ROK RESOURCES

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

MANAGEMENT'S REPORT

The accompanying financial statements and related financial information are the responsibility of management and have been prepared in accordance with IFRS Accounting 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 six directors, five 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 17, 2024
Regina, Saskatchewan

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ROK Resources Inc.

Opinion

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

- the statements of financial position as at December 31, 2023 and December 31, 2022
- the statements of income (loss) and comprehensive income (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 material accounting policy information

(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 Company as at December 31, 2023 and December 31, 2022, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Company 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

The assessment of the impact of estimated proved and probable petroleum and natural gas reserves on the fair value of property, plant and equipment ("PP&E") acquired and the fair value of PP&E disposed in a business combination.

Description of the matter

We draw attention to notes 2, 3, 5a, and 6 to the financial statements. On January 24, 2023, the Company completed an acquisition of producing oil and gas assets in exchange for $24.4 million in cash consideration after closing adjustments and the disposition of producing oil and gas assets of the Company located in Southwest Saskatchewan ("the Southeast Saskatchewan Acquisition").

The Company used estimated proved and probable petroleum and natural gas reserves from an independent third-party reserve evaluation to estimate the fair value of PP&E acquired and the fair value of the PP&E disposed in a business combination. The fair value of PP&E acquired in a business combination was $52.6 million, and the fair value of PP&E disposed in a business combination was $23.8 million.

The determination of the fair value of PP&E acquired and the fair value of PP&E disposed in a business combination involves significant estimates and assumptions related to the proved and probable petroleum and natural gas reserves and the related future cash flows and the discount rates.

The estimate of proved and probable petroleum and natural gas reserves and the related future cash flows includes significant estimates and assumptions related to:

- Forecasted petroleum and natural gas commodity prices
- Forecasted production volumes
- Forecasted operating costs
- Forecasted royalty costs
- Forecasted future development costs.

The Company engaged independent third-party reserve evaluators to estimate proved and probable petroleum and natural gas reserves as at December 31, 2022 and April 1, 2023.

For purposes of estimating the fair value of PP&E acquired in a business combination, the Company used the April 1, 2023 independent third-party reserve evaluators' estimate of proved and probable petroleum and natural gas reserves and the related future cash flows and internally adjusted to the acquisition date.

For purposes of estimating the fair value of PP&E disposed in a business combination, the Company used the December 31, 2022, independent third-party reserve evaluators' estimate of proved and probable petroleum and natural gas reserves and the related future cash flows and internally adjusted to the disposition date.

Why the matter is a key audit matter

We identified the assessment of the impact of estimated proved and probable petroleum and natural gas reserves on the fair value of PP&E acquired and the fair value of PP&E disposed in a business combination as a key audit matter. Significant auditor judgment was required to evaluate the results of our audit procedures regarding the estimate of proved and probable petroleum and natural gas reserves and the related future cash flows and the discount rates. Additionally, the assessment of the fair value of PP&E acquired and the fair value of PP&E disposed in a business combination requires the use of professionals with specialized skills and knowledge in valuation.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter:

With respect to the estimate of proved and probable petroleum and natural gas reserves and the related future cash flows as at December 31, 2022 and April 1, 2023:

- We evaluated the competence, capabilities and objectivity of the independent third-party reserve evaluators engaged by the Company
- We compared forecasted petroleum and natural gas commodity prices to those published by other independent third-party reserve evaluators
- We compared the actual production volumes, operating costs, royalty costs and future development costs to those estimates used in the estimate of proved petroleum and natural gas reserves and the related future cash flows to assess the Company's ability to accurately forecast
- We evaluated the appropriateness of forecasted production volumes and forecasted operating costs, royalty costs and future development costs assumptions by comparing to historical results. We took into account changes in conditions and events affecting the Company to assess the adjustments or lack of adjustments made by the Company in arriving at the assumptions.

With respect to the estimate of proved and probable oil and gas reserves and the related future cash flows as at the acquisition date and at the disposition date:

- We evaluated the competence, capabilities and objectivity of the internal reserve evaluators
- We compared the actual production volumes, operating costs, royalty costs and future development costs to those estimates used in the estimate of proved petroleum and natural gas reserves and the related future cash flows to assess the Company's ability to accurately forecast
- We evaluated the appropriateness of forecasted production volumes and forecasted operating costs, royalty costs and future development costs assumptions by comparing to historical results. We took into account changes in conditions and events affecting the Company to assess the adjustments or lack of adjustments made by the Company in arriving at the assumptions.

We involved valuation professionals with specialized skills and knowledge, who assisted in:

- Evaluating the appropriateness of the discount rates by comparing the discount rates to market and other external data
- Assessing the reasonableness of the estimated fair value of PP&E acquired and the fair value of PP&E disposed in a business combination by comparing the Company's estimate to market metrics and other external data.

Assessment of the impact of estimated proved and probable petroleum and natural gas reserves on development and production assets

Description of the matter

We draw attention to notes 2, 3 and 6 to the financial statements. The Company uses estimated proved and probable petroleum and natural gas reserves to deplete its development and production assets to assess for indicators of impairment or impairment reversal on each of the Company's cash generating units ("CGU") and if any such indicators exist, to perform an impairment test to estimate the recoverable amount of the CGUs.

The Company has $144.2 million of development and production assets as at December 31, 2023.

The Company depletes its net carrying value of development and production assets using the unit-of-production method by reference to the ratio of production in the year, before royalties, to the related proved and probable petroleum and natural gas reserves as determined by independent third-party reserve evaluators, taking into account estimated forecasted future development costs necessary to bring those reserves into production. Depletion expense on development and production assets was $23.2 million for the year ended December 31, 2023.

The Company identified indicators of impairment at December 31, 2023 for the Alberta CGU and performed an impairment test to estimate the recoverable amount of the CGU. It was determined the carrying value of the Alberta CGU exceeded the CGU's recoverable amount, resulting in a $8.9 million impairment being recorded.

The estimated recoverable amount of the Alberta CGU involves significant estimates including:

- The estimate of proved and probable petroleum and natural gas reserves and the related future cash flows
- The discount rates.

The estimate of proved and probable petroleum and natural gas reserves and the related future cash flows includes significant estimates and assumptions related to:

- Forecasted petroleum and natural gas commodity prices
- Forecasted production volumes
- Forecasted operating costs
- Forecasted royalty costs
- Forecasted future development costs.

The Company engaged independent third-party reserve evaluators to estimate proved and probable petroleum and natural gas reserves and the related future cash flows as at December 31, 2023.

Why the matter is a key audit matter

We identified the assessment of the impact of estimated proved and probable petroleum and natural gas reserves on development and production assets as a key audit matter. Significant auditor judgement was required to evaluate the results of our audit procedures regarding the estimate of proved and probable petroleum and natural gas reserves and the related future cash flows and discount rates. Additionally, the assessment of the recoverable amount for impairment requires the use of professionals with specialized skills and knowledge in valuation.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter:

We assessed the depletion expense for compliance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

With respect to the estimate of proved and probable petroleum and natural gas reserves and the related future cash flows as at December 31, 2023:

- We evaluated the competence, capabilities and objectivity of the independent third-party reserve evaluators engaged by the Company
- We compared forecasted petroleum and natural gas commodity prices to those published by other independent third-party reserve evaluators
- We compared the 2023 actual production, operating costs, royalty costs and future development costs of the Company to those estimates used in the prior year's estimate of proved petroleum and natural gas reserves and the related future cash flows to assess the Company's ability to accurately forecast

- We evaluated the appropriateness of forecasted production volumes and forecasted operating costs, royalty costs and future development costs assumptions by comparing to 2023 historical results. We took into account changes in conditions and events affecting the Company to assess the adjustments or lack of adjustments made by the Company in arriving at the assumptions.
- We involved valuation professionals with specialized skills and knowledge, who assisted in:
  - Evaluating the appropriateness of the discount rates; by comparing the discount rates to market and other external data
  - Assessing the reasonableness of the Company's estimate of the recoverable amount by comparing the Company's estimate to market metrics and other external data.

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 information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's 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 auditor's 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 Accounting Standards as issued by the International Accounting Standards Board, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's 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 auditor's 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Company 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.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this auditor's report is David Yung.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
April 17, 2024

ROK RESOURCES INC.

STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)	**December 31, 2023**	December 31, 2022
Assets		
Current Assets		
Cash and cash equivalents	**-**	5,258,881
Accounts receivable (Note 16)	**13,021,111**	10,862,673
Prepaids and deposits	**364,090**	1,144,672
Risk management contracts (Note 16)	**4,521,075**	4,418,471
	17,906,276	21,684,697
Non-current Assets		
Restricted cash	**-**	1,925,869
Long term non-refundable deposit and other	**-**	2,663,952
Risk management contracts (Note 16)	**-**	567,304
Property, plant and equipment (Note 6)	**144,684,677**	163,555,788
Exploration and evaluation assets (Note 7)	**495,192**	893,276
Investment in lithium exploration project (Note 11)	**1,981,275**	787,239
	165,067,420	192,078,125
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	**17,560,130**	13,678,677
Current portion of lease liability	**99,810**	-
Current portion of debt (Note 8)	**-**	22,735,249
	17,659,940	36,413,926
Non-current Liabilities		
Non-current portion of lease liability	**356,131**	-
Non-current portion of debt (Note 8)	**14,083,639**	12,924,926
Decommissioning obligations (Note 9)	**17,660,569**	18,458,391
Deferred income tax	**13,875,338**	14,773,311
	63,635,617	82,570,554
Shareholders' Equity		
Share capital (Note 10a)	**28,052,264**	25,853,185
Warrants (Note 10b)	**4,562,207**	5,050,223
Contributed surplus (Note 10c)	**3,287,226**	2,087,123
Retained earnings	**65,530,106**	76,517,040
	101,431,803	109,507,571
	165,067,420	192,078,125

Subsequent events (Note 19)

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 INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

For the year ended December 31

(Expressed in Canadian Dollars)	**2023**	2022
Revenue:		
Oil and natural gas sales (Note 12)	**87,226,620**	87,311,542
Royalties	**(15,392,995)**	(14,321,258)
Oil and natural gas sales, net of royalties	**71,833,625**	72,990,284
Realized gain on commodity contracts (Note 16)	**6,710,873**	4,124,648
Unrealized gain (loss) on commodity contracts (Note 16)	**(464,700)**	4,985,775
Processing and other income	**2,778,326**	1,787,246
Total revenue and other income	**80,858,124**	83,887,953
Expenses and other items:		
Operating expenses	**44,095,957**	25,356,246
General and administrative	**5,621,595**	5,230,202
Business development (Note 13)	**371,106**	2,383,106
Gain on dispositions (Note 5)	**(5,687,123)**	-
Gain on acquisition	**-**	(66,822,326)
Stock-based compensation (Note 10c)	**1,044,646**	1,703,002
Depletion and depreciation (Note 6)	**23,280,785**	19,190,812
Exploration and evaluation expense (Note 7)	**388,172**	428,417
Loss on debt settlement (Note 8)	**7,320,119**	320,170
Impairment expense (Note 6)	**8,949,000**	-
Finance expense (Note 14)	**7,660,241**	15,353,240
Foreign exchange loss (gain)	**(301,467)**	2,306,973
Total expenses and other items	**92,743,031**	5,449,842
Income (loss) before income taxes	**(11,884,907)**	78,438,111
Deferred income tax expense (recovery) (Note 15)	**(897,973)**	(1,564,639)
Net income (loss) and comprehensive income (loss)	**(10,986,934)**	80,002,750
Net (loss) income per share (Note 10d)		
Basic	**(0.05)**	0.46
Diluted	**(0.05)**	0.40

See accompanying notes to the financial statements.

ROK RESOURCES INC.

STATEMENTS OF CASH FLOWS

For the year ended December 31

(Expressed in Canadian Dollars)	**2023**	2022
Cash flows provided by (used in):		
Operating activities		
Net income (loss)	**(10,986,934)**	80,002,750
Adjustments for:		
Gain on dispositions (Note 5)	**(5,687,123)**	-
Gain on acquisition	**-**	(66,822,326)
Unrealized loss (gain) on commodity contracts (Note 16)	**464,700**	(4,985,775)
Depletion and depreciation (Note 6)	**23,280,785**	19,190,812
Impairment expense (Note 6)	**8,949,000**	-
Exploration and evaluation expense (Note 7)	**388,172**	428,417
Stock-based compensation (Note 10c)	**1,044,646**	1,703,002
Unrealized foreign exchange loss (gain)	**(430,584)**	2,462,778
Loss on debt settlement (Note 8)	**7,320,119**	320,170
Net finance expense (Note 14)	**7,660,241**	15,353,240
Net interest expense paid	**(3,024,775)**	(6,569,965)
Abandonment costs paid (Note 9)	**(2,289,896)**	(511,146)
Deferred income tax expense (recovery)	**(897,973)**	(1,564,639)
Change in non-cash working capital (Note 18)	**3,368,363**	(448,467)
	29,158,741	38,558,851
Investing activities		
Acquisitions (Note 5)	**(22,375,228)**	(57,959,516)
Expenditures on property, plant and equipment	**(28,933,947)**	(28,402,308)
Proceeds on property, plant and equipment disposals	**46,083,613**	-
Long term non-refundable deposit and other	**-**	(2,663,952)
Expenditures on lithium exploration project (Note 11)	**(1,194,036)**	(787,239)
Change in non-cash working capital (Note 18)	**(700,814)**	1,604,706
	(7,120,412)	(88,208,309)
Financing activities		
Proceeds on equity financing, net of costs	**-**	15,833,477
Proceeds on debt financing, net of costs	**64,887,714**	61,931,653
Proceeds on warrant exercises (Note 10b)	**1,773,686**	4,739,416
Proceeds on option exercises (Note 10c)	**92,834**	49,500
Debt principal payments (Note 8c)	**(52,500,000)**	(1,482,685)
Senior Loan Facility payout (Note 8d)	**(42,896,705)**	(25,376,086)
Amounts paid on Credit Facility	**(498,252)**	-
Change in restricted cash	**1,908,475**	(1,816,257)
Lease payments	**(55,080)**	-
Change in non-cash working capital (Note 18)	**-**	(215,073)
	(27,287,328)	53,663,945
Foreign exchange gain (loss) on cash and cash equivalents	**(9,882)**	35,618
Increase in cash and cash equivalents	**(5,258,881)**	4,050,105
Cash and cash equivalents, beginning of year	**5,258,881**	1,208,776
Cash and cash equivalents, end of year	**-**	5,258,881

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**	**Retained Earnings (Deficit)**	**Total**
Balance at December 31, 2022	211,580,484	25,853,185	5,050,223	2,087,123	76,517,040	109,507,571
Net loss	-	-	-	-	(10,986,934)	(10,986,934)
Warrant exercises	6,234,498	2,052,899	(279,213)	-	-	1,773,686
Stock option exercises	603,333	146,180	-	(53,346)	-	92,834
Warrant expiries	-	-	(208,803)	208,803	-	-
Stock-based compensation	-	-	-	1,044,646	-	1,044,646
Balance at December 31, 2023	**218,418,315**	**28,052,264**	**4,562,207**	**3,287,226**	**65,530,106**	**101,431,803**
Balance at December 31, 2021	74,471,576	6,309,267	802,020	405,318	(3,485,710)	4,030,895
Net income	-	-	-	-	80,002,750	80,002,750
Prospectus Offering, March 2022	95,834,100	12,765,590	4,464,548	-	-	17,230,138
Issue costs, net of tax of $363,680	-	(1,073,870)	(508,956)	-	-	(1,582,826)
Broker warrants, Prospectus Offering	-	-	534,696	-	-	534,696
Debt Note redemption	15,555,550	2,075,326	724,674	-	-	2,800,000
Stock option exercises and expiries	495,000	71,300	-	(21,800)	-	49,500
Warrant exercises and expiries	25,224,258	5,705,572	(966,759)	603	-	4,739,416
Stock-based compensation	-	-	-	1,703,002	-	1,703,002
Balance at December 31, 2022	211,580,484	25,853,185	5,050,223	2,087,123	76,517,040	109,507,571

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 offices are located in Regina, Saskatchewan, Canada and Calgary, Alberta, Canada, and the Company's shares are listed and publicly traded on the TSX Venture Exchange (the "Exchange") under the trading symbol "ROK".

ROK executed a series of property acquisitions and dispositions in 2023 and 2022 (see Note 5). The Statements of Net Income (Loss) and Comprehensive Income (Loss) for the years ended December 31, 2023 and 2022, include the results of operations related to the acquired assets for the period from the closing date of each transaction.

2. BASIS OF PRESENTATION

a) Statement of compliance

These financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). A summary of material accounting policies is presented in Note 3.

These financial statements were approved and authorized for issuance by the Company's Board of Directors on April 17, 2024.

b) 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 4.

c) 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.

d) Use of estimates and judgments

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 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) *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 with respect to forecasted production volumes, forecasted petroleum and natural gas prices, forecasted operating costs, forecasted royalties, and forecasted future development costs, discount rates, market value of land and other relevant assumptions.

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

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

Key sources of estimation uncertainty

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

i) *Reserves and resource assessment*
The estimate of proved and probable petroleum and natural gas reserves and the related cash flows includes significant estimates and assumptions related to: 1) forecasted petroleum and natural gas commodity prices; 2) forecasted production volumes; 3) forecasted operating costs; 4) forecasted royalty costs; and 5) forecasted future development costs. Other estimates which impact the assessment of the reported recoverable quantities of proved and probable reserves and prospective resource estimates include estimates regarding exchange rates, remediation costs, timing and production, transportation and marketing costs for future cash flows.

It also requires interpretation of geological and geophysical models in anticipated recoveries and estimates with respect to production profiles. The economical, geological and technical factors used to estimate reserves and prospective resources may change from period to period. Changes in reported reserves and prospective resources can impact the carrying values of the Company's petroleum and natural gas properties and exploration and evaluation assets and equipment, the calculation of depletion and depreciation, the provision for decommissioning obligations, the recognition of deferred tax assets due to changes in expected future cash flows, and the estimated fair value of property, plant and equipment acquired in a business combination.

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

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

The Company engaged independent third-party reserve evaluators to estimate proved and probable petroleum and natural gas reserves as at December 31, 2022, April 1, 2023 and December 31, 2023.

For purposes of estimating the fair value of the property, plant and equipment acquired in a business combination (Note 5), the Company used the April 1, 2023 independent third-party reserve evaluators' estimate of proved and probable petroleum and natural gas reserves and the related future cash flows and internally adjusted to the acquisition date.

For purposes of estimating the fair value of property, plant and equipment disposed in a business combination, the Company used the December 31, 2022, independent third-party reserve evaluators' estimate of proved and probable petroleum and natural gas reserves and the related future cash flows and internally adjusted to the disposition date.

For the Company's depletion calculations (Note 6) and impairment tests (Note 6), the Company used the December 31, 2023, independent third-party reserve evaluators estimate of proved and probable petroleum and natural gas reserves and the related future cash flows.

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, which includes assessing the value of oil and gas properties based upon the estimation of recoverable quantities and cash flows from proved and probable oil and gas reserves being acquired, discounted at an estimated rate that reflects a market participants view of the risks associated with the cash flows.

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

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

Matters relating to economic uncertainty
Estimates are more difficult to determine, and the range of potential outcomes can be wider, in periods of higher volatility and uncertainty. Several factors including higher levels of uncertainty due to the Russian invasion of Ukraine and its impact on energy markets, rising interest and inflation rates, and constrained supply chains have created a higher level of volatility and uncertainty. Management has, to the extent reasonable, incorporated known facts and circumstances into the estimates made, however, actual results could differ from those estimates and those differences could be material.

Changing regulations
Emissions, carbon and other regulations impacting climate and climate related matters are dynamic and constantly evolving. With respect to environmental, social and governance ("ESG") and climate reporting, the International Sustainability Standards Board has issued an IFRS Sustainability Disclosure Standard with the aim to develop sustainability disclosure standards that are globally consistent, comparable and reliable. In addition, the Canadian Securities Administrators have issued a proposed National Instrument 51-107 Disclosure of Climate-related Matters. The cost to comply with these standards, and others that may be developed or evolve over time, has not yet been quantified by the Company.

3. MATERIAL ACCOUNTING POLICY INFORMATION

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 2023.

a) 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.

b) 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.

c) 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
Development and production assets 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 petroleum and natural gas reserves as determined by independent third-party reserve evaluators, taking into account estimated forecasted 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.

d) 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.

Value in use 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.

e) Financial instruments

Classification and measurement of financial assets and financial liabilities

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognized on the Statement of Financial Position at the time the Company becomes a party to the contractual provisions. The Company's financial assets and financial liabilities are classified into two categories: Amortized Cost and Fair Value through Profit and Loss ("FVTPL"). The classification of financial assets is determined by their context in ROK's business model and by the characteristics of the financial asset's contractual cash flows.

Financial assets and financial liabilities are measured at fair value on initial recognition. Subsequent measurement is dependent on the financial instrument's classification.

Amortized Cost

Cash and cash equivalents, restricted cash, accounts receivable, prepaids and deposits, accounts payable and accrued liabilities, lease obligations and long-term debt are measured at amortized cost. The contractual cash flows received from financial assets are payments of principal and interest and are held within a business model whose objective is to collect the contractual cash flows. Financial assets and liabilities classified as amortized cost are subsequently measured at amortized cost using the effective interest rate method.

FVTPL

The Company's risk management contracts are measured initially at FVTPL and are subsequently measured at fair value with changes in fair value immediately recognized in the Statement of Income (Loss) and Comprehensive Income (Loss).

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in its principal or most advantageous market at the measurement date. The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company maximizes the use of observable inputs when preparing calculations of fair value, where possible.

The fair value hierarchy has the following levels:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Pricing inputs are other than quoted prices in active markets included in level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Values are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect the placement within the fair value hierarchy.

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.

f) 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 fair value, and any difference is charged to the statement of income.

g) 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.

h) 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.

i) 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.

j) Business combinations and goodwill

On the acquisition of a business, the acquisition method of accounting is used whereby the identifiable assets, liabilities and contingent liabilities (identifiable net assets) are recognized 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.

k) New standards adopted on January 1, 2023

IAS 12, Income Taxes
On January 1, 2023, the Company adopted the amendments to IAS 12 Income Taxes requiring entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. There was not a material impact upon initial adoption.

l) Future accounting pronouncements

IAS 1, Presentation of Financial Statements
In October 2022, the IASB amended IAS 1 Presentation of Financial Statements to address the classification of liabilities with covenants as current or non-current in the Statements of Financial Position. The amendment is applicable to periods beginning on or after January 1, 2024.

4. 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 determination of the fair value of the property, plant and equipment acquired in a business combination involves significant estimates and assumptions related to proved and probable petroleum and natural gas reserves and the discount rates. 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 independent third-party reserve evaluators estimate of proved and probable petroleum and natural gas reserves. 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.

Derivatives

The fair value of forward contracts and swaps is determined by discounting the difference between the contracted prices and published forward price curves as at the statement of financial position date, using the remaining contracted amounts and discounted using an appropriate interest rate (based on published government rates and considering counterparty credit risk). The fair value of options and costless collars is based on option models that use published information with respect to volatility, prices and interest rates.

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).

5. ACQUISITIONS & DISPOSITIONS

a) Southeast Saskatchewan acquisition

On January 24, 2023, the Company successfully closed the acquisition of producing oil and gas assets in Southeast Saskatchewan in exchange for total consideration of 1) cash payment of $21.9 million, after closing adjustments and the $2.5 million deposit paid in December 2022, and 2) the disposition of producing oil and gas assets of the Company located in Southwest Saskatchewan to the selling party that had a carrying value of $23.8 million and associated decommissioning obligations of $1.6 million ("the Southeast Saskatchewan acquisition"). It was determined that the fair value of the disposed assets approximated the carrying value of the disposed assets. The acquisition has been accounted for as a business combination under IFRS 3.

The below amounts are estimates which were made by management at the time of the preparation of these financial statements based on information then available. The fair value of assets acquired and liabilities assumed in a business combination is estimated based on information available at the date of acquisition as management's preliminary estimate of fair value at the time of preparation of these financial statements. Various valuation techniques are applied for measuring fair value including an independent reserves evaluation of the acquired properties, market comparables and discounted cash flows which rely on assumptions such as forward commodity prices, reserves and resources estimates, production costs, foreign exchange rates and discount rates. Amendments may be made to these amounts as the values subject to estimation are finalized. The following table summarizes the total consideration paid and net assets acquired:

Development and production assets	52,647,592
Decommissioning obligations	(6,081,012)
Total net assets acquired	**46,566,580**
Development and productions assets	23,808,032
Decommissioning obligations	(1,630,841)
Net assets disposed of as consideration	22,177,191
Cash consideration	26,500,000
Purchase price adjustments	(2,110,611)
Total purchase price	**46,566,580**

The Company also incurred transaction costs related to the acquisition of $0.3 million, which have been recognized as a business development expense. The fair value of assets acquired and liabilities assumed in a business combination is estimated based on information available at the date of acquisition. The fair value of the assets disposed in a business combination is estimated based on information at the date of disposition. Various valuation techniques are applied for measuring fair value including an independent reserves evaluation of the acquired properties and disposed properties, market comparables and discounted cash flows which rely on assumptions such as forward commodity prices, reserves and resources estimates, production costs, foreign exchange rates and discount rates. Changes in these variables could significantly impact the carrying value of the net assets.

b) Weyburn asset disposition

In March 2023, the Company closed the disposition of ROK's non-operated 2.11685% interest in the Weyburn Unit for cash proceeds of $42.0 million, after closing adjustments and transaction costs. The assets had a carrying value of $37.0 million and an associated decommissioning liability of $0.5 million, resulting in a gain on disposal of $5.5 million. The transaction was accounted for as follows:

Development and production assets	36,984,650
Decommissioning obligations	(505,241)
Total net assets disposed	**36,479,409**
Cash consideration	44,500,000
Purchase price adjustments	(1,984,153)
Transaction costs	(512,734)
Total proceeds received	**42,003,113**
Realized gain on disposal	**5,523,704**

c) Other asset acquisitions and dispositions

During the year ended December 31, 2023, the Company closed two further acquisitions of oil and gas assets in Southeast Saskatchewan for total consideration of $0.5 million, after closing adjustments. As well, the Company closed several smaller dispositions for total proceeds of $4.1 million, after closing adjustments. The disposed assets had a carrying value of $4.3 million and associated decommissioning obligations of $0.4 million, resulting in a gain on disposal of $0.2 million.

d) FCL acquisition

On March 7, 2022, the Company closed the acquisition of certain Saskatchewan and Alberta petroleum and natural gas assets. Total cash consideration of the acquisition was $71.7 million, prior to purchase price adjustments of approximately $13.8 million for the operating results of the asset from November 1, 2021, effective date of the acquisition, until the closing date. The acquisition has been accounted for as a business combination under IFRS 3. The below amounts are estimates which were made by management at the time of the preparation of these financial statements based on information then available. The fair value of assets acquired and liabilities assumed in a business combination is estimated based on information available at the date of acquisition. Various valuation techniques are applied for measuring fair value including an independent reserves evaluation of the acquired properties, market comparables and discounted cash flows which rely on assumptions such as forward commodity prices, reserves and resources estimates, production costs, foreign exchange rates and discount rates. Changes in these variables could significantly impact the carrying value of the net assets. Amendments may be made to these amounts as the values subject to estimation are finalized. The following table summarizes the total consideration paid and net assets acquired:

Property, plant and equipment	158,000,000
Decommissioning liabilities	(16,516,528)
Deferred income tax liability	(16,701,630)
Gain on acquisition	(66,822,326)
Total net assets acquired	**57,959,516**

Cash consideration	71,736,498
Preliminary purchase price adjustments	(13,776,982)
Total purchase price	**57,959,516**

The Company used estimated proved and probable oil and gas reserves from an independent third-party reserve evaluation to estimate the fair value of property, plant and equipment acquired. For purposes of estimating the fair value of the property, plant and equipment, the Company used the April 1, 2022, independent third-party reserve evaluators estimate of proved and probable petroleum and natural gas reserves. The fair value recognized for property, plant and equipment acquired was based on level 3 inputs, being the net present value of estimated future cash flows using an average pre-tax discount rate of approximately 15%. The gain on acquisition of $66.8 million is primarily a result of significant commodity price volatility between the effective and closing date of the acquisition. The original gain of $57.9 million recognized as of the closing date was adjusted for 1) a reduction of $4.7 million to the estimated deferred income tax liability as at the date of the acquisition, and 2) further purchase price adjustments of $4.2 million in favor of the Company as of December 31, 2022. These adjustments are recognized retrospectively as of the closing date of the acquisition. The Company also incurred transaction costs related to the acquisition of $1.8 million, which have been included in business development expense (see Note 13).

6. PROPERTY, PLANT AND EQUIPMENT

The Company's property, plant and equipment ("PP&E") consist of development and production assets ("D&P") and right-of-use leased assets ("ROU"). D&P 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	D&P	ROU	Total
Balance, December 31, 2021	7,885,854	-	7,885,854
Acquisitions (Note 5)	158,000,000	-	158,000,000
Additions	28,402,308	-	28,402,308
Disposals (Note 5)	(10,450,000)	-	(10,450,000)
Change in decommissioning provisions	(150,640)	-	(150,640)
Balance, December 31, 2022	183,687,522	-	183,687,522
Acquisitions (Note 5)	53,173,367	-	53,173,367
Additions	28,924,035	499,788	29,423,823
Transferred from E&E assets	9,912	-	9,912
Impairment	(8,949,000)	-	(8,949,000)
Disposals (Note 5)	(73,136,783)	-	(73,136,783)
Change in decommissioning provisions	(4,192,517)	-	(4,192,517)
Balance, December 31, 2023	**179,516,536**	**499,788**	**180,016,324**
Accumulated Depletion & Depreciation			
Balance, December 31, 2021	940,922	-	940,922
Depletion & depreciation	19,190,812	-	19,190,812
Balance, December 31, 2022	20,131,734	-	20,131,734
Depletion & depreciation	23,231,177	49,608	23,280,785
Disposals (Note 5)	(8,080,872)	-	(8,080,872)
Balance, December 31, 2023	**35,282,039**	**49,608**	**35,331,647**
Net Carrying Amount			
Balance, December 31, 2022	163,555,788	-	163,555,788
Balance, December 31, 2023	**144,234,497**	**450,180**	**144,684,677**

At December 31, 2023, the balance of PP&E consisted of those oil and gas properties acquired, such as those outlined in Note 5, as well as ongoing capital additions. Disposals of $10.5 million for the year ended December 31, 2022, represent the fair value of the overriding royalty granted to Anvil Channel Energy Solutions (ACES) as part of the terms of the Senior Loan Facility (see Note 8). Future development costs in the amount of $184.7 million (2022 - $124.7 million) were included in the depletion calculated for the year ended December 31, 2023. For capital additions recognized during the year ended December 31, 2023, non-cash additions of $88,300 (2022-$224,227) related to new estimated asset retirement costs for new decommissioning obligations due to drilling activity in the year (see Note 7). Additionally, capital additions of $1,789,613 related to capitalized general and administrative cost for the year ended December 31, 2023 (2022 - $193,032).

Right-of-use assets

ROK recognized right-of-use assets and corresponding lease liabilities related to certain office facilities and field vehicles.

Net Carrying Amount	Offices	Vehicles	Total
Right-of-use assets	369,015	130,773	499,788
Less: accumulated depreciation	(12,301)	(37,307)	(49,608)
Balance, December 31	**356,714**	**93,466**	**450,180**

Impairment test of PP&E

ROK reviews its CGUs for indicators of potential impairment at the end of each reporting period. At December 31, 2023, as a result of a decrease in forward gas prices compared to December 31, 2022, an impairment test on the Company's Alberta CGU, which is predominantly gas based, was performed.

The Company identified indicators of impairment at December 31, 2023, for the Alberta CGU and performed an impairment test to estimate the recoverable amount of the CGU. The recoverable amount of the CGU was estimated using the "value in use" methodology, or VIU. The Company used discount rates between 12-27 percent for different reserve types within the Company's Alberta CGU. It was determined that the Company's Alberta CGU's carrying value of $33.9 million exceeded the recoverable amount of $25.0 million resulting in an impairment of $8.9 million being recorded.

Changes in any of the key judgments, such as an increase in the discount rate, a downward revision in reserves, a decrease in forecast benchmark commodity prices, future costs or an increase in operating costs would decrease the estimated recoverable amounts of assets and any impairment charges would affect net income.

The projected cash flows used in the VIU calculation were derived from a report on the Company's oil and gas reserves which was prepared by McDaniel's and Associates, an independent qualified reserve evaluator, as of December 31, 2023 (the "McDaniel's 2023 Report").

The following table details the forward pricing used in estimating the recoverable amounts of CGUs at December 31, 2023.

	Edmonton Light Crude Oil	**WTI Crude Oil**	**AECO Natural Gas**	**NYMEX Henry Hub Natural Gas**	**Exchange rates**
Year	(CAD/bbl)[(1)]	(USD/bbl)[(1)]	(CAD/MMBtu)[(1)]	(USD/MMBtu)[(1)]	(CAD/USD)[(1)]
2024	92.91	73.67	2.20	2.75	1.33
2025	95.04	74.98	3.37	3.64	1.33
2026	96.07	76.14	4.05	4.02	1.32
2027[(2)]	97.99	77.66	4.13	4.10	1.32

1) *Source: McDaniel 3 Consultant average price forecast January 1, 2024*
2) *Prices escalated at 2.0% thereafter, CAD/USD exchange rate is held constant at 1.32 CAD/USD thereafter*

7. EXPLORATION AND EVALUATION ASSETS

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

	2023	**2022**
Balance, January 1	893,276	1,321,693
Transferred to PP&E	(9,912)	-
Land expiries and write-offs	(388,172)	(428,417)
Balance, December 31	**495,192**	**893,276**

The Company's E&E assets represent the recognized acquisition value and subsequent costs incurred in relation to the undeveloped land interests on which it intends to conduct petroleum and natural gas exploratory work. At December 31, 2023, there were no indicators of impairment.

8. DEBT

a) Credit Facility

In January 2023, the Company entered into a $22.5 million revolving credit facility with a syndicate of banks (the "Credit Facility"). At December 31, 2023, the amount drawn on the Credit Facility was $14.5 million. A review and redetermination of the borrowing base occurs semi-annually on or before June 30 and November 30 of each year. The facility is available on a revolving basis until June 27, 2024 (the "Term Out Date"), at which time the facility (and the Term Out Date) may be extended for a further one-year period at the request of the Company and subject to the approval of the syndicate. Such one-year extensions may continue to occur on each subsequent Term Out Date, subject to the approval of the syndicate. Alternatively, on the Term Out Date, at the Company's discretion, the facility is available on a non-revolving basis for an additional one-year period, at the end of which time the facility would be due and payable. As the available lending limits of the facility are based on the syndicate's interpretation of the Company's reserves, commodity prices and decommissioning obligations, there can be no assurance that the amount of the available facility will not decrease at the next scheduled review. In the current pricing environment, there is an increased risk that the lenders may decrease the amount available under the Credit Facility and the decreases could be material.

The Credit Facility provides that advances may be made by way of direct advances, banker's acceptances or letters of credit/guarantees. The facility bears interest at the bank's prime lending or bankers' acceptance rates plus applicable margins. The applicable margin charged by the bank is dependent upon the Company's debt to cash flow ratio (as defined in the lending agreement) for the most recent quarter. The bankers' acceptances bear interest at the applicable banker's acceptance rate plus an explicit stamping fee based upon the Company's debt to cash flow ratio. For the year ended December 31, 2023, the Credit Facility had an effective interest rate of 8.5% per annum. The Credit Facility is secured by a floating charge debenture on the assets of the Company.

A summary of outstanding debt as at December 31, 2023, is as follows:

Credit Facility	
Total commitment	22,500,000
Amount drawn	14,501,748
Amount drawn, net of unamortized issue costs	14,083,639
Current portion	-
Non-current portion	14,083,639

b) Financial covenants

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

- Maintain a minimum liability management rating of 2.00 in the Provinces of Alberta and Saskatchewan and a minimum licensee liability rating of 1.00 in the Province of British Columbia.
- Maintain oil and gas price hedges on a minimum of 75% of Company oil and gas production for a period of not less than 12 months. Please refer to Note 16 for oil and gas price hedges held by the Company as of the date of these financial statements.
- Make expenditures of not less than $2,000,000 during each fiscal year toward asset retirement and abandonment and reclamation liabilities.
- Maintain a debt to cash flow ratio (as defined in the lending agreement) of less than 2.00. As at December 31, 2023 the company's debt to cash flow ratio was 0.48:1.

As at December 31, 2023, the Company was compliant with all restrictions and covenants for the Credit Facility.

c) Term Loan

In January 2023, the Company entered into a non-revolving term facility of $52.5 million with a Canadian Chartered Bank (the "Term Loan"), excluding unamortized issue costs of $1.8 million. The proceeds of the Term Loan were used to pay out the prior Senior Loan Facility and fund certain asset acquisitions (see Note 5). The Term Loan was to mature two years from issuance, and carried monthly payments of $2 million towards principal, commencing on February 28, 2023, with the balance of the principal due at maturity. The Term Loan bore interest at the bank's prime lending or bankers' acceptance rates plus applicable margins. The applicable margin charged by the bank was dependent upon the Company's debt to cash flow ratio for the most recent quarter. The Term Loan was secured by a floating charge debenture on the assets of the Company.

Along with the scheduled $2 million monthly scheduled principal payments, the Company made voluntary principal repayments of $41.3 million and $5.1 million in March 2023 and May 2023, respectively, to settle the remaining balance and terminate the Term Loan.

d) Senior Loan Facility

In January 2023, the prior Senior Loan Facility was repaid with the establishment of the Credit Facility and Term Loan. The termination of the Senior Loan Facility resulted in the immediate recognition of $7.3 million as loss on debt settlement for the remaining unamortized issue costs and certain incurred termination costs. With the repayment of the Senior Loan Facility, the Debt Service Reserve deposit classified as restricted cash became unrestricted.

9. DECOMMISSIONING OBLIGATIONS

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

	2023	2022
Balance, January 1	18,458,391	1,301,849
Liabilities acquired (Note 5)	6,111,036	16,516,528
Additions	88,300	224,277
Change in estimate	(4,280,817)	(374,917)
Accretion expense	2,055,785	1,301,800
Liabilities settled	(2,289,896)	(511,146)
Disposals (Note 5)	(2,482,230)	-
Balance, December 31	**17,660,569**	**18,458,391**

At December 31, 2023, the total estimated amount to settle ROK's decommissioning obligations on an uninflated and undiscounted basis was $63.9 million (December 31, 2022 - $52.4 million) and on an inflated and undiscounted basis was $95.9million (December 31, 2022 - $75.1 million). The inflated, undiscounted future value of decommissioning obligation was determined by applying an inflation factor of 2.0% (2022 – 2.0%), and subsequently discounting the inflated amount using the Company credit-adjusted rate of 12.0% (2022 – 12.0%) to arrive at the balance of $18.2 million. These costs are expected to be incurred over the next 20 years.

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

10. SHARE CAPITAL

a) Common shares

At December 31, 2023, the Company was authorized to issue an unlimited number of Class B Shares, with no par value, with holders of Class B Shares entitled to one vote per share and to dividends, if declared. Outstanding Class B Shares as of December 31, 2023, are as follows:

	Class B shares	Amount
Balance, January 1, 2022	74,471,576	6,309,267
Prospectus Offering, March 2022	95,834,100	11,691,720
Shares issued for Debt Note conversion	15,555,550	2,075,326
Stock option exercise	495,000	71,300
Warrant exercise	25,224,258	5,705,572
Balance, December 31, 2022	211,580,484	25,853,185
Stock option exercise	603,333	146,180
Warrant exercise	6,234,498	2,052,899
Balance, December 31, 2023	**218,418,315**	**28,052,264**

Prospectus Offering

In March 2022, the Company completed a bought deal public offering (the “Prospectus Offering) for total gross proceeds of $17,250,138, whereby 95,834,100 units of the Company were issued at a price of $0.18 per unit. Each unit consisted of one Class B Share in the capital of the Company and one purchase warrant. Each purchase warrant is exercisable for one Class B Share at an exercise price of $0.25 per purchase warrant for a period of three years. The Company allocated $12,765,590 and $4,464,548 of gross proceeds from the Prospectus Offering to share capital and to purchase warrants (see Note 10b), respectively.

In connection with the Prospectus Offering, commissions were paid to brokers and finders in the amount of $1,102,510 plus the issuance of a total of 6,125,054 broker warrants, with each such broker warrant exercisable for one Class B Share and one purchase warrant at an exercise price of $0.18 per broker warrant for a period of three years (see Note 10b). Further cash expenses of $329,300 were incurred by the Company in association with the completion of the Prospectus Offering. Total issuance costs of $1,579,917, net of tax of $363,680, were allocated to share capital of $1,073,870 and warrants of $508,956.

Debt Note conversion

In March 2022, as part of the conversion of previously existing Debt Notes issued in June 2021 (the “Debt Notes”), the Company issued units to holders of the Debt Notes at a price of $0.18 per unit on the principal of $2.8 million of Debt Notes on the same terms as the Prospectus Offering, resulting in the issuance of 15,555,550 units of the Company. The Company allocated $2,075,326 of the converted Debt Note principal to share capital and $724,674 to purchase warrants.

b) Warrants

The Company has issued and outstanding warrants exercisable to acquire Class B Shares of the Company that were issued as part of particular financings carried out over time. A summary of the changes in warrants is presented below:

	Warrants	Weighted average exercise price
Balance, January 1, 2022	25,538,975	0.23
Purchase warrants issued, Prospectus Offering	95,834,100	0.25
Broker warrants issued, Prospectus Offering	6,125,054	0.18
Purchase warrants issued, Debt Note Conversion	15,555,550	0.25
Purchase warrants issued upon broker warrant exercised	4,612,505	0.25
Warrant exercise	(25,224,258)	0.15
Warrant expiries	(7,500)	0.15
Balance, December 31, 2022	122,434,426	0.26
Warrant exercise	(4,721,949)	0.35
Warrant expiries	(4,570,600)	0.35
Balance, December 31, 2023	**113,141,877**	**0.25**

Warrants on Prospectus Offering

As part of the Prospectus Offering of units in March 2022 (see Note 10a), the Company issued 95,834,100 purchase warrant. Each warrant can be exercised to purchase one additional Class B Share at an exercise price of $0.25 for a period of three years. A fair value of $4,464,548, before issuance costs of $508,956, was recognized at the time of issuance of these purchase warrants. In connection with the above, brokers and finders received 6,125,054 non-transferable broker warrants. Each broker warrant is exercisable into one Class B Share and one purchase warrant at a price of $0.18 per broker warrant for a period of three years. A fair value of $534,696 was recognized at the time of the issuance of these broker warrants. Each purchase warrant subsequently issued upon exercise of the broker warrants maintains the same terms of exercise and expiry date as the purchase warrants issued under the Prospectus Offering.

Warrants on Debt Note conversion

As part of the conversion of Debt Notes in March 2022 (see Note 10a), the Company issued 15,555,550 purchase warrants. Each warrant can be exercised to purchase one additional Class B Shares at an exercise price of $0.25 for a period of three years. A fair value of $724,674 was recognized at the time of issuance of these purchase warrants.

The following summarizes information about total warrants outstanding as at December 31, 2023:

Exercise prices	Number of warrants outstanding	Weighted average term to expiry (years)	Number of warrants exercisable
0.25	113,141,877	1.18	113,141,877

c) Stock options

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

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

	Stock options	Weighted average exercise price
Balance, January 1, 2022	6,590,000	0.23
Options issued	13,110,000	0.26
Options exercised	(420,000)	0.10
Options forfeited	(516,667)	0.26
Balance, December 31, 2022	18,763,333	0.25
Options issued	1,775,000	0.39
Options exercised	(603,333)	0.15
Options forfeited	(75,000)	0.40
Balance, December 31, 2023	**19,860,000**	**0.27**
Exercisable, December 31, 2023	**14,290,004**	**0.26**

In March and August 2023, the Company granted 1,500,000 and 275,000 options to acquire common shares to certain employees of the Company at a price of $0.40 and $0.35 per common share, respectively. For options granted, one-third of the options vest on date of grant, one-third on the first anniversary date, and one-third on the second anniversary date. The options under each grant expire five years from the date of grant. For the stock options granted in March 2023, the Black-Scholes option pricing model was used to estimate a fair value of $0.26 per option based the assumptions of expected stock price volatility of 80%, option life of 5 years, expected dividend yield of 0%, and a risk-free interest rate of 3.59%. For the stock options granted in August 2023, the Black-Scholes option pricing model was used to estimate a fair value of $0.23 per option based the assumptions of expected stock price volatility of 80%, option life of 5 years, expected dividend yield of 0%, and a risk-free interest rate of 4.02%.

The following summarizes information about stock options outstanding as at December 31, 2023:

Exercise prices	Number of options outstanding	Weighted average term to expiry (years)	Number of options exercisable
0.15	1,600,000	1.18	1,600,000
0.25	10,260,000	3.48	6,840,006
0.28	4,050,000	2.81	4,050,000
0.30	1,450,000	3.92	966,669
0.35	1,075,000	4.30	358,333
0.40	1,425,000	4.42	474,996
	19,860,000	**3.30**	**14,290,004**

For the year ended December 31, 2023, the Company recognized $1,044,646 (December 31, 2022 - $1,703,002) in stock-based compensation expense. Recognized stock-based compensation is recorded as an expense and as contributed surplus.

d) Net income (loss) per share

The table below summarizes the weighted average ("WA") number of common shares outstanding used in the calculation of net income (loss) per share for the years ended December 31, 2023 and 2022:

	2023	2022
WA common shares outstanding, basic	214,720,034	175,426,071
Dilutive effect of stock options	-	3,073,889
Dilutive effect of warrants	-	19,462,000
WA common shares outstanding, diluted	214,720,034	197,961,960
Net income (loss)	(10,986,934)	80,002,750
$ per common share, basic	(0.05)	0.46
$ per common share, diluted	(0.05)	0.40

The Company uses the treasury stock method to determine the impact of dilutive securities. Under this method, only "in-the-money" dilutive instruments impact the calculation of diluted net income per share. The treasury stock method assumes that the proceeds received from the exercise of all potentially dilutive instruments are used to repurchase common shares at the average market price during the period.

In computing diluted net income per share for the year ended December 31, 2023, a total of 19,860,000 stock options and 113,141,877 warrants were excluded as their impact was anti-dilutive to the net loss per share in the period. For the year ended December 31, 2022, a total of 2,350,000 stock options and 7,780,000 warrants were excluded as they were not in-the-money based on the volume weighted average trading price of the Company's common shares of $0.30 during the year and therefore anti-dilutive.

11. LITHIUM EXPLORATION PROJECT

In July 2021, the Company entered into an exploration management agreement wherein the Company was issued a 25% interest in a private entity (the "Investee") which currently holds certain Subsurface Mineral Dispositions in Saskatchewan, with a focus on potential lithium resource prospects. Under the terms of the agreement, the Company earns its beneficial interest as ROK personnel will manage the following objectives of the project:

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

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

The Company's interest in the Investee is accounted for using the equity method. As of December 31, 2023, expenditures reported by the Company's partner for project activities had reached a total of $9.4 million, with the Company's financial contribution towards the project activities equating to $2.0 million.

12. REVENUE

The following table presents the Company's oil and natural gas revenue disaggregated by product type for the years ended December 31, 2023 and 2022:

	2023	2022
Oil sales	70,939,616	73,746,484
NGL sales	7,766,070	4,489,450
Natural gas sales	8,520,934	9,075,608
Total revenue	**87,226,620**	**87,311,542**

As at December 31, 2023, receivables from contracts with customers, which are included in accounts receivable, were $7,756,737 (December 31, 2022 - $7,597,682).

13. 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, 2023, the Company incurred business development expenses of $371,106 (December 31, 2022 - $2,383,106) relating to efforts towards completed and potential transactions.

14. NET FINANCE EXPENSE

The components of net finance expense for the years ended December 31, 2023 and 2022, are as follows:

	2023	2022
Interest income	(57,125)	(113)
Lease liability interest expense	11,232	-
Interest expenses and bank charges	301,834	360,084
Debt interest expense	2,780,066	6,209,994
Accretion on debt	2,568,449	7,481,475
Accretion on decommissioning obligations	2,055,785	1,301,800
Total net finance expense	**7,660,241**	**15,353,240**

15. 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, 2023, of 25.4% (December 31, 2022 – 25.4%) to income before income taxes. A reconciliation of this difference is presented below.

	2023	2022
Income (loss) before income taxes	(11,884,907)	78,438,111
Tax rate	25.40%	25.40%
Computed income tax recovery	(3,018,766)	19,923,280
Increase (decrease) in taxes:		
Stock-based compensation and true-ups	2,117,783	842,272
Gain on acquisition	-	(16,701,630)
Chain in income tax rate	-	881,839
Change in unrecognized tax assets and other	3,010	(6,510,400)
Total tax expense (recovery)	**(897,973)**	**(1,564,639)**

Recognized deferred tax assets & liabilities

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2023	2022
Deferred income tax assets:		
Non-capital loss carryforwards	(1,832,881)	(1,577,398)
Decommissioning obligations	(4,485,785)	(4,688,431)
Lease liability	(115,809)	-
Share & debt issue costs	(2,965,731)	(3,345,166)
Deferred income tax liabilities:		
Risk management contracts	1,148,353	1,266,387
Property, Plant and Equipment and Other	22,020,991	21,318,927
Debt	106,200	1,798,992
	13,875,338	**14,773,311**

	Dec 31, 2022	Recognized in income	Dec 31, 2023
Non-capital loss carryforwards	(1,577,398)	(255,483)	(1,832,881)
Decommissioning obligations	(4,688,431)	202,646	(4,485,785)
Lease liability	-	(115,809)	(115,809)
Share & debt issue costs	(3,345,166)	379,435	(2,965,731)
Risk management contracts	1,266,387	(118,034)	1,148,353
Property, Plant and Equipment	21,318,927	702,064	22,020,991
Debt	1,798,992	(1,692,792)	106,200
	14,773,311	**(897,973)**	**13,875,338**

Unrecognized Deductible Temporary Differences

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

	2023	2022
Capital loss carryforwards	101,441,636	101,417,937

The non-capital loss carryforwards are from Canada, which expire between 2028 and 2043. 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.

16. 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 2nd 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, 2023	December 31, 2022
Oil and natural gas customers	7,756,737	7,597,682
Joint operations partners	4,237,670	2,083,791
Accruals and other	1,026,704	1,181,200
Total	**13,021,111**	**10,862,673**

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, 2023	December 31, 2022
0 - 30 days	10,011,741	9,435,073
30 - 90 days	1,561,514	871,954
Greater than 90 days	1,656,763	555,646
Expected credit loss	(208,907)	-
Total	**13,021,111**	**10,862,673**

The Company considers amounts outstanding greater than 90 days to be at greater risk of being uncollectible, unless circumstances on particular balances provide certainty of collection. Receivables normally collectible within 30 to 60 days can take longer as information requests and timing can come into effect in dealing with receivables from joint venture partners. At December 31, 2023 there were $208,907 in receivables which were considered uncollectible (December 31, 2022 - $nil).

The Company held cash and cash equivalents of $nil as at December 31, 2023 (December 31, 2022 - $5,258,881). The Company manages the credit exposure related to cash and cash equivalents by selecting counter parties based on credit ratings and monitors all investments to ensure a stable return, avoiding complex investment vehicles with higher risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due and describes the Company's ability to access cash. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient cash resources in order to finance operations, fund capital expenditures, and to repay debt and other liabilities of the Company as they come due, without incurring unacceptable losses or risking harm to the Company's reputation. The Company's processes for managing liquidity risk include preparing and monitoring capital and operating budgets, coordinating and authorizing project expenditures, and authorization of contractual agreements. Management and the Board of Directors use budgets and forecasts to direct and monitor the strategy, operations and liquidity of the Company as well as the ongoing ability of the Company to remain in compliance with its commitments and the terms and covenants associated with its Credit Facility (see Note 8). The budgets are updated when required as conditions change.

The table below outlines the contractual maturities of the Company's financial liabilities as at December 31, 2023:

	Less than 1 year	1-2 years	Thereafter	Total
Accounts payable	17,560,130	-	-	17,560,130
Credit Facility	-	14,501,748	-	14,501,748
Lease obligations (1)	133,501	123,780	288,570	545,851
	17,693,631	**14,625,528**	**288,570**	**32,607,729**

1) Reflects timing of lease payments on existing lease obligations

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

Market risk

Market risk is the risk or uncertainty that changes in price, such as commodity prices, foreign exchange rates, and interest rates will affect the Company's net earnings and the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns. From time to time, the Company may utilize financial derivative contracts to manage market risks in accordance with the risk management policy that has been approved by the Board of Directors. The Company's balance sheet at December 31, 2023, includes risk management assets for crude oil, natural gas and liquids derivative contracts recorded at a net positive fair market value of $4.5 million (December 31, 2022 - $4.4 million). The Company's statement of comprehensive income (loss) for the year ended December 31, 2023, includes unrealized losses on risk management contracts of $0.5 million (December 31, 2022 - $5.0 gain).

Commodity price risk

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

The Company manages risk associated with the changes in commodity prices by entering into a variety of risk management contracts. The Company assesses the effects of movement in commodity prices on income before tax.

As of December 31, 2023, the Company has the following commodity risk management contracts outstanding:

Derivative swap contracts (1)(2)

	WTI Crude		AECO(3)		Propane	
Period	*Volumes (bbl/d)*	*USD/bbl*	*Volumes (mmbtu/d)*	*USD/ mmbtu*	*Volumes (gal/d)*	*USD/gal*
Q1 2024	1,087	79.72	4,980	2.65	3,400	0.99
Q2 2024	1,099	74.26	4,338	2.63	3,176	0.78
Q3 2024	1,011	74.32	4,194	2.45	2,079	0.76
Q4 2024	980	74.52	3,991	2.23	-	-

1) Prices reported are the average price for the period.
2) Swaps include trades in USD and CAD. Canadian swaps are converted from CAD to USD at a rate of 0.75.
3) Includes Henry Hub swaps, AECO differential swaps and AECO swaps.

Subsequent to December 31, 2023, the company entered into additional risk management contracts for 2024 and 2025 periods. See Note 19 for further details.

Foreign currency risk
Foreign currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The majority of the Company's administrative and operational costs will be based and paid in CAD. As of May 2023, the US dollar ("USD") denominated Senior Loan Facility was repaid in full through the CAD denominated Team Loan and Credit Facility (see Note 8).

The Company is exposed to the risk of fluctuations in foreign exchange rates between the Canadian dollar and the US dollar given the risk of changes in the USD/CAD exchange rate on crude oil sales based on USD benchmark prices and certain commodity contracts that are settled in USD (see above).

Interest rate risk
Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in prevailing market interest rates. The Company is exposed to interest rate risk on the Credit Facility, with interest rates based on the bank's prime lending or bankers' acceptance rates plus applicable margins. The applicable margin charged by the bank is dependent upon the Company's debt to cash flow ratio for the most recent quarter. Fluctuations of interest rates could result in an increase or decrease in the amount ROK pays to service the variable interest rate debt.

As at December 31, 2023, if interest rates applicable to the Credit Facility were to have increased or decreased by 50 basis points, it is estimated that the Company's income before tax would similarly change by approximately $65,000 for the year ended December 31, 2023.

Fair value of financial instruments

The Company's financial instruments as at December 31, 2023, include cash and cash equivalents, accounts receivable, risk management contracts, accounts payable and accrued liabilities, and debt.

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

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

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

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

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

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

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

Capital management

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

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

	December 31, 2023	December 31, 2022
Cash and cash equivalents	-	5,258,881
Accounts receivable	13,021,111	10,862,673
Prepaids and deposits	364,090	1,144,672
Current portion of risk management contracts	4,521,075	4,418,471
Accounts payable	(17,560,130)	(13,678,677)
Adjusted working capital (2)	**346,146**	**8,006,020**
Credit Facility (8.2%) (1)	14,501,748	-
Lease obligations (1)	545,851	-
Senior Loan Facility (15%) (1)	-	43,347,566
Less: adjusted working capital (2)	(346,146)	(8,006,020)
Net debt	**14,701,453**	**35,341,546**

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

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

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

17. 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, 2023 and 2022, was as follows:

	2023	2022
Salary, fees and other benefits	**1,148,833**	**1,016,935**
Stock-based compensation [(1)]	**531,524**	**1,229,847**
	1,680,357	**2,246,782**

1) Represents the amortized portion recognized in the financial statements.

Related party transactions

In March 2022, the Company completed the aforementioned Prospectus Offering for proceeds of $17,250,138 before transaction costs. Of the total proceeds, approximately $416,000 were from subscriptions by directors and officers or by investors related to directors and officers of the Company.

In March 2022, as part of the conversion of Debt Notes to units (see Note 10), the Company issued units to Debt Note holders at a price of $0.18 per unit on the principal of $2.8 million of Debt Notes on the same terms as the Prospectus Offering, resulting in the issuance of 15,555,550 units of the Company. Of the units issued, $0.5 million of the Debt Notes converted to 2,777,777 units which were issued to certain directors and officers of the Company.

18. SUPPLEMENTAL CASH FLOW INFORMATION

For the years ended December 31	2023	2022
Accounts receivable	(2,158,438)	(10,309,034)
Prepaids and deposits	944,534	(1,003,705)
Accounts payable and accrued liabilities	3,881,453	12,253,905
Change in non-cash working capital	**2,667,549**	**941,166**
Relating to:		
Operating activities	3,368,363	(448,467)
Investing activities	(700,814)	1,604,706
Financing activities	-	(215,073)
Change in non-cash working capital	**2,667,549**	**941,166**

19. SUBSEQUENT EVENTS

The Company entered into the following commodity risk management contracts subsequent to December 31, 2023:

Derivative swap contracts [(1)(2)]

	WTI Crude		AECO[(3)]		Propane	
Period	*Volumes (bbl/d)*	*USD/bbl*	*Volumes (mmbtu/d)*	*USD/ mmbtu*	*Volumes (gal/d)*	*USD/gal*
Q2 2024	576	78.36	2,635	1.21	-	-
Q3 2024	526	76.41	2,306	1.27	-	-
Q4 2024	559	74.41	1,406	1.83	-	-
Q1 2025	1,200	72.57	5,000	2.42	-	-
Q2 2025	378	72.05	1,648	2.14	-	-

1) Prices reported are the average price for the period.
2) Swaps include trades in USD and CAD. Canadian swaps are converted from CAD to USD at a rate of 0.75.
3) Includes Henry Hub swaps, AECO differential swaps and AECO swaps.