Shares, and 17,420,000 stock options.

### USE OF ESTIMATES AND JUDGMENTS

The timely preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and income and expenses. Accordingly, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant estimates and judgments made by management in the preparation of the financial statements are outlined below.

The Company continues to assess the impact of climate change on the financial statements. The Company is currently analyzing potential internal greenhouse gas reduction initiatives and is continually monitoring regulatory

initiatives that may impact its existing businesses. The impact of these changes will be assessed in future reporting periods to ensure any changes in assumptions that would impact estimates listed below are adjusted on a timely basis.

### **Critical judgments in applying accounting policies**

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

#### **i) Identification of cash-generating units**

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

#### **ii) Impairment of property, plant and equipment**

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

#### **iii) Income taxes**

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

#### **iv) Asset acquisitions**

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

### **Key sources of estimation uncertainty**

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

#### **i) Reserves assessment**

The estimate of proved and probable petroleum and natural gas reserves and the related cash flows includes significant estimates and assumptions related to: 1) forecasted petroleum and natural gas commodity prices; 2) forecasted production volumes; 3) forecasted operating costs; 4) forecasted royalty costs; and 5) forecasted future development costs. Other estimates which impact the assessment of the reported recoverable quantities of proved and probable reserves and prospective resource estimates include estimates regarding exchange rates, remediation costs, timing and production, transportation and marketing costs for future cash flows. It also requires interpretation of geological and geophysical models in anticipated recoveries and estimates with respect to production profiles. The economical, geological and technical factors used to estimate reserves and



prospective resources may change from period to period. Changes in reported reserves and prospective resources can impact the carrying values of the Company's petroleum and natural gas properties and exploration and evaluation assets and equipment, the calculation of depletion and depreciation, the provision for decommissioning obligations, the recognition of deferred tax assets due to changes in expected future cash flows, and the estimated fair value of property, plant and equipment acquired in a business combination.

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

The Company uses estimated proved and probable petroleum and natural gas reserves from an independent third-party reserve evaluation to estimate the fair value of property, plant and equipment acquired and the fair value of the PP&E disposed in a business combination. Further, the Company uses estimated proved and probable petroleum and natural gas reserves to deplete its development and production assets, to assess for indicators of impairment or impairment reversal on each of the Company's CGU and if any such indicators exist, to perform an impairment test to estimate the recoverable amount of the CGUs.

The Company engaged independent third-party reserve evaluators to estimate proved and probable petroleum and natural gas reserves as at December 31, 2024.

For the Company's depletion calculations and impairment tests, the Company used the December 31, 2024, independent third-party reserve evaluators estimate of proved and probable petroleum and natural gas reserves.

**ii) Decommissioning obligations**

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

**iii) Business combinations**

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

**iv) Share-based payments**

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

**v) Tax provisions**

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

**Matters relating to economic uncertainty**

Estimates are more difficult to determine, and the range of potential outcomes can be wider, in periods of higher volatility and uncertainty. The impacts of the higher levels of uncertainty due to the Russian invasion of Ukraine, the Israel-Hamas war, and ongoing international politically driven trade uncertainty and their impact on energy markets, rising interest and inflation rates, and constrained supply chains have created a higher level of volatility and uncertainty. Management has, to the extent reasonable, incorporated known facts and circumstances into the estimates made, however, actual results could differ from those estimates and those differences could be material.

**Changing regulations**

Emissions, carbon and other regulations impacting climate and climate-related matters are constantly evolving. With respect to environmental, social, governance (“ESG”) and climate reporting, the International Sustainability Standards Board (“ISSB”) has issued its first two IFRS Sustainability Disclosure Standards: IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures (together, the ISSB Standards). The ISSB Standards aim to develop sustainability disclosure standards that are globally consistent, comparable and reliable. Mandatory application of the ISSB Standards depends on each jurisdiction’s endorsement or regulatory processes. In the Company’s case, the Canadian Securities Administrators (“CSA”) is responsible for developing climate-related disclosure requirements for reporting issuers in Canada. The CSA published Proposed National Instrument 51-107 – Disclosure of Climate Related Matters which is intended to introduce climate-related disclosure requirements for reporting issuers in Canada with limited exceptions. The Canadian Sustainability Standards Board (“CSSB”) has been established to review the ISSB Standards for their suitability for adoption in Canada. In March 2024, the CSSB published two exposure drafts: CSDS 1 - *General Requirements for Disclosure of Sustainability-related Financial Information* and CSDS 2 – *Climate-related Disclosures*, for public comment. Until such time as the CSA and CSSB make final decisions on sustainability standards for Canada, there is no requirement for public companies in Canada to adopt sustainability standards. The Company is awaiting further guidance from the CSA on their final rules.

If the Company is not able to meet future sustainability reporting requirements of regulators or current and future expectations of investors, insurance providers, or other stakeholders, its business and ability to attract and retain skilled employees, obtain regulatory permits, licenses, registrations, approvals, and authorizations from various governmental authorities, and raise capital may be adversely affected. The cost to comply with these standards, and others that may be developed or evolve over time, has not yet been quantified. The Company continues to monitor the evolving ESG regulations and its potential impact on the Company.

**PRINCIPAL BUSINESS RISKS**

The Company’s business and results of operations are subject to a number of risks and uncertainties which include, but are not limited to, the following:

**Crude Oil and Natural Gas Development**

Exploration, development, production of oil and natural gas involves a wide variety of risks which include, but are not limited to, the uncertainty of finding oil and gas in commercial quantities, securing markets, commodity price fluctuations, exchange and interest rate exposure and changes to government regulations, including regulations relating to prices, taxes, royalties, and environmental protection. The oil and gas industry is intensely competitive and the Company competes with a large number of companies with greater resources.

The Company's ability to obtain reserves in the future will depend not only on its ability to develop its current properties, but also on its ability to acquire new prospects and producing properties. The acquisition, exploration and development of new properties also require that sufficient capital from outside sources will be available to the Company in a timely manner. The availability of equity or debt financing is affected by many factors, many of which are beyond the control of the Company.

**Addition of Reserves and Resources**

The Company's future crude oil and natural gas reserves, production, and cash flows to be derived therefrom are highly dependent on the Company successfully discovering and developing or acquiring new reserves and resources. The addition of new reserves and resources will depend not only on the Company's ability to explore and develop properties but also, in the case of reserves, on its ability to select and acquire suitable producing properties or prospects. There can be no assurance that the Company's exploration, development or acquisition efforts will result in the discovery and development of commercial accumulations of oil and natural gas.

**Reserve Estimates**

There are numerous uncertainties inherent in estimating quantities of reserves, including many factors beyond the control of the Company. Estimates of reserves depend in large part upon the reliability of available geological and engineering data and require certain assumptions to be made in order to assign reserve volumes. Geological and engineering data is used to determine the probability that a reservoir of oil and/or natural gas exists at a particular location, and whether, and to what extent, such hydrocarbons are recoverable from the reservoir. Accordingly, the ultimate reserves discovered by the Company may be significantly less than the total estimates.

**Exploration Risks**

The exploration of the Company's properties may from time to time involve a high degree of risk that no production will be obtained or that the production obtained will be insufficient to recover drilling and completion costs. The costs of seismic operations, land and mineral rights, and drilling, completing and operating wells are uncertain to a degree. Cost overruns can adversely affect the economics of the Company's exploration programs and projects. In addition, the Company's seismic operations and drilling plans may be curtailed, delayed or cancelled as a result of numerous factors, including, among others, equipment failures, weather or adverse climate conditions, shortages or delays in obtaining qualified personnel, shortages or delays in the delivery of or access to equipment, necessary governmental, regulatory or other third-party approvals and compliance with regulatory requirements.

**Environmental Risks**

Oil and gas exploration and production can involve environmental risks such as litigation, physical and regulatory risks. Physical risks include the pollution of the environment, climate change and destruction of natural habitat, as well as safety risks such as personal injury. The Company works hard to identify the potential environmental impacts of its new projects in the planning stage and during operations. The Company conducts its operations with high standards in order to protect the environment, its employees and consultants, and the general public. ROK maintains current insurance coverage for comprehensive and general liability as well as limited pollution liability. The amount and terms of this insurance are reviewed on an ongoing basis and adjusted as necessary to reflect current corporate requirements, as well as industry standards and government regulations. Without such insurance, and if the

Company becomes subject to environmental liabilities, the payment of such liabilities could reduce or eliminate its available funds or could exceed the funds the Company has available and result in financial distress.

### **Climate Change Risks**

Our exploration and production facilities and other operations and activities emit greenhouse gasses ("GHG") which may require us to comply with federal and/or provincial GHG emissions legislation. Climate change policy is evolving at regional, national and international levels, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place to prevent climate change or mitigate our effects. The direct or indirect costs of compliance with GHG-related regulations may have a material adverse effect on the business, financial condition, results of operations and prospects of the Company. Some of ROK's facilities may ultimately be subject to future regional, provincial and/or federal climate change regulations to manage GHG emissions. In addition, climate change has been linked to long-term shifts in climate patterns and extreme weather conditions both of which pose the risk of causing operational difficulties.

### **Key Personnel**

The Company's success depends in large part on the ability of its executive management team to deal effectively with complex risks and relationships and execute the Company's business plan. The members of the management team contribute to the Company's ability to obtain, generate and manage opportunities. There can be no assurance that the Company's present key personnel and directors will remain with the Company. The departure of any such key person or director may materially affect the Company's business, financial condition, results of operations, and the value of the Class B Shares.

### **Public Market Risk**

There can be no assurance that an active trading market in the Company's securities will be sustained. The market price for the Company's securities could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of the Company's peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the securities of the Company. The stock market from time to time has experienced extreme price and volume fluctuations, which may be unrelated to the operating performance of particular companies.

### **Dividends**

To date, the Company has not paid regular dividends on its outstanding securities and does not anticipate paying any dividends in the foreseeable future. With the exception of lender approval, there are no restrictions in the Company's articles or elsewhere which would prevent the Company from paying dividends. It is not contemplated that any dividends will be paid on the Class B Shares in the immediate future as it is anticipated that all available funds will be invested to finance the growth of the Company's business. The directors of the Company will determine if, and when, dividends will be declared and paid in the future from funds properly applicable to the payment of dividends based on the Company's earnings, financial position and other conditions at the relevant time. All of the Class B Shares are entitled to an equal share in any dividends declared and paid.

### **Failure to Maintain Listing of the Class B Shares**

The Class B Shares are currently listed for trading on the facilities of the TSXV. The failure of the Company to meet the applicable listing or other requirements of the TSXV in the future may result in the Class B Shares ceasing to be listed for trading on the TSXV, which would have a material adverse effect on the value of the Class B Shares. There can be no assurance that the Class B Shares will continue to be listed for trading on the TSXV.

## Structure of the Company

From time to time, the Company may take steps to organize its affairs in a manner that minimizes taxes and other expenses payable with respect to the operation of the Company and its subsidiaries. If the manner in which the Company structures its affairs is successfully challenged by a taxation or other authority, the Company and the holders of Class B Shares may be adversely affected.

## Management's Report on Internal Control over Financial Reporting

In connection with National Instrument 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109") adopted by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company are required to file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis. The Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

## CAUTION REGARDING FORWARD-LOOKING INFORMATION

This MD&A offers an assessment of the Company's future plans and operations as of the date hereof and may contain forward-looking information. All statements other than statements of historical fact are forward-looking statements. Such information is generally identified by the use of words such as "anticipate", "continue", "estimate", "expect", "may", "plan", "will", "project", "should", "believe" and similar expressions. Statements relating to "reserves" or "resources" are also forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the resources and reserves described can be profitably produced in the future. All such statements involve known and unknown risks, uncertainties, and assumptions.

Management believes that the expectations reflected in the forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct. Such forward-looking information included in this MD&A should not be unduly relied upon as the plans, assumptions, intentions, or expectations upon which it is based may not occur. Actual results or events may vary from the forward-looking information.

In particular, this MD&A may contain forward-looking information pertaining to the following:

- the potential of the Company's assets,
- the Company's growth strategy and opportunities,
- performance characteristics of the Company's oil properties and estimated capital commitments and probability of success,
- crude oil production and recovery estimates and targets,
- forecasted Operating Income in future periods,
- the existence and size of the oil reserves and resources,
- capital expenditure programs and estimates, including the timing of activity,
- plans for, and results of, exploration and development activities,
- projections of market prices and costs,
- the supply and demand for oil,
- expectations regarding forecasted Net Debt balances in the future and Company expectations for servicing existing debt,
- expectations regarding the ability to raise equity and debt capital on acceptable terms, including the ability to negotiate and complete any agreements contemplated,
- the timing for receipt of regulatory approvals, and
- treatment of the Company under governmental regulatory regimes and tax laws.

The purpose of providing any financial outlook in this MD&A is to illustrate how the business of the Company might develop without the benefit of specific historical financial information. Readers are cautioned that this information may not be appropriate for other purposes.

The forward-looking information herein is based on certain assumptions and analysis by the management of the Company in light of its experience and perception of historical trends, current conditions and expected future developments and other factors that it believes are appropriate and reasonable under the circumstances. The forward-looking information herein is based on a number of assumptions, including but not limited to:

- the availability on acceptable terms of funds for capital expenditures,
- the availability in a cost-efficient manner of equipment and qualified personnel when required,
- the stability of the regulatory framework governing taxes and environmental matters in any jurisdiction in which the Company may conduct its business in the future,
- continuing strong demand for oil,
- the ability to market production of oil successfully to customers,
- future production levels and oil prices,
- the applicability of technologies for recovery and production of oil reserves,
- the existence and recoverability of any oil reserves,
- geological and engineering estimates in respect of resources and reserves in which the Company has an interest,
- the geography of the areas in which the Company has an interest, and
- the impact of increasing competition on the Company.

The actual results, performance and achievements of the Company could differ materially from those anticipated in these forward-looking statements as a result of the risks and uncertainties set forth elsewhere in the MD&A and the following risks and uncertainties:

- global financial conditions,
- general economic, market and business conditions,
- volatility in market prices, the stock market, foreign exchange and interest rates,
- risks inherent in oil and gas operations, exploration, development and production,
- the failure by counterparties to make payments or perform their operational or other obligations to the Company in compliance with the terms of contractual arrangements between the Company and such counterparties,
- risks related to the timing of completion of the Company's projects and plans,
- uncertainties associated with estimating oil and natural gas reserves and resources,
- competition for, among other things, capital, acquisitions of resources, and skilled personnel,
- the ability to hold existing leases through drilling or lease extensions or otherwise,
- incorrect assessments of the value of acquisitions,
- claims made in respect of the Company's properties or assets,
- geological, technical, drilling and processing problems, including the availability of equipment and access to properties,
- environmental risks and hazards,
- the inaccuracy of third parties' reviews, reports and projections,
- rising costs of labour and equipment,
- the failure to engage or retain key personnel,
- changes in income tax laws or changes in tax laws and incentive programs, and
- other factors discussed under "Principal Business Risks" in this MD&A.

Readers are cautioned that the foregoing lists of assumptions, risks and uncertainties are not exhaustive. Forward-looking information contained in this MD&A is expressly qualified by this cautionary statement. The forward-looking information speaks only as of the date of this MD&A, and the Company does not undertake any obligation to publicly update or revise any forward-looking information except as required by applicable securities laws.

## SELECTED QUARTERLY INFORMATION

The following table sets out selected unaudited quarterly financial information of the Company and is derived from unaudited quarterly financial data prepared by management in accordance with IFRS.

Quarterly Results (\$000s)	Q1 2025	Q4 2024	Q3 2024	Q2 2024
Oil and natural gas sales	20,980	21,168	21,349	21,742
Oil and natural gas sales, net of royalties	17,502	17,597	17,685	17,960
Net income (loss)	(1,545)	(5,146)	10,040	82
Net income (loss) \$ per share:				
Basic	(0.01)	(0.02)	0.05	0.00
Diluted	(0.01)	(0.02)	0.05	0.00

Quarterly Results (\$000s)	Q1 2024	Q4 2023	Q3 2023	Q2 2023
Oil and natural gas sales	20,931	23,207	22,144	17,738
Oil and natural gas sales, net of royalties	16,976	19,305	19,213	13,950
Net income (loss)	(5,612)	(3,713)	(7,752)	(327)
Net income (loss) \$ per share:				
Basic	(0.03)	(0.02)	(0.04)	(0.00)
Diluted	(0.03)	(0.02)	(0.04)	(0.00)

Over the past eight quarters, fluctuations in production volumes and realized commodity prices have impacted the Company's petroleum and natural gas revenues and funds flow. Net income (loss) has fluctuated due to effects of operating results from the acquisition of new producing assets, additional financing costs, increased general and administrative expenses, and other non-cash items such as gains on acquisitions and dispositions as well as share-based compensation expense and gains/losses on risk management contracts, realized and unrealized. Capital expenditures and production volumes have fluctuated over time as a result of the timing of acquisitions and the impact of market conditions on the Company's development capital expenditures.

In Q1 2025, overall sales were similar to Q4 2024 with slightly lower production in the quarter, but relatively stable commodity prices considering ongoing market volatility. Continued trending in reduced operating costs in the quarter contributed in improved operating netbacks quarter-over-quarter. While sales production in Q4 2024 increased from prior quarter, declines in oil prices contributed to flat overall sales revenue in Q4 2024 in comparison to Q3 2024. Q2 and Q3 2024 both benefited from improved oil prices, on average, but continued decreases in natural gas and NGL prices, resulting in minimal increased sales revenue in each respective quarter over Q1 2024. Improvements in mark-to-market valuation in Q2 and Q3 2024 of existing risk management contracts when compared to Q1 2024 as well as a realized gain on disposition in Q3 2024 were the primary factor leading to improved net operating results for each quarter in 2024, with Q4 2024 seeing significant unrealized mark-to-market losses and an impairment loss all contributing to the overall net loss in the quarter.

In Q3 2023, gains on dispositions contributed to the net income of the Company, offsetting reduced revenue per units of productions due to decreased commodity prices in the period. The continued decline of commodity prices and decreased daily production after asset dispositions executed in Q1 2023 contributed to the reduced revenue in Q2 2023. Reduced finance expenses in Q2 2023 due to the elimination of the Term Loan that carried a high interest cost softened the effects of reduced revenue on the quarter's results. Q3 2023 operating results benefited from higher production rates, higher overall commodity prices in the market, and lower realized royalties per boe despite the countering effects of higher operating expense per boe due to cyclical annual expenses incurred in Q3 2023 and ongoing effects on operating costs due to the absorption of production assets acquired earlier in the 2023 year. Non-cash items such as unrealized losses on the mark-to-market change in fair value of the oil and gas price hedges (in contrast to unrealized gains recorded in both Q1 2023 and Q2 2023) contributed significantly to the Q3 2023 net loss. Q4 2023 saw record production levels reached and decreasing operating costs per boe compared to Q3 2023. However, overall realized commodity pricing declined from the prior quarter.



## CONVERSION MEASURES AND SHORT-TERM PRODUCTION RATES

Production volumes and reserves are commonly expressed on a boe basis whereby natural gas volumes are converted at the ratio of 6 thousand cubic feet to 1 barrel of oil. Although the intention is to sum oil and natural gas measurement units into one basis for improved analysis of results and comparisons with other industry participants, boe's may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf to 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In recent years, the value ratio based on the price of crude oil as compared to natural gas has been significantly higher than the energy equivalency of 6:1 and utilizing a conversion of natural gas volumes on a 6:1 basis may be misleading as an indication of value.

Short-term production rates can be influenced by flush production effects from fracture stimulations in horizontal wellbores and may not be indicative of longer-term production performance or ultimate recovery of reserves. Individual well performance may vary.

## ABBREVIATIONS USED

bbl	barrel	AECO	Alberta Energy Company
bbl/d	barrels per day	GJ	gigajoule
boe	barrels of oil equivalent	Mcf	thousand cubic feet
boe/d	barrels of oil equivalent per day	Mcf/d	thousand cubic feet per day
bopd	barrels of oil per day	MMBtu	million British thermal units
Mbbls	thousand barrels	MMcf	million cubic feet
Mboe	thousand barrels of oil equivalent	MMcf/d	million cubic feet per day
MMboe	million barrels of oil equivalent	Bcf	billion cubic feet
NGL	natural gas liquids	WTI	West Texas Intermediate
m <sup>3</sup>	cubic metres	Cdn	Canadian
e <sup>3</sup> m <sup>3</sup>	thousand cubic metres	US	United States
CO <sub>2</sub>	Carbon dioxide	GHG	Greenhouse gas
EOR	Enhanced oil recovery	CCUS	Carbon capture, utilization & storage
Mg/l	milligrams per liter	DCET	Drill, complete, equip & tie