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ROK Resources Inc. Announces \$47.25 Million Accretive Sale of Non-Core Assets, Update on Term Debt & Capital Efficiencies

REGINA, SK / ACCESSWIRE / March 23, 2023 / ROK Resources Inc. (TSXV:ROK)(TSXV:ROK.WT) (the "**Company**" or "**ROK**") is pleased to announce it has entered into separate Asset Purchase and Sale Agreements (the "**Dispositions**") to divest of certain non-core assets in Saskatchewan for total combined proceeds of approximately \$47.25 million, which includes the sale of ROK's non-operated 2.11685% interest in the Weyburn Unit (the "**Weyburn Unit**") to Rife Resources Ltd. ("**Rife Resources**") for total proceeds of approximately \$44.5 million, before normal closing adjustments (the "**Transaction**"). Two smaller dispositions (the "**Other Assets**") make up the balance of the Dispositions with total proceeds of \$2.75 million, before normal closing adjustments.

Weyburn Unit

The Transaction, by way of definitive sale agreement executed March 22, 2023, will result in gross proceeds that represent ~35% of ROK's enterprise value prior to the Transaction, while the divestiture of ~450 boe/d accounts for ~11% of its corporate production and ~21% of its 2022 net operating income.

Notably, at the time of the asset acquisition, as described in the press release dated March 7, 2022 ("**FCL Acquisition**"), the Weyburn Unit represented ~15% of the total production and ~28% of annualized net operating income that was acquired, but the gross proceeds from the Transaction represent ~77% of the total purchase price of \$58.0 million, net of closing adjustments, of the FCL Acquisition.

The effective date of the Transaction is January 1, 2023. Completion of the Transaction is subject to customary conditions, which may include the approval of the TSX Venture Exchange ("**TSXV**"). Closing of the Transaction is expected to occur on March 31, 2023.

Transaction Metrics

Transaction Value	\$44.5 million
Production ⁽¹⁾	450 boe/d
Implied Production Multiple	\$98,889 / boe
2023 Net Operating Income (" NOI ") ⁽²⁾⁽³⁾	\$9.6 million
Implied NOI Multiple	4.6x

(1) Production based on estimated next twelve months.

(2) Per McDaniel Reserve Report dated December 31, 2022.

(3) The term NOI is a non-IFRS measure. Please refer to the "Non-IFRS Measures" section below for further details.

Strategic Rationale

Consistent with ROK's previously announced strategy, the Transaction divests significant non-core, non-operated assets, and will allow the Company to focus on its core properties, which provide significant growth potential via 172 undrilled locations. The \$44.5 million in cash proceeds from the Weyburn Unit, before normal closing adjustments, will be accretive to existing shareholders of the Company by immediately eliminating 90% of ROK's outstanding senior term debt which will result in interest savings of ~\$5.8 million. By June 2023, the Company's senior term debt

is expected to be paid off entirely, providing the Company with incremental cashflow of ~\$2.5 million per month, that can be deployed into organic drilling in its core Southeast Saskatchewan and Kaybob assets.

“We are very proud of what the ROK team has accomplished in the last twelve months. After closing the FCL Acquisition with ~3,000 boe/d and \$46 million net debt, to currently producing greater than 3,750 boe/d with \$15 million of net debt (at closing of the Dispositions), we are well positioned to execute a robust development plan through the second half of 2023. We look forward to offering full 2023 guidance at closing”, said Cam Taylor, Chief Executive Officer and Chairman.

Other Assets

The Other Assets include: (i) ~5,000 net acres of fee title land in Southwest Saskatchewan, and (ii) ~40 boe/d of non-core production, for total proceeds of \$2.75 million. The proceeds will be as allocated to working capital for the Company’s upcoming 2023 drilling program, details of which are to come in a subsequent press release. The closing of the disposition of the Other Assets is subject to customary conditions and expected to occur within the coming days.

Capital Efficiency Update

Management’s expertise in the sector, specifically growing companies through the drill bit, combined with in-depth knowledge of their existing asset base, has allowed ROK to complete an efficient drilling and recompletion program since the FCL Acquisition. In 2022, the Company added greater than 1,100 boe/d of production, to replace its ~22% base decline, and exited the year with production in excess of 3,500 boe/d. The 2022 drilling and recompletion program was primarily focused on developing existing light oil pools and extending play areas to add new drilling inventory.

The table below is a summary of the Company’s 2022 capital efficiencies:

Gross Locations	Net Locations	Average Gross IP30 (boe/d)	Average Net IP30 (boe/d)	Total Net Capital (M)	Capital Efficiency (\$/boe/d)
24	14.9	112 Boepd	53	\$22.6	\$17,865

Financial Advisors

Echelon Capital Markets acted as financial advisor to the Company with respect to the Transaction.

McDougall Gauley LLP acted as legal advisor to the Company with respect to the Transaction.

About

ROK is primarily engaged in exploring for petroleum and natural gas development activities in Saskatchewan and Alberta. It has offices located in both Regina, Saskatchewan, Canada and Calgary, Alberta, Canada. ROK’s common shares are traded on the TSX Venture Exchange under the trading symbol "ROK".

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Boe Disclosure

The term barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet per barrel (6 Mcf/bbl) of natural gas to barrels of oil equivalence is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. All boe conversions in the report are derived from converting gas to oil in the ratio mix of six thousand cubic feet of gas to one barrel of oil.

Reserve Disclosure

All reserves information in this press release was prepared by an independent reserve evaluator, effective December 31, 2022 using the reserve evaluators December 31, 2022 forecast prices and costs in accordance with National Instrument 51-101 - Standards of Disclosure of Oil and Gas Activities ("NI 51-101") and the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook"). All reserve references in this press release are "Company gross reserves". Company gross reserves are the Company's total working interest reserves before the deduction of any royalties payable by the Company and before the consideration of the Company's royalty interests. It should not be assumed that the present worth of estimated future cash flow of net revenue presented herein represents the fair market value of the reserves. There is no assurance that the forecast prices and costs assumptions will be attained, and variances could be material. The recovery and reserve estimates of ROK's crude oil, NGLs and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas and NGLs reserves may be greater than or less than the estimates provided herein.

Non-IFRS Measures

Certain measures commonly used in the oil and natural gas industry referred to herein, including, "Net Debt" and "Net Operating Income" do not have a standardized meaning prescribed by IFRS and therefore may not be comparable with the calculation of similar measures by other companies. These non-IFRS measures are further described and defined below. Such non-IFRS measures are not intended to represent operating profits, nor should they be viewed as an alternative to cash flow provided by operating activities, net earnings or other measures of financial performance calculated in accordance with IFRS.

"**Net Debt**" is equal to the sum of the outstanding long-term debt and net working capital. The Company uses this metric to analyze the level of debt in the Company including the impact of working capital.

"**Net Operating Income**" is calculated as petroleum and natural gas revenue less royalties, net operating expenses and transportation expenses. Net operating income multiple is calculated as purchase price of the acquisition divided by the annual net operating income related to the acquisition. The Company uses this metric as an indication of the cost of the acquisition in relation to the net operating income from the acquired business.

Management uses these oil and gas metrics for its own performance measurements and to provide shareholders with measures to compare our operations over time. Readers are cautioned that the information provided by these metrics, or that can be derived from the metrics presented in this press release, should not be relied upon for investment or other purposes.

Abbreviations

bbls/d	barrels per day
boe	barrels of oil equivalent
Boepd	barrels oil equivalent per day
IP	Initial Production

NGLs	Natural Gas Liquids
Mboe	Thousands of barrels of oil equivalent
MMboe	Millions of barrels of oil equivalent
PDP	Proved Developed Producing
TP	Total Proved Reserves
TPP	Total Proved and Probable Reserves
IFRS	International Financial Reporting Standards as issued by the International Accounting Standards Board
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for the crude oil standard grade

Drilling Locations

This press release discloses drilling locations with respect to the Assets in two categories: (i) booked locations; and (ii) un-booked locations. Booked locations are derived from McDaniel & Associates evaluation in accordance with NI 51-101 and the COGEH effective December 31, 2022 and September 1, 2022 respectively, and account for drilling locations that have associated proved and/or probable reserves, as applicable. Un-booked locations are internal estimates based on the Company's assumptions as to the number of wells that can be drilled per section based on industry practice and internal review. Un-booked locations do not have attributed reserves or resources. Of the total 172 drilling locations identified herein, 122 are proved plus probable locations and 50 are un-booked locations. Un-booked locations have been identified by management as an estimation of Company's multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production, and reserves information. There is no certainty that the Company will drill all un-booked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves, resources, or production. The drilling locations considered for future development will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the un-booked drilling locations have been de-risked by the drilling of existing wells in relative close proximity to such un-booked drilling locations, other un-booked drilling locations are farther away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves, resources or production.

Forward-Looking Information

This news release includes certain "forward-looking statements" under applicable Canadian securities legislation that are not historical facts. Forward-looking statements involve risks, uncertainties, and other factors that could cause actual results, performance, prospects, and opportunities to differ materially from those expressed or implied by such forward-looking statements. Forward-looking statements in this news release include, but are not limited to, statements with respect to the Company's objectives, goals, or future plans as a result of the Transaction. Forward-looking statements are necessarily based on several estimates and assumptions that, while considered reasonable, are subject to known and unknown risks, uncertainties and other factors which may cause actual results and future events to differ materially from those expressed or implied by such forward-looking statements. Such factors include but are not limited to general business, economic and social uncertainties; the accuracy of well testing results; litigation, legislative, environmental, and other judicial, regulatory, political and competitive developments; delay or failure to receive board, shareholder or regulatory approvals; those additional risks set out in ROK's public documents filed on SEDAR at www.sedar.com; and other matters discussed in this news release. Although the Company believes that the assumptions and factors used in preparing the forward-looking statements are reasonable, undue reliance should not be placed on these statements, which only apply as of the date of this news release, and no assurance can be given that such events will occur in the disclosed time frames or at all. Except

where required by law, the Company disclaims any intention or obligation to update or revise any forward-looking statement, whether because of new information, future events, or otherwise.

Neither the Exchange nor its Regulation Services Provider (as that term is defined in the policies of the Exchange) accepts responsibility of the adequacy or accuracy of this release.

SOURCE: ROK Resources Inc.