FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

MANAGEMENT'S REPORT

The accompanying financial statements and related financial information are the responsibility of management and have been prepared in accordance with International Financial Reporting Standards. They include certain amounts that are based on estimates and judgments relating to matters not concluded by year-end. Financial information presented elsewhere in this document is consistent with that contained in the financial statements.

In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies adopted by management. If alternate accounting methods exist, management has chosen those policies it deems the most appropriate in the circumstances.

The independent external auditors, KPMG LLP, have conducted an examination of the financial statements on behalf of shareholders. The auditors have unrestricted access to the Company and the Audit Committee.

The Board of Directors, currently composed of five directors, four of which are independent, carries out its responsibility for the financial statements principally through its Audit Committee, consisting of three members. This Committee reviews the financial statements with management and the auditors, as well as recommends to the Board of Directors the external auditors to be appointed by the shareholders at each annual meeting. The Audit Committee meets at least quarterly to review and approve interim financial statements prior to their release and recommend their approval to the Board of Directors.

The Board of Directors on the recommendation of the Audit Committee has approved the financial statements and information as presented.

(signed)

Cameron Taylor
President
& Chief Executive Officer

(signed)

Lynn Chapman
Vice President of Finance
& Chief Financial Officer

April 29, 2022
Regina, Saskatchewan

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of ROK Resources Inc.

Opinion

We have audited the financial statements of ROK Resources Inc. (the Entity), which comprise:

- the statements of financial position as at December 31, 2021 and December 31, 2020
- the statements of loss and comprehensive loss for the years then ended
- the statements of changes in shareholders' equity for the years then ended
- the statements of cash flows for the years then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2021 and December 31, 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that during the year ended December 31, 2021 the Entity incurred a loss of $2.3 million. As at December 31, 2021, the Entity had a working capital deficit balance of $0.9 million. While the Entity intends to move forward with the development of its oil and gas assets, there is no guarantee that the Entity will be successful in raising the capital required to fund ongoing operations and exploration and development activities or that the terms of a financing, if any, will be acceptable to the Entity. Furthermore, the Entity has various terms, conditions and covenants that it must remain in compliance with respect to the senior loan facility entered into subsequent to December 31, 2021.

As stated in Note 2 in the financial statements, these events or conditions, along with other matters as set forth in Note 2 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the

related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this auditors' report is Jason Stuart Brown.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
April 29, 2022

ROK RESOURCES INC.
STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)	**December 31, 2021**	December 31, 2020
Assets		
Current Assets		
Cash and cash equivalents	**1,208,776**	1,420,067
Accounts receivable	**553,639**	445,095
Prepaids and deposits	**140,967**	86,974
	1,903,382	1,952,136
Non-current Assets		
Deferred transaction costs (Note 15)	**427,235**	-
Property, plant and equipment (Note 8)	**9,444,668**	3,434,274
Exploration & evaluation assets (Note 9)	**1,321,693**	1,178,458
	13,096,978	6,564,868
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	**1,424,772**	355,611
Current portion of debt notes (Note 10)	**1,333,333**	-
	2,758,105	355,611
Non-current Liabilities		
Non-current portion of debt notes (Note 10)	**2,506,393**	-
Decommissioning obligations (Note 11)	**3,850,032**	3,304,071
	9,114,530	3,659,682
Shareholders' Equity		
Share capital (Note 13a)	**6,309,267**	3,607,761
Warrants (Note 13b)	**802,020**	446,044
Contributed surplus (Note 13c)	**405,318**	54,263
Deficit	**(3,534,157)**	(1,202,882)
	3,982,448	2,905,186
	13,096,978	6,564,868

Going concern (Note 2)
Commitments (Note 18)
Subsequent events (Note 21)

See accompanying notes to the financial statements.

Approved by the Board of Directors:

(signed)

Cameron Taylor
Chairman of the Board of Directors

(signed)

David Hergenhein
Chairman of the Audit Committee

ROK RESOURCES INC.

STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the years ended December 31

(Expressed in Canadian Dollars)	**2021**	2020
Revenue:		
Oil and natural gas sales (Note 14)	**3,436,882**	598,448
Royalties	**(636,733)**	(139,355)
Revenue	**2,800,149**	459,093
Expenses and other items:		
Operating expenses	**1,358,527**	392,284
General and administrative	**1,547,066**	764,471
Business development (Note 12)	**343,066**	126,225
Stock-based compensation (Note 13c)	**369,702**	100,299
Depletion and depreciation (Note 8)	**878,649**	259,536
Exploration & evaluation expense (Note 9)	**184,086**	-
Net finance expense	**447,525**	17,823
Foreign exchange loss	**2,803**	1,337
	5,131,424	1,661,975
Net loss and comprehensive loss	**(2,331,275)**	(1,202,882)
Loss per share – basic and diluted (Note 13d)	**(0.03)**	(0.03)
Weighted average number of Class B shares outstanding	**68,242,055**	47,892,173

See accompanying notes to the financial statements.

ROK RESOURCES INC.

STATEMENTS OF CASH FLOWS

For the years ended December 31

(Expressed in Canadian Dollars)	**2021**	2020
Cash flows provided by (used in):		
Operating activities		
Net loss	**(2,331,275)**	(1,202,882)
Adjustments for:		
Depletion and depreciation	**878,649**	259,536
Exploration & evaluation expense	**184,086**	-
Stock-based compensation	**369,702**	100,299
Foreign exchange loss	**1,055**	1,337
Other liability	**-**	(8,000)
Net finance expense	**447,525**	17,823
Abandonment costs paid	**(60,301)**	(15,681)
Change in non-cash working capital (Note 20)	**509,086**	(102,014)
	(1,473)	(949,582)
Investing activities		
Net asset acquisitions (Note 7)	**(3,963,490)**	(151,702)
Expenditures on property, plant and equipment	**(1,691,946)**	(241,865)
Proceeds on property, plant and equipment disposals	**95,000**	-
Expenditures on exploration and evaluation assets	**(327,321)**	(260,212)
Change in non-cash working capital (Note 20)	**182,465**	(97,070)
	(5,705,292)	(750,849)
Financing activities		
Proceeds on private placement, net of costs (Note 8a)	**2,134,968**	1,847,349
Proceeds on debt financing, net of costs (Note 10)	**3,874,010**	-
Proceeds on warrant exercises	**-**	22,500
Proceeds on option exercises (Note 13c)	**22,500**	-
Deferred transaction costs paid relating to pending financings	**(427,235)**	-
Net finance received (paid)	**(322,787)**	1,686
Change in non-cash working capital (Note 20)	**215,073**	-
	5,496,529	1,871,535
Foreign exchange loss on cash	**(1,055)**	(1,337)
Increase (decrease) in cash and cash equivalents	**(211,291)**	169,767
Cash and cash equivalents, beginning of year	**1,420,067**	1,250,300
Cash and cash equivalents, end of year	**1,208,776**	1,420,067

Cash is defined as cash and cash equivalents.

See accompanying notes to the financial statements.

ROK RESOURCES INC.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian Dollars)	Number of Shares	Share Capital	Warrants	Contributed Surplus	Deficit	Total
Balance at December 31, 2020	58,996,576	3,607,761	446,044	54,263	(1,202,882)	2,905,186
Net loss	-	-	-	-	(2,331,275)	(2,331,275)
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	-	-	-	369,702	-	369,702
Balance at December 31, 2021	**74,471,576**	**6,309,267**	**802,020**	**405,318**	**(3,534,157)**	**3,982,448**

	Number of Shares	Share Capital	Warrants	Contributed Surplus	Deficit	Total
Balance at December 31, 2019	43,274,268	87,210,218	40,004	31,586,276	(116,790,578)	2,045,920
Net loss	-	-	-	-	(1,202,882)	(1,202,882)
Private placement, July 2020	7,692,308	362,012	124,059	-	-	486,071
Private placement, November 2020	6,960,000	1,078,397	282,881	-	-	1,361,278
Stock option exercise	920,000	138,036	-	(46,036)	-	92,000
Warrant exercise	150,000	23,400	(900)	-	-	22,500
Stock-based compensation	-		-	100,299	-	100,299
Elimination of deficit	-	(85,204,302)	-	(31,586,276)	116,790,578	-
Balance at December 31, 2020	58,996,576	3,607,761	446,044	54,263	(1,202,882)	2,905,186

See accompanying notes to the financial statements.

1. REPORTING ENTITY

ROK Resources Inc. (“ROK” or the “Company”) is a public company that is engaged in oil and gas exploration and development activities in Western Canada. The Company’s head office is located in Regina, Saskatchewan, Canada. 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 during 2021 and closed a series of property acquisitions (see Note 7) which established additional core development areas. The assets acquired are concentrated in Southeastern Saskatchewan, principally focused on development of light oil prospects in the Frobisher and Midale formations. The Statements of Net Loss and Comprehensive Loss for the year ended December 31, 2021, include the results of operations related to the acquired assets for the period from the closing date of each acquisition until the end of the 2021 year.

2. GOING CONCERN

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to discharge its obligations and realize its assets in the normal course of operations for the foreseeable future. During the year ended December 31, 2021, the Company incurred a loss of $2.3 million with minimal net cash flow used for operating activities. As at December 31, 2021, the Company had a working capital deficit balance of $0.9 million.

In the past two years, the Company has acquired petroleum and natural gas assets with production capabilities (see Note 7). Until such time that these new producing assets generate sufficient cash flows to fund the Company’s ongoing operations, the Company will continue to rely upon its remaining financial resources and future financings to fund administrative costs and the development of its oil and gas properties. While the Company intends to move forward with the development of its oil and gas assets, there is no guarantee that the Company will be successful in raising the capital required to fund ongoing operations and exploration and development activities or that the terms of a financing, if any, will be acceptable to the Company. Furthermore, the Company has various terms, conditions and covenants that it must remain in compliance with relating to the senior loan facility entered into subsequent to December 31, 2021 (see Note 21). The COVID-19 global pandemic and its impact on the economy further increases the risk associated with obtaining the capital necessary to develop the Company’s oil and gas properties. These conditions indicate the existence of a material uncertainty that casts significant doubt about the Company’s ability to continue as a going concern.

Management believes that the going concern assumption is appropriate for these financial statements and that the Company will be able to fund its operations during the upcoming year. Events that have occurred subsequent to the year ended December 31, 2021, further support management’s belief as regarding the going concern assumption (see Note 21). Should the going concern assumption not be appropriate and the Company is not able to realize its assets and settle its liabilities in the normal course of operations, these financial statements would require adjustments to the amounts and classifications of assets and liabilities.

3. BASIS OF PRESENTATION

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board ("IASB"). A summary of significant accounting policies is presented in Note 4.

The Company’s investment (see Note 7e) has been accounted for as an equity investment as the Company has significant influence but not control. The financial results of the Company’s significantly influenced investments are

included in the Company's financial statements using the equity method of accounting, whereby the investment is initially recognized at cost, and the carrying amount is then subsequently adjusted to recognize the Company's share of earning or losses of the underlying investment. If the Company's carrying value in the equity accounted investment is reduced to zero, further losses are not recognized except to the extent that the Company has incurred legal or constructive obligations or has made payments on behalf of the equity accounted investee. At the end of each reporting period, the Company assesses whether there is objective evidence that the investment is impaired. If the investment is considered impaired, the Company estimates its recoverable amount, and any difference is charged to the statement of income.

These financial statements were approved and authorized for issuance by the Company's Board of Directors on April 29, 2022.

Basis of measurement

These financial statements have been prepared on a going concern basis, under the historical cost basis, unless otherwise noted. The methods used to measure fair values are discussed in Note 6.

Functional and presentation currency

Unless otherwise stated, these financial statements are presented in Canadian dollars ("CAD"). The functional currency of the Company is the Canadian dollar, which is the primary economic environment in which the Company operates.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these financial statements, except for the adoption of new standards in 2021.

a) Foreign currency

The functional currency of the Company is the Canadian dollar. Transactions in currencies other than each entity's functional currency are initially recorded at the exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted to the Canadian dollar at the closing rate as at the date of the statement of financial position. All differences are recorded in net earnings or loss. Non-monetary items are converted to the Canadian dollar using the historical exchange rates prevailing at the dates of the initial transactions.

b) Financial instruments

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are not offset unless the Company has the current legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously.

The Company characterizes its fair value measurements into a three-level hierarchy depending on the degree to which the inputs are observable, as follows:

- Level 1 inputs are quoted prices in active markets for identical assets and liabilities;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Classification and Measurement of Financial Assets
The initial classification of a financial asset depends upon the Company's business model for managing its financial assets and the contractual terms of the cash flows. There are three measurement categories into which the Company classified its financial assets:

- Amortized Cost: Includes assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest;
- Fair Value through Other Comprehensive Income ("FVOCI"): Includes assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, where its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest; or
- Fair Value Through Profit or Loss ("FVTPL"): Includes assets that do not meet the criteria for amortized cost or FVOCI and are measured at fair value through profit or loss. This includes all derivative financial instruments.

At initial recognition, the Company measures a financial asset at its fair value and, in the case of a financial asset not at FVTPL, including transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are recorded as an expense in net earnings.

Financial assets are reclassified subsequent to their initial recognition only if the business model for managing those financial assets changes. The affected financial assets will be reclassified on the first day of the first reporting period following the change in the business model. A financial asset is derecognized when the rights to receive cash flows from the asset have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Impairment of Financial Assets
The Company recognizes loss allowances for Expected Credit Losses ("ECLs") on its financial assets measured at amortized cost. Due to the nature of its financial assets, the Company measures loss allowances at an amount equal to expected lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the related financial asset. The Company does not have any financial assets that contain a financing component.

As at December 31, 2021, all of the Company's receivables were deemed collectible. The average expected credit loss on the Company's trade accounts receivable was not estimated to be significant.

Classification and Measurement of Financial Liabilities
A financial liability is initially classified as measured at amortized cost or FVTPL. A financial liability is classified as measured at FVTPL if it is held-for-trading, a derivative, or designated as FVTPL on initial recognition. The classification of a financial liability is irrevocable.

Financial liabilities at FVTPL are measured at fair value with changes in fair value, along with any interest expense, recognized in net earnings. Other financial liabilities are initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in net earnings. Any gain or loss on derecognition is also recognized in net earnings.

A financial liability is derecognized when the obligation is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same counterparty with substantially different terms, or the terms of an

existing liability are substantially modified, it is treated as a derecognition of the original liability and the recognition of a new liability. When the terms of an existing financial liability are altered, but the changes are considered non-substantial, it is accounted for as a modification to the existing financial liability. Where a liability is substantially modified it is considered to be extinguished and a gain or loss is recognized in net earnings based on the difference between the carrying amount of the liability derecognized and the fair value of the revised liability. Where a liability is modified in a non-substantial way, the amortized cost of the liability is remeasured based on the new cash flows and a gain or loss is recorded in net earnings.

Share Capital
Common shares are classified as shareholders' equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from shareholders' equity, net of any tax effects.

c) Jointly controlled operations

Certain portions of the Company's exploration and production activities are conducted under joint operating agreements, whereby two or more parties jointly control the assets. These financial statements reflect only the Company's share of these jointed controlled assets and, once production commences, a proportionate share of the relevant revenue and related costs.

d) Exploration and evaluation assets

All license acquisition, exploration and appraisal costs of technical services and studies, seismic acquisition, exploratory drilling and testing are initially capitalized by well, field, unit of account or specific exploration unit as appropriate. Expenditures incurred during the various exploration and appraisal phases are carried forward, until the existence of commercial reserves and when the technical feasibility and commercial viability are demonstrable. Commercial reserves are typically considered to have been achieved when proven and/or probable reserves have been assigned. If commercial reserves have been discovered and technical feasibility and commercial viability are demonstrable, the carrying value of the exploration and evaluation assets, after any impairment loss, are reclassified as oil and gas properties. If technical feasibility and commercial viability can not be demonstrated upon completion of the exploration phase, the carrying value of the exploration and evaluation costs incurred are expensed in the period this determination is made. Exploration and evaluation assets are not depleted or depreciated.

Exploration and evaluation assets are allocated to related cash-generating units ("CGUs") and are tested for impairment when indicators of impairment are present, and when exploration and evaluation assets are transferred to oil and gas properties.

Pre-licence costs
Costs incurred prior to having obtained the legal rights to explore an area are expensed to the statement of income as they are incurred.

e) Oil and gas properties and other property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depletion and depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any cost directly attributable to bringing the asset into operation, including costs transferred from exploration and evaluation assets, the initial estimate of the decommissioning obligation, directly attributable general and administrative costs, and for qualifying assets, finance costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Expenditure on the construction, installation or completion of infrastructure facilities such as pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalized in oil and gas properties when they increased the future economic benefits embodied in the specific asset to which they relate. The costs of day to day servicing are expensed as incurred. Property, plant and equipment are grouped into CGUs for impairment testing purposes.

Depletion, depreciation and amortization
Oil and gas properties are depleted using the unit-of-production method by reference to the ratio of production in the year, before royalties, to the related proven and probable reserves as determined by independent petroleum engineers, taking into account estimated future development costs necessary to bring those reserves into production. The Company's reserves are determined pursuant to National Instrument 51-101, Standards of Disclosure for Oil and Gas Activities. For purposes of this calculation, natural gas is converted to equivalent volumes of crude petroleum based on the approximate energy equivalent ratio of six thousand cubic feet of natural gas to one barrel of crude oil. Future development costs are estimated taking into account the level of development required to produce the reserves. When significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for and depreciated as separate components.

Furniture and equipment are depreciated over their estimated remaining lives using the declining balance method of depreciation. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount with any gain or loss recognized in earnings.

f) Impairment of non-financial assets

The Company assesses at each reporting date whether there is any indication that an asset may be impaired. Exploration and evaluation assets are assessed for impairment when they are reclassified to oil and gas properties and also if facts and circumstances suggest that the carrying amount exceeds the recoverable value, at which point the Company estimates the asset's recoverable amount. Exploration and evaluation assets are allocated to related CGU when they are assessed for impairment, both at the time of triggering events as well as at the time of their transfer to oil and gas properties. For non-financial assets, the recoverable amount is the higher of an asset's or CGU fair value less costs to sell and its value-in-use. Individual non-financial assets are grouped into CGU for impairment assessment purposes, which is the lowest level at which there are identifiable cash inflows that are largely independent of the cash inflows of other groups of non-financial assets. Where the carrying amount of a CGU exceeds its recoverable amount, the non-financial asset is considered impaired and is written down to its recoverable amount.

Fair value less cost to sell is determined as the amount that would be obtained from the sale of a CGU in an arm's length transaction between knowledgeable and willing parties, adjusted for incremental costs that would be directly attributable to the disposal of the asset. In assessing value-in-use, the estimated future cash flows expected to arise from the continued use of the CGU including any expansion prospects, and its eventual disposal, using assumptions that an independent market participant may take into account, are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of loss.

g) Equity accounted investment

The Company's investment in the lithium exploration project outlined below has been accounted for as an equity investment as the Company has significant influence but not control. Significant influence is the ability to participate in the financial and operating policy decisions of the investee without having control or joint control over those policies. In general, significant influence is presumed to exist when the Company has between 20% and 50% of voting power. Significant influence may also be evidenced by factors such as the Company's representation on the board of directors, participation in policy-making of the investee, material transactions with the investee, interchange of

managerial personnel or the provision of essential technical information. Such investments are equity accounted for from the date of commencement of significant influence to the date that the Company ceases to have significant influence.

The financial results of the Company's significantly influenced investments are included in the Company's financial statements using the equity method of accounting, whereby the investment is initially recognized at cost, and the carrying amount is then subsequently adjusted to recognize the Company's share of earning or losses of the underlying investment. If the Company's carrying value in the equity accounted investment is reduced to zero, further losses are not recognized except to the extent that the Company has incurred legal or constructive obligations or has made payments on behalf of the equity accounted investee. At the end of each reporting period, the Company assesses whether there is objective evidence that the investment is impaired. If the investment is considered impaired, the Company estimates its recoverable amount, and any difference is charged to the statement of income.

h) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

Decommissioning obligations
The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category. Decommissioning obligations are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the statement of financial position date. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation.

Changes in the estimated timing of decommissioning or decommissioning cost estimates, or discount rate are recognized prospectively by recording an adjustment to the decommissioning obligation, and a corresponding adjustment to the corresponding asset. The increase in the provision due to the passage of time is recognized as a finance cost. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established.

i) Revenue from petroleum and natural gas sales

Revenue from the sale of commodities, which include oil and gas, is recognized when performance obligations are met and control has transferred from the Company to customers. The transfer of control of oil and natural gas usually occurs at a point in time and coincides with title passing to the customer and the customer taking physical possession. The Company considers its performance obligations to be satisfied and control to be transferred when all the following conditions are satisfied:

- The Company has transferred title and physical possession of the commodity to the buyer;
- The Company has transferred the significant risks and rewards of ownership to the buyer; and
- The Company has the present right to payment

Revenue is measured based on the consideration specified in the sales contracts with customers and is recorded on a net working interest basis for producing properties, of which the Company has a related ownership interest. The transaction price for variable price contracts is based on the commodity price, adjusted for quality, location and

other factors. Any variability in the transaction price is recognized in the same period which the related revenue is earned and recorded.

The Company does not have any contracts where the period between the transfer of promised goods and services to the customer and payment by the customer exceeds one year. As a result, the Company does not adjust its revenue transactions for the time value of money. The Company's revenue transactions do not contain significant financing components.

j) Share-based payments

The Company follows the fair-value method for valuing stock options and other dilutive instruments granted to employees and directors. Under this method, the compensation cost is measured at the grant date using the Black-Scholes option pricing model and expensed over the vesting period of the instrument granted as stock-based compensation expense with a corresponding increase to contributed surplus. The contributed surplus balance is reduced as stock options and other dilutive instruments are exercised with the amount previously recognized plus any consideration received credited to share capital. The portion of stock-based compensation directly attributable to exploration and evaluation activities is capitalized to the corresponding asset. The Company has included an estimated forfeiture rate for stock options that will not vest, which is adjusted to reflect actual forfeitures upon final vesting of the award.

k) Income taxes

Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax
Deferred income tax is provided using the balance sheet method on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income taxes are recognized for all taxable temporary differences, except:

- Where deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting earnings nor taxable earnings or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable earnings will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized. The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable earnings will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of income. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

l) Earnings per share

Basic earnings per share information is computed by dividing the earnings by the weighted average number of shares outstanding during the reporting period. The Company utilizes the treasury stock method in the determination of the diluted per share amounts. Under this method, the diluted weighted average number of shares is calculated assuming the proceeds that arise from the exercise of outstanding, in-the-money options are used to purchase common shares of the Company at their average market price for the period. The weighted average number of shares outstanding is then adjusted by the net change.

m) Business combinations and goodwill

On the acquisition of a business, the acquisition method of accounting is used whereby the purchase consideration transferred is allocated to the identifiable assets, liabilities and contingent liabilities (identifiable net assets) on the basis of fair value at the date of acquisition. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of closing.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the Company's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the fair value attributable to the Company's share of the identifiable net assets exceeds the fair value of the consideration, the Company reassesses whether it has correctly identified and measured the assets acquired and liabilities assumed and recognizes any additional assets or liabilities that are identified in that review. If an excess remains after reassessment, the Company recognizes the resulting gain in profit or loss on the acquisition date. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

n) Finance costs and interest income

Finance costs comprise interest expense on borrowings, accretion of the discount on the decommissioning obligation, and any impairment losses recognized on financial assets.

Interest income is recognized as it accrues in profit or loss, using the effective interest method.

o) Use of estimates and judgements

The timely preparation of the 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 periods affected. Significant estimates and judgments made by management in the preparation of these 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 these 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) *Exploration and evaluation assets*
The application of the Company's accounting policy for exploration and evaluation assets requires management to make certain judgments as to future events and circumstances as to whether economic quantities of reserves have been found in assessing economic and technical feasibility.

iii) *Impairment of property, plant and equipment and exploration and evaluation assets*
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 of reserves, production rates, future oil and natural gas prices, future costs, discount rates, market value of land and other relevant assumptions.

iv) *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.

v) *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.

i) *Reserves and resource assessment*
The assessment of reported recoverable quantities of proved and probable reserves and prospective resource estimates include estimates regarding production profile, commodity prices, exchange rates, remediation costs, timing and amount of future development costs, and production, transportation and marketing costs

for future cash flows. It also requires interpretation of geological and geophysical models in anticipated recoveries. 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, and the recognition of deferred tax assets due to changes in expected future cash flows.

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 resource 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.

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, environmental and regulatory legislation, the extent of reclamation activities, the engineering methodology for estimating cost, 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.

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.

5. ACCOUNTING STANDARDS ADOPTIONS AND PRONOUNCEMENTS

New standards adopted on January 1, 2021

IFRS 3 "Business Combinations" was amended to revise the definition of the term 'business'. The amendments narrowed the definitions of a business and outputs and includes an optional concentration test.

Future pronouncements

IAS 12 "Income Taxes" amended by IASB in May 2021 to address the accounting for deferred taxes for certain types of transactions, such as those involving leases and decommissioning liabilities, which is applicable to periods beginning on or after January 1, 2023. The amendment requires companies, at the beginning of the earliest comparative period presented: (a) to recognize a deferred tax asset – to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized – and a deferred tax liability for all deductible and taxable temporary differences associated with: right-of-use assets and lease liabilities; and decommissioning, restoration and similar liabilities, and the corresponding amounts recognized as part of the cost of the related asset; and (b) to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date. This will reflect the opening position, without the need for full retrospective application. This amendment is currently being analyzed to identify what impact, if any, this may have on the Company's financial statements.

6. DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property, plant and equipment and exploration and evaluation assets

The fair value of property, plant and equipment and exploration and evaluation assets recognized in a business combination and in assessing the recoverable value for impairment testing, is based on market values. The market value of property, plant and equipment and exploration and evaluation assets is the estimated amount for which the assets could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of oil and natural gas interests included in property, plant and equipment is estimated with reference to the discounted cash flows expected to be derived from oil and natural gas production based on externally prepared reserve reports. The risk-adjusted discount rate is specific to the asset with reference to general market conditions. The market value for exploration and evaluation assets is determined based on quoted market prices for similar assets, if available, or discounted cash flows expected to be derived from oil and natural gas production based on available resource reports. The discount rate is specific to the exploration and evaluation asset with reference to general market conditions.

Financial assets and liabilities

The fair value of financial assets and liabilities is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date, except for marketable securities which are fair valued based on quoted trading prices.

Stock options

The fair value of employee stock options is measured using a Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility), weighted average expected life of the instruments (based on historical

experience and general option and warrant behaviour), expected dividends, expected forfeiture rate and the risk-free interest rate (based on government bonds).

7. ACQUISITIONS

a) Non-Operated Carnduff Acquisition

In February 2021, the Company entered into a purchase and sale agreement to acquire certain producing and non-producing petroleum and natural gas assets within the Carnduff area of Southeastern Saskatchewan. Total consideration for the acquisition was the assumption of all liabilities associated with the acquired assets.

The transaction was accounted for as an acquisition of net assets with the following net fair values assigned:

Development and production assets	97,269
Decommissioning liability	(97,269)
Total net assets acquired	**-**

b) Carievale Farmout

In March 2021, the Company entered into a farmout agreement to acquire the rights to earn certain undeveloped oil and gas assets in the Carievale area of Southeastern Saskatchewan. The Company will participate in the drilling, completion and equipping of two earning wells, paying 70% of the costs to earn a 35% working interest in the two earning wells, plus a 35% working interest in approximately 2,900 gross acres of undeveloped lands. Prior to July 31, 2022, the Company has the option to purchase up to a 50% interest in the undeveloped oil and gas assets, which includes two producing oil and gas wells for proceeds totaling $2 million. Refer to note 18 for status of commitments related to this farmout agreement.

c) Non-Operated Florence Asset Acquisition

In April 2021, the Company closed the acquisition of non-operated working interests in certain producing petroleum and natural gas properties located within the Florence area of Southeastern Saskatchewan. The acquired assets also include associated facilities and land, as well as associated liabilities relating to future abandonment obligations on well and facility sites.

The transaction was accounted for as an acquisition of net assets with the following net fair values assigned:

Development and production assets	1,959,301
Decommissioning liability	(94,475)
Total net assets acquired	**1,864,826**
Cash consideration	1,500,000
Share consideration (Note 13)	380,000
Purchase price adjustments	(45,120)
Transaction costs	29,946
Total purchase price	**1,864,826**

d) Operated Florence Asset Acquisition

In May 2021, the Company closed the acquisition of operated working interests in certain producing petroleum and natural gas properties located within the Florence area of Southeastern Saskatchewan. The acquired assets also include associated facilities and land, as well as associated liabilities relating to future abandonment obligations on well and facility sites.

The transaction was accounted for as an acquisition of net assets with the following net fair values assigned:

Development and production assets	2,978,933
Decommissioning liability	(95,269)
Total net assets acquired	**2,883,664**

Cash consideration	2,500,000
Share consideration (Note 13)	405,000
Purchase price adjustments	(66,961)
Transaction costs	45,625
Total purchase price	**2,883,664**

e) Lithium Exploration Management Agreement

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.

As of December 31, 2021, activities of the project have not exceeded the aforementioned financial threshold.

The Company's interest in the Investee is accounted for using the equity method. As of December 31, 2021, the Company's financial investment in the Investee is $nil. Furthermore, no financial results were realized by the Investee for the year ended December 31, 2021. As such, the carrying balance for this investment is $nil, and no earnings or loss attributable to the Company from this investment were recognized for the year ended December 31, 2021.

f) Steelman Farmout

In October 2021, the Company entered into a farmout agreement to acquire the rights to earn certain undeveloped oil and gas assets in the Steelman area of Southeastern Saskatchewan. ROK will participate in the drilling , completion and equipping of one test well, paying 100% of the costs to earn a 100% interest in the test well and the quarter section containing the test well. Furthermore, the Company will have the option to drill additional option wells within 120 days of drilling of the test well, earning a 100% interest in each option well and two contiguous quarter sections (including the quarter section that each option well is drilled upon) for each option well to a maximum earning of eight additional quarter sections on top of the test well quarter section. The test well, option well(s) and associated undeveloped acreage are subject to a 1% non-convertible overall gross overriding royalty, a 4% non-convertible

additional gross overriding royalty on the test well and 6.5% non-convertible additional gross overriding royalty on the option well(s) up to 6,000 m^3 of oil production (the "Incentive Period"), declining to 4% after the Incentive Period. The test well is required to be spud on or before July 31, 2022, or a non-performance fee of $50,000 will be paid by ROK to the farmor counterparty, and the farmout agreement will terminate without earning. Refer to note 18 for status of commitments related to this farmout agreement.

As of December 31, 2021, no costs nor any liabilities have been incurred by the Company relating to the Steelman farmout objectives.

g) Glen Ewen Asset Acquisition

On June 30, 2020, the Company closed the acquisition of certain petroleum and natural gas properties located within the Glen Ewen area of Southeast Saskatchewan. The acquired assets also include associated facilities and land directly adjacent to the Company's existing land base within the project area, as well as associated liabilities relating to future abandonment obligations on well and facility sites.

The transaction was accounted for as an acquisition of net assets with the following net fair values assigned:

Development and production assets	1,238,691
Decommissioning liability	(1,086,989)
Total net assets acquired	**151,702**

Cash consideration	70,000
Purchase price adjustments	45,789
Transaction costs	35,913
Total purchase price	**151,702**

As of December 31, 2020, a balance of $157,863 was included in accounts receivable representing balances owed by the seller to the Company in accordance with the final statement of adjustments related to this acquisition. This balance was collected subsequently in 2021.

8. 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	**2021**	**2020**
Balance, January 1	3,693,810	-
Acquisitions (Note 7)	5,035,503	1,238,691
Change in discount rate on acquisition (Note 11)	475,204	2,287,770
Additions	1,709,516	241,865
Disposals	(95,000)	-
Change in decommissioning provision	(236,180)	(74,516)
Balance, December 31	**10,582,853**	**3,693,810**
Accumulated Depletion & Depreciation		
Balance, January 1	259,536	-
Depletion & depreciation	878,649	259,536
Balance, December 31	**1,138,185**	**259,536**
Net Book Value		
At January 1	3,434,274	-
At December 31	**9,444,668**	**3,434,274**

At December 31, 2021, the balance of PP&E consisted of those oil and gas properties acquired as part of the acquisitions, such as those outlined in Note 7, as well as ongoing capital additions. Future development costs in the amount of $18.1 million (2020 - $12.3 million) were included in the depletion calculated for the year ended December 31, 2021. For capital additions recognized during the year ended December 31, 2021, non-cash additions of $17,570 related to new estimated asset retirement costs for new decommissioning obligations due to drilling activity in the year (see Note 11).

9. EXPLORATION AND EVALUATION ASSETS

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

Balance, December 31, 2019	918,246
Additions	260,212
Balance, December 31, 2020	1,178,458
Additions	327,321
Land expiries and write-offs	(184,086)
Balance, December 31, 2021	**1,321,693**

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. At December 31, 2021, there were no indicators of impairment.

10. DEBT NOTES

In June 2021, the Company completed 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 is May 28, 2024; however, the Company has the option to fully repay the Debt Notes at no penalty after two years from the date of issuance. Similarly, the debtholders can demand repayment after two years from the date of issuance. Payments of interest only of approximately $150,000 per quarter will 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 will be made during the second and third year of the term of the Debt Notes. The Debt Notes are secured by the assets of the Company and are senior to all other indebtedness of the Company.

The Debt Notes have various terms, conditions and covenants which the Company is to comply with including maintaining a liability management rating ("LMR") of at least 1:00 in all jurisdictions and the Company's debt cannot exceed the maximum permitted debt at anytime with both debt and maximum permitted debt defined within the agreement. In the event that the Company is not in compliance with terms, conditions and covenants this would represent an event of default which would enable the Debt Note holders to demand immediate repayment of all amounts outstanding. In addition, the Debt Notes have subjective material adverse change clauses, which if determined by the Debt Note holders to exist, enables the Debt Note holders to demand immediate repayment of the Debt Notes outstanding.

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.

Given the Note Financing consisted of Debt Notes and purchase warrants, the equity and debt components must be bifurcated. The value assigned to the liability on the date of issuance was the present value of the contractually determined stream of future cash flows. From the date of issuance, the liability component accretes up to its principal value using the effective interest method, with the charge recorded in finance (income) expenses in the statement of loss.

The components of the Company's Debt Notes as of December 31, 2021, are as follows:

	Liability Component	Warrants	Total
On date of issuance, net of transaction costs	3,777,643	96,367	3,874,010
Interest expense	318,740	-	318,740
Accretion	62,083	-	62,083
Interest payments	(318,740)	-	(318,740)
Balance, December 31, 2021	**3,839,726**	**96,367**	**3,936,093**

Of the liability component of the Debt Notes, $1,333,333 has been classified as current debt and is due within the next twelve months and $2,506,393 has been classified as non-current. Of the total proceeds of the Note Financing, approximately $500,000 were from subscriptions by directors or by investors related to directors of the Company.

In March 2022, the Debt Notes were repaid in connection with the FCL acquisition and the Senior Loan Facility (see Note 21).

11. DECOMMISSIONING LIABILITIES

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:

	2021	2020
Balance, January 1	3,304,071	-
Liabilities acquired (Note 7)	287,013	1,086,989
Change in discount rate on acquisitions (Note 8)	475,204	2,287,770
Additions	17,570	-
Change in estimate	(236,180)	(74,516)
Accretion expense	62,655	19,509
Liabilities settled	(60,301)	(15,681)
Balance, December 31	**3,850,032**	**3,304,071**

The underlying cost estimates are derived from a combination of published industry benchmarks as well as site specific information. Subsequent to the inclusion of liabilities acquired by way of the acquisitions outlined in Note 7, revisions due to the change of discount rate on acquisition of $0.5 million (2020 - $2.3 million) were recognized as a result from the difference between the fair value discount rate on the acquisition date and the subsequent revaluation using the risk-free rate. As at December 31, 2021, the undiscounted amount of the estimated cash flows required to settle the obligation is $3.9 million and is expected to be incurred over the next 40 years ($3.2 million as of December 31, 2020). Based on an inflation rate of 1.82% (2020 – 1.49%), the undiscounted amount of the estimated future cash flows required to settle the obligation is $5.3 million at December 31, 2021 (December 31, 2020 – $3.5 million).

The inflated future cost estimates are discounted based on a risk-free rate to determine the carrying amounts presented in the table above. As at December 31, 2021, the carrying amount of the decommissioning obligations is based on a risk-free rate of 1.68% (2020 – 1.21%).

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.

12. BUSINESS DEVELOPMENT EXPENSES

Business development expenses relate to business initiatives towards the promotion, development, and growth of the Company's operations and assets outside the normal course of the Company's day-to-day endeavors. For the year ended December 31, 2021, the Company incurred business development expenses of $343,066 (December 31, 2020 - $126,225) relating to efforts towards potential strategic transactions.

13. SHARE CAPITAL

a) Common shares

At December 31, 2021, 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 December 31, 2021, are as follows:

	Class B shares	Amount
Balance, December 31, 2019	43,274,268	87,210,218
Private placement, July 2020	7,692,308	362,012
Private placement, November 2020	6,960,000	1,078,397
Stock option exercise	920,000	138,036
Warrant exercise	150,000	23,400
Elimination of deficit (1)	-	(85,204,302)
Balance, December 31, 2020	58,996,576	3,607,761
Shares issued for asset acquisitions (Note 7)	4,250,000	785,000
Private placement	11,000,000	1,875,359
Stock option exercise (2)	225,000	41,147
Balance, December 31, 2021	**74,471,576**	**6,309,267**

(1) At the Company's annual general meeting on December 18, 2020, the shareholders of the Company approved a resolution to reduce share capital and contributed surplus for accounting purposes, without the payment of or a reduction to stated or paid-up capital, by the amount of the deficit on December 31, 2019 of $116.8 million. As a result, share capital was reduced by $85.2 million and contributed surplus was reduced by $31.6 million.

(2) 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. Shares for the remaining 75,000 stock options were issued subsequent to December 31, 2021.

2021 private placement

In May 2021, the Company completed the first closing of a private placement for a total of $1,790,000, whereby 8,950,000 units of the Company were issued at a price of $0.20 per unit. In June 2021, the second closing of the aforementioned private placement for a total of $410,000 through the issuance of an additional 2,050,000 units of the Company was completed, bringing total gross proceeds to $2,200,000, before issuance costs, for 11,000,000 units. Each unit consisted of one Class B Share in the capital of the Company and one half of one purchase warrant. Each purchase warrant is exercisable for one Class B Share at an exercise price of $0.35 per purchase warrant for a period of two years. The Company allocated $1,945,292 of net proceeds from the private placement to share capital and $254,708 to purchase warrants. The warrant fair value was determined based on a Black-Scholes option pricing model (see Note 13b).

In connection with the offering, commissions were paid to brokers and finders in an amount of $56,000 plus the issuance of a total of 280,000 broker warrants, with each such broker warrant exercisable for one Class B Share at an exercise price of $0.35 per broker warrant for a period of two years. The issuance costs on the private placement totaling $79,090 were allocated to share capital of $69,933 and warrants of $9,157.

November 2020 private placement offering

On November 9, 2020, the Company closed a private placement financing consisting of units of the Company at a price of $0.20 per unit for total gross proceeds of $1,392,000. Each unit consisted of one Class B Share in the capital of the Company and included one half of one Class B Share purchase warrant, with each warrant exercisable to purchase one Class B Share at a price of $0.30 for a period of twenty four months from the date of issuance. A total of 6,960,000 units were issued pursuant to the offering. While the offering was non-brokered, $14,000 was paid in finders fees and commissions to various brokers who assisted with finding subscribers to the offering, in addition to the issuance of 70,000 broker warrants with the same terms as the purchase warrants.

The Company has allocated $1,078,397 of total proceeds from the private placement to share capital and $279,974 to warrants, net of issue costs. The allocation considered both the fair value of Class B Shares in the market as well as warrant fair value based on a Black-Scholes option pricing model.

July 2020 private placement offering

On July 31, 2020, the Company closed a private placement financing consisting of units of the Company at a price of $0.065 per unit for total gross proceeds of $500,000. Each unit consisted of one Class B Share in the capital of the Company and included one Class B Share purchase warrant, with each warrant exercisable to purchase one Class B Share at a price of $0.15 for a period of twenty four months from the date of issuance, expiring on July 31, 2022. A total of 7,692,308 units were issued pursuant to this offering.

The Company has allocated $362,012 of total proceeds from the private placement to share capital and $124,059 to warrants, net of issue costs. The allocation considered both the fair value of Class B Shares in the market as well as warrant fair value based on a Black-Scholes option pricing model.

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, 2019	6,666,667	0.15
Purchase warrants issued, July private placement	7,692,308	0.15
Purchase warrants issued, November private placement	3,480,000	0.30
Broker warrants issued, November private placement	70,000	0.30
Warrants exercised	(150,000)	0.15
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 (Note 10)	2,000,000	0.35
Balance, December 31, 2021	**25,538,975**	**0.23**

Purchase warrants on 2021 private placement

Pursuant to the private placement of units (see Note 13a), the Company issued 11,000,000 units, each consisting of one Class B Share in the capital of the Company and one half of one purchase warrant, for a total 5,500,000 purchase warrants. Each warrant can be exercised to purchase one additional Class B Shares at an exercise price of $0.35 for a period of two years. A fair value of $245,551 was recognized at the time of issuance of these purchase warrants. In connection with the above, brokers and finders received 280,000 non-transferable broker warrants. Each broker warrant is exercisable into one Class B Share at a price of $0.35 per share for a period of 2 years. A fair value $14,058 was recognized at the time of the issuance of these broker warrants.

Purchase warrants on Note Financing

Pursuant to the Note Financing (See Note 10), the Company issued 2,000,000 purchase warrants to Noteholders. Each purchase warrant can be exercised to purchase one Class B Shares at an exercise price of $0.35 for a period of two years. A fair value of $96,367 was recognized at the time of issuance of these purchase warrants.

Purchase warrants on July 2020 private placement

Pursuant to the non-brokered private placement of units in July 2020 (see Note 13a), the Company issued 7,692,308 units, each consisting of one Class B share and one share purchase warrant. Each warrant can be exercised to

purchase one additional common share at a price of $0.15 until July 31, 2022. A fair value of $124,059, net of issue costs, was recognized at the time of the issuance of these purchase warrants.

Purchase warrants on November 2020 private placement

Pursuant to the non-brokered private placement of units in November 2020 (see Note 13a), the Company issued 6,960,000 units, each consisting of one Class B share and one share purchase warrant. Each warrant can be exercised to purchase one additional common share at a price of $0.30 until November 9, 2022. A fair value of $279,974, net of issue costs, was recognized at the time of the issuance of these purchase warrants.

Broker warrants on November 2020 private placement

As part of the non-brokered private placement of units in November 2020, the Company issued 70,000 broker warrants as commission to brokers who assisted with finding subscribers to the offering. Each broker warrant can be exercised to purchase one additional common share at a price of $0.30 until November 9, 2022. A fair value of $2,907 was recognized at the time of the issuance of these broker warrants, recorded as an issuance cost to the Class B Shares and warrants from this offering.

The following summarizes information about total purchase warrants outstanding as at December 31, 2021:

Exercise prices	Number of warrants outstanding	Weighted average term to expiry (years)	Number of warrants exercisable
0.15	14,208,975	0.53	14,208,975
0.30	3,550,000	0.86	3,550,000
0.35	7,780,000	1.36	7,780,000
	25,538,975	**0.83**	**25,538,975**

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, 2019	3,910,000	0.12
Options forfeited	(166,667)	0.15
Expired options	(83,333)	0.15
Options exercised	(920,000)	0.10
Balance, December 31, 2020	2,740,000	0.13
Options issued	4,150,000	0.28
Options exercised	(300,000)	0.10
Balance, December 31, 2021	**6,590,000**	**0.23**
Exercisable, December 31, 2021	**3,823,330**	**0.19**

In July 2021, the Company granted 4,150,000 options to acquire common shares to certain officers, employees and consultants of the Company at an exercise price of $0.28 per common share. The options are for a five-year term,

expiring on July 21, 2026, and vesting one-third on the date of grant, one-third on the first anniversary date and one-third on the second anniversary date from the date of grant.

For the stock options issued, the Black-Scholes option pricing model was used to estimate their fair value based on the assumptions of expected stock price volatility of 80%, risk-free interest rate of 0.80%, expected dividend yield of 0%, and an expected option life of 5 years, resulting in an assessed fair value per option of $0.15.

The following summarizes information about stock options outstanding as at December 31, 2021:

Exercise prices	Number of options outstanding	Weighted average term to expiry (years)	Number of options exercisable
0.10	840,000	1.55	840,000
0.15	1,600,000	2.93	1,600,000
0.28	4,150,000	4.56	1,383,330
	6,590,000	**3.78**	**3,823,330**

For the year ended December 31, 2021, the Company recognized $369,702 (December 31, 2020 - $100,299) in stock-based compensation expense. Recognized stock-based compensation is recorded as an expense and as contributed surplus.

d) Loss per share

For purposes of the loss per share calculations for the years ended December 31, 2021 and 2020, there is no difference between the basic loss per share and the diluted loss per share amounts. For the years ended December 31, 2021, 6,590,000 options and 25,538,975 warrants (December 31, 2020 – 2,740,000 options and 17,758,975 warrants) were excluded as their impact was anti-dilutive.

14. REVENUE

The following table presents the Company's oil and natural gas revenue disaggregated by product type for the years ended December 31, 2021 and 2020:

	2021	2020
Oil sales	2,998,071	608,541
NGL sales	302,640	(6,172)
Natural gas sales	136,171	(3,921)
Total	**3,436,882**	**598,448**

As at December 31, 2021, receivables from contracts with customers, which are included in accounts receivable, were $502,827 (December 31, 2020 - $250,523).

15. DEFERRED TRANSACTION COSTS

Deferred transaction costs consist of professional and consulting costs incurred costs incurred relating to the financings which were concluded in connection with the FCL acquisition (see Note 21). Such costs will be recorded as financing costs upon the successful completion of the financing arrangements in 2022.

16. INCOME TAXES

Reconciliation of effective tax rate

Income tax expense varies from the amount that would be computed by applying the expected basic federal and provincial income tax rates for Canada for the year ended December 31, 2021 of 27.00% (December 31, 2020 – 27.00%) to income before income taxes. A reconciliation of this difference is presented below.

	2021	2020
Loss before income taxes	(2,331,275)	(1,202,882)
Tax rate	27.00%	27.00%
Computed income tax recovery	(629,444)	(324,778)
Increase (decrease) in taxes:		
Stock-based compensation	99,820	27,081
Change in unrecognized tax assets and other	529,624	297,697
Total tax expense	-	-

Recognized Deferred Tax Assets

Deferred tax assets have been recognized in respect of the following deferred tax balances:

	2021	2020
Deferred income tax liabilities		
Property, Plant and Equipment and Other	195,202	182,620
Debt Notes	43,274	
Deferred income tax assets:		
Non-capital loss carryforwards	(238,476)	(182,620)
	-	-

Unrecognized Deductible Temporary Differences

Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2021	2020
Non-capital loss carryforwards	18,336,737	17,098,752
Capital loss carryforwards net of foreign exchange	98,913,492	98,913,492
Decommissioning liabilities and other	4,023,103	3,335,983
	121,273,332	**119,348,227**

The non-capital loss carryforwards are from Canada, which expire between 2028 and 2041. All the capital loss carryforwards presented above are also from Canada and have no expiration period. The deductible temporary differences presented in “Property, plant and equipment and other” do not expire under current tax legislation. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

17. 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	**December 31, 2021**	**December 31, 2020**
Oil and natural gas customers	502,827	250,523
Joint operations partners	50,812	18,530
Accruals and other	-	176,042
Total	**553,639**	**445,095**

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	**December 31, 2021**	**December 31, 2020**
0 - 30 days	505,019	431,413
30 - 90 days	28,536	12,165
Greater than 90 days	20,084	1,517
Expected credit loss	-	-
Total	**553,639**	**445,095**

The Company considers amounts outstanding greater than 90 days to be past due, 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 December 31, 2021 there were no significant receivables which were considered past due (December 31, 2020 - $nil).

The Company held cash and cash equivalents of $1,208,776 as at December 31, 2021 (December 31, 2020 - $1,420,067). 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. The Company seeks additional financing based on the results of these processes. The budgets are updated when required as conditions change. See further discussion relating to liquidity in Note 2.

The following table outlines the contractual maturities of the Company's financial liabilities at December 31, 2021:

	Less than 1 year	**1-2 years**	**Thereafter**	**Total**
Accounts payable	1,424,772	-	-	1,424,772
Debt Notes - principal (1)	1,333,333	1,777,778	888,889	4,000,000
Debt Notes - interest (1)	512,950	279,403	40,743	833,096
	3,271,055	**2,057,181**	**929,632**	**6,257,868**

(1) Assumes a payment is not demanded in June 2023. The notes have a three-year term, but the holders can demand repayment after the end of the second year. Total Debt Notes principal and associated interest were eliminated in March 2022 (see Note 21).

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. There were no financial contracts or embedded derivatives outstanding at December 31, 2021 or December 31, 2020.

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.

As at December 31, 2021, the Company had not entered into any derivative contracts or forward commodity sales contracts to manage its exposure to commodity price fluctuations.

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. While the majority of the Company's financing and administrative costs will be based and paid in Canadian dollars, the Company is exposed to the risk of fluctuations in foreign exchange rates between the Canadian dollar and the US dollar (US$) given the Company's realized pricing in Canadian dollars is directly influenced by US$ denominated benchmark pricing. As at December 31, 2021 and 2020, the Company had not entered into any foreign currency derivatives to manage its exposure to currency fluctuations.

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 its cash and cash equivalents and short-term investments that have a floating interest rate. Fluctuations of interest rates for the years ended December 31, 2021 and 2020, would not have had a significant impact on cash and cash equivalents and short-term investments. Furthermore, the Company is not currently exposed to interest rate risk on its interest-bearing loans given these debt instruments are all subject to fixed interest rates.

Fair value of financial instruments

The Company's financial instruments as at December 31, 2021, include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and Debt Notes.

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 of the Debt Notes approximates their face value of $4.0 million (level 3 fair value).

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 (see Note 2). 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 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.

	December 31, 2021	**December 31, 2020**
Debt Notes (14%)	4,000,000	-
Less: working capital (1)	478,610	1,596,525
Net debt (surplus)	**3,521,390**	**(1,596,525)**

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.

18. COMMITMENTS

Mineral Lease Commitments

The Company's estimated financial commitments consist of fees and taxes related to the existing mineral leases held in Saskatchewan that equate to a total financial commitment of approximately $260,000 per year. Fees or royalties on production are only derived once production is realized on existing mineral leases.

Carievale Farmout Commitments

In March 2021, the Company entered into a farmout agreement to acquire the rights to earn certain oil and gas assets in the Carievale area of Southeastern Saskatchewan (see Note 7). Under the terms of the farmout agreement, ROK must participate in the drilling, completion and equipping of two earning wells, paying 70% of the costs to earn a 35% working interest in the earning wells, plus a 35% working interest in 2,900 gross acres of prospective land in the Carievale area. The first commitment well was completed in October 2021. The second commitment well, estimated at $700,000, must be spud by June 30, 2022, under the current terms of the farmout agreement.

Steelman Farmout Commitments

In October 2021, the Company entered into a farmout agreement to acquire the rights to earn certain undeveloped oil and gas assets in the Steelman area of Southeastern Saskatchewan (see Note 7). Under the terms of the farmout agreement, ROK must participate in the drilling , completion and equipping of one test well, paying 100% of the costs to earn a 100% interest in the test well and the quarter section containing the test well. The test well must be spud on or before July 31, 2022, or a non-performance fee of $50,000 will be paid by ROK to the farmor counterparty, and the farmout agreement will terminate without earning.

19. RELATED PARTY DISCLOSURES

Key management personnel compensation

The Company has determined that key management personnel consist of its managers and officers. In addition to the salaries paid to company officers, these groups participate in the stock option plan. The total compensation expense, including salaries, fees and stock-based compensation relating to key management personnel for the years ended December 31, 2021 and 2020, was as follows:

	2021	2020
Salary, fees and other benefits	**450,000**	302,999
Stock-based compensation*	**315,973**	82,353
	765,973	385,352

* Represents the amortized portion recognized in the financial statements.

Related party transactions

In July 2021, the Company completed the aforementioned Note Financing through the issuance of Debt Notes for proceeds of $4,000,000 before transaction costs. Of the total proceeds, approximately $500,000 were from subscriptions by directors or by investors related to directors of the Company.

For the year ended December 31, 2020, the Company settled existing severance liabilities of $100,000 with a former officer of the Company, wherein the former officer of the Company agreed to receive $92,000 as settlement of the outstanding liability and utilized the severance amount towards the exercise price of stock options previously granted during the former officer's employment with the Company.

20. SUPPLEMENTAL CASH FLOW INFORMATION

For the years ended December 31	**2021**	2020
Accounts receivable	**(108,544)**	(438,951)
Prepaids and deposits	**(53,993)**	(60,589)
Accounts payable and accrued liabilities	**1,069,161**	300,456
Change in non-cash working capital	**906,624**	(199,084)
Relating to:		
Operating activities	**509,086**	(102,014)
Investing activities	**182,465**	(97,070)
Financing activities	**215,073**	-
Change in non-cash working capital	**906,624**	(199,084)

21. SUBSEQUENT EVENTS

Prospectus Offering

In March 2022, the Company completed a bought deal public offering (the "Offering") of 95,834,100 subscription receipts of the Company (the "Subscription Receipts"), at a price of $0.18 per Subscription Receipt (the "Issue Price"), for approximate net proceeds of $15.6 million. Each Subscription Receipt consisted of one Class B Share and one purchase warrant exercisable for one Class B Share at an exercise price of $0.25 for a period of 3 years.

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 + 8.00% and will amortize over a four-year period, with monthly combined payments of principal and interest. 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 oil and gas assets of the Company. The overriding royalty will be 2.5% of oil and natural gas production 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. It is currently estimated that the initial Debt Service Reserve deposit by the Company is to be $1.8 million. Further financial covenants are expected to include compliance with certain financial ratios until the maturity date of the Senior Loan Facility. Such financial ratio covenants include with the following:

- a minimum consolidated current ratio (consolidated current assets to consolidated current liabilities) 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.

The Company was also required, under the terms of the loan, to enter into oil and gas price hedges on 75% of Company oil and gas production during the duration of the loan (see below).

FCL Assets Acquisition

In March 2022, the Company successfully closed the acquisition (the "FCL Acquisition") of certain oil & gas assets in Saskatchewan and Alberta from Federated Co-operatives Limited and its wholly-owned subsidiary, 2214896 Alberta Ltd. ("FCL"). Total consideration paid for the FCL Acquisition was approximately $72 million, prior to a preliminary purchase price adjustment of $9.6 million in favor of the Company. The FCL Acquisition was funded through a combination of proceeds from the Offering and the Senior Loan Facility.

Repayment of Debt Notes

In March 2022, in connection with the FCL Acquisition and the Senior Loan Facility, the Company converted $2.8 million principal amount of its existing Debt Notes (see Note 10) into equity on the same terms as the Offering, with accumulated interest on that principal paid in cash. The remaining $1.2 million of Debt Notes were repurchased (principal and accumulated interest) by the Company, pursuant to the terms of the Debt Notes.

Commodity price risk management contracts

In March 2022, the Company entered into oil and gas swap contracts for volumes aggregating approximately 925,000 barrels of oil (“bbls”) and 2,453,000 million British thermal units of natural gas (“MMBtu”) for the period of April 2022 through March 2024. The weighted average swap prices over the 24-month period is US$93.61/bbl (relating to oil) and US$4.09/MMBtu (relating to natural gas).