

ROK Resources Announces Strategic Southeast Saskatchewan Asset Acquisition

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REGINA, December 19, 2022 - [ROK Resources Inc.](#) ("ROK" or the "Company") (TSXV:ROK) (TSXV:ROK.WT) is pleased to announce that it has entered into an Asset Exchange Agreement (the "Acquisition") to acquire certain oil & gas assets (the "Assets"), currently producing approximately 1,500 boe/d (69% Liquids), in Southeast Saskatchewan from an Intermediate Energy Producer ("Intermediate Energy Producer") in exchange for total consideration of: (i) \$26.5 million CAD in cash, before adjustments¹ (the "Cash Consideration"), and (ii) an asset divestiture to the same Intermediate Energy Producer of our non-core assets, currently producing approximately 475 boe/d (100% Liquids), in Southwest Saskatchewan (the "Non-Core Assets").

The Acquisition is accretive to ROK shareholders on key per share measures, adds high quality drilling and exploration inventory and consolidates our core focus operating area within Southeast Saskatchewan.

Key features include:

- All-cash transaction provides per share accretion on corporate metrics
- Desirable land positions within economic conventional and unconventional resource plays
- Restructuring of credit facility and reduction in interest rate
- Significant booked reserve base and long-term resource development upside
- Stable base production yields significant Free Funds Flow potential
- Strongly integrated operations deliver low-cost structures
- Maintains manageable Abandonment Reclamation Obligation ("ARO") requirements and improvement to Saskatchewan Limited Liability Ratio ("LLR")

Core Area Acquisition

The Assets, located in the Pinto, Steelman & Gainsborough areas of Southeast Saskatchewan, are currently producing ~1,500 boe/d (69% liquids)² of low-decline, liquid-weighted production, primarily producing from the Midale formation. The Assets include 59,435 gross (48,720 net) acres of land, which contain 80+ gross (65+ net) booked drilling locations³ and generate an operating netback of ~\$40/boe CAD at \$US80/bbl WTI. The Assets, 80% of which are operated, are expected to provide the Company with \$10.0 to \$12.0 million⁴ of incremental annualized net operating income ("NOI") from existing production and drilling upside, providing additional growth potential and balance sheet stability.

Based on a McDaniel & Associates engineering report dated September 1, 2022, the Assets have a before-tax Total Proved ("TP") net present value ("NPV")_{10%} of approximately \$96 million and a before-tax Total Proved Plus Probable ("TPP") NPV_{10%} of approximately \$155 million. With the Acquisition, the Company adds >18 years of reserve life, not including secondary recovery from future waterflood applications.

Non-Core Area Disposition

The Non-Core Assets being sold to an Intermediate Energy Producer include ~475 bbls/d (100% liquids) of production in the Butte area of Southwest Saskatchewan, including non-operated interests in the Butte Voluntary Unit, Bone Creek Unit and Eagle Lake Unit. ROK's average working interest in the Non-Core Assets is 15%, with the balance primarily owned and operated by the Intermediate Energy Producer.

Senior Loan Facility

In connection with the Acquisition, ROK expects to enter into a commitment letter (the "Commitment Letter") with respect to a senior secured loan facility with a Canadian Chartered Bank for an aggregate principal amount of \$75 million (the "Senior Loan Facility"). The Senior Loan Facility is expected to be comprised of: (i) line of credit in the amount of \$22.5 million (the "Line of Credit"), and (ii) a term loan in the amount of \$52.5 million (the "Term Loan"). The Senior Loan Facility would be used to fund the Acquisition and completely payout ROK's existing higher cost debt facility, held by Anvil Channel Energy Solutions, which is estimated at \$42 million at Closing and carries no pre-payment penalties. The Senior Loan Facility is subject to the execution of mutually acceptable Commitment Letter, credit documentation, and the satisfaction of the other customary conditions to closing, including the satisfaction of all conditions to the completion of the Acquisition.

Highlights & Strategic Rationale

The Acquisition is aligned with ROK's long-term business strategy to grow into a premier energy producer through responsible exploration and development, complemented by strategic acquisitions of diversified and sustainable assets in favorable operating areas where the management team has a track record of value creation through successfully building and exiting four prior companies.

The highlights of the Assets and the anticipated benefits include the following:

- Desirable Land Positions within Highly Economic Conventional and Unconventional Resource Plays
 - Large land position of 59,435 gross (48,720 net) acres of land within Southeast Saskatchewan
 - Average working interest of ~80%
 - No significant near-term expiries and unrestricted access
- All-cash transaction provides per share accretion on corporate metrics, including debt-adjusted cash flow and reserves
 - >15% accretive to 2023 debt-adjusted cash flow per share
 - >75% accretive to Total Proved + Probable Reserves per share
- Significant Booked Reserve Base & Long-Term Resource Development Upside
 - Significant 1P reserve base of 7.1 million boe and TPP reserve base of 10.4 million boe
 - Estimated TPP Reserve Life Index of 18.5 years
 - 90+ internally identified drilling locations on Assets (including 81 booked locations)
 - Ample primary development and secondary/tertiary enhanced oil recovery ("EOR") potential
- Stable Base Production Yields Significant Free Fund Flow Potential
 - Stable base production of approximately ~1,500 boe/d
 - Light oil weighted production, 30-35° American Petroleum Institute ("API") gravity, with attractive operating netbacks and capital efficiencies (~\$23,000/boe/d)
- Integrated Operations to Deliver Low-Cost Structures
 - Higher working interest and operatorship ensures control over pace of capital development
 - Readily available processing capacity and strategic access to markets
 - Low royalties (14%) and operating costs (\$25/boe)
 - Estimated annualized net operating income of \$10.0 to \$12.0 million⁴
- Manageable ARO Requirements & Improvement to Saskatchewan LLR
 - Increases ROK's licensee liability ratio in Saskatchewan to 1.50x
 - Proforma ARO estimated at \$66MM (~\$21MM Inactive)
 - ARO obligations to be fully serviced with an estimated ~\$1.0 million per year

The Acquisition has an effective date of October 1, 2022 and is expected to close on or about January 24, 2023 ("Closing"), subject to finalizing the Senior Loan Facility and certain customary conditions and regulatory and other approvals, including any necessary approvals of the TSXV Exchange.

Post-Closing of the Acquisition, ROK plans to provide its 2023 capital budget and guidance.

Acquisition Summary

Daily Production

1,500 boe/d (69% Liquids)

Annualized 2023E Operating Income	\$10 to \$12 million
Reserves ³	
PDP Reserves (the "PDP Reserves") / NPV _{10%}	2.3 MBoe / \$36 million
Total Proved Reserves (the "TP Reserves") / NPV _{10%}	7.1 MBoe / \$96 million
Total Proved + Probable Reserves (the "TPP Reserves") / NPV _{10%}	10.4 MBoe / \$155 million

Acquisition Metrics (Net of Non-Core Divestiture & Including Estimated Adjustments)

Production Cost	\$23,000 /boe/d
2023E NOI Multiple ⁴	2.9x - 3.1x
Reserves ⁵	
PDP Reserves	\$16.20/boe
TP Reserves	\$3.78/boe
TPP Reserves	\$2.51/boe

Notes

1. Normal closing adjustments resulting in an estimated \$3.5 million reduction in the Cash Consideration
2. Comprised of approximately 740 bbls/d of light crude oil, 2,770 mcf/d of conventional natural gas, and 300 bbls/d of NGLs
3. McDaniel & Associates engineering report dated September 1, 2022. (See: "Reserve Disclosure")
4. Assuming a WTI pricing range of US\$70/bbl to US\$75/bbl and F/X of 0.75
5. Reserves associated with Non-Core Area Disposition are based on ROK's internally estimated reserve values. (See: "Reserve Disclosure")

Advisors

McDougall Gauley LLP is acting as legal advisor to ROK with respect to the Acquisition.

Qualified Person

The technical content of this news release has been reviewed and approved by Bryden Wright, P. Eng., a qualified person for the purpose of National Instrument 51-101.

About ROK

ROK is primarily engaged in exploring for petroleum and natural gas development activities in Saskatchewan and Alberta. Its head office is located in Regina, Saskatchewan, Canada and ROK's common shares are traded on the TSX Venture Exchange under the trading symbol "ROK".

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OIL AND GAS ADVISORIES

Boe Disclosure

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

Reserves Disclosure

All reserves information in this press release in respect of the Core Area Acquisition was prepared by independent reserve evaluator McDaniel & Associates, effective September 1, 2022 using the reserve evaluators July 1, 2022 forecast prices and costs in accordance with National Instrument 51-101 - Standards of Disclosure of Oil and Gas Activities ("NI 51-101") and the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook"). All reserves information in this press release in respect of the Non-Core Area Disposition, specifically related to the reserves calculations in the table entitled Acquisition Metrics, was prepared internally by the Company using an effective date of October 1, 2022 and the reserve evaluators October 1, 2022 forecast prices and costs in accordance with NI 51-101 and COGE Handbook. All reserve references in this press release are "Company gross reserves". Company gross reserves are the Company's total working interest reserves before the deduction of any royalties payable by the Company and before the consideration of the Company's royalty interests. It should not be assumed that the present worth of estimated future cash flow of net revenue presented herein represents the fair market value of the reserves. There is no assurance that the forecast prices and costs assumptions will be attained, and variances could be material. The recovery and reserve estimates of the Assets and ROK's crude oil, NGLs and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas and NGLs reserves may be greater than or less than the estimates provided herein.

Drilling Locations

This press release discloses drilling locations with respect to the Assets in two categories: (i) proved locations; and (ii) un-booked locations. Proved locations are derived from the Company's internal reserves evaluation as prepared by a member of management who is a qualified reserves evaluator in accordance with NI 51-101 and the COGEH effective September 1, 2022 and October 1, 2022, and account for drilling locations that have associated proved and/or probable reserves, as applicable. Un-booked locations are internal estimates based on the Company's assumptions as to the number of wells that can be drilled per section based on industry practice and internal review. Un-booked locations do not have attributed reserves or resources. Of the total 90 drilling locations identified herein, 81 are proved plus probable locations and 9 are un-booked locations. Un-booked locations have been identified by management as an estimation of Company's multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production, and reserves information assuming completion of the Acquisition. Assuming completion of the Acquisition, there is no certainty that the Company will drill all un-booked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves, resources, or production. The drilling locations considered for future development will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the un-booked drilling locations have been de-risked by the drilling of existing wells by the vendor in relative close proximity to such un-booked drilling locations, other un-booked drilling locations are farther away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves, resources or production.

Non-IFRS Measures

Certain measures commonly used in the oil and natural gas industry referred to herein, including, "Net Operating Income", "Operating Netback", "Debt-Adjusted Cash Flow", "Free Fund Flow", "Net Debt", and

"Reserve Life Index" do not have a standardized meaning prescribed by IFRS and therefore may not be comparable with the calculation of similar measures by other companies. These non-IFRS measures are further described and defined below. Such non-IFRS measures are not intended to represent operating profits, nor should they be viewed as an alternative to cash flow provided by operating activities, net earnings or other measures of financial performance calculated in accordance with IFRS.

"Net Operating Income" is calculated as petroleum and natural gas revenue (before realized hedging gains or losses on derivative instruments) less royalties, net operating expenses and transportation expenses.

"Operating Netback" is net operating income expressed per unit of production on a per boe basis.

"Debt-Adjusted Cash Flow" is calculated by taking net operating income and deducting cash G&A and finance costs.

"Free Funds Flow" is calculated by taking net operating income and deducting cash G&A and finance costs, and capital expenditures, excluding acquisitions and dispositions.

"Net Debt" equals as the net balance outstanding long-term debt and net working capital, analyzing the level of debt in the Company after including the impact of working capital.

"Reserve Life Index" is calculated by dividing the TPP reserves by the product of the estimated current production and 365 days in a year.

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

Abbreviations

bbls/d barrels per day

boe barrels of oil equivalent

boe/d barrels oil equivalent per day

NGLs Natural Gas Liquids

Mboe Thousands of barrels of oil equivalent

MMboe Millions of barrels of oil equivalent

PDP Proved Developed Producing

TP Total Proved Reserves

TPP Total Proved and Probable Reserves

IFRS International Financial Reporting Standards as issued by the International Accounting Standards Board

WTI West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for the crude oil standard grade

Cautionary Statement Regarding Forward-Looking Information

This news release includes certain "forward-looking statements" under applicable Canadian securities

legislation that are not historical facts. Forward-looking statements involve risks, uncertainties, and other factors that could cause actual results, performance, prospects, and opportunities to differ materially from those expressed or implied by such forward-looking statements. Forward-looking statements in this news release include, but are not limited to, statements with respect to the Company's objectives, goals, or future plans with respect to pursuing the Acquisition and expectations regarding the expected results thereof. Forward-looking statements are necessarily based on several estimates and assumptions that, while considered reasonable, are subject to known and unknown risks, uncertainties and other factors which may cause actual results and future events to differ materially from those expressed or implied by such forward-looking statements. Such factors include but are not limited to general business, economic and social uncertainties; litigation, legislative, environmental, and other judicial, regulatory, political and competitive developments; delay or failure to receive board, shareholder or regulatory approvals; those additional risks set out in ROK's public documents filed on SEDAR at www.sedar.com; and other matters discussed in this news release. Although the Company believes that the assumptions and factors used in preparing the forward-looking statements are reasonable, undue reliance should not be placed on these statements, which only apply as of the date of this news release, and no assurance can be given that such events will occur in the disclosed time frames or at all. Except where required by law, the Company disclaims any intention or obligation to update or revise any forward-looking statement, whether because of new information, future events, or otherwise.

Cautionary Statement Regarding Future Oriented Financial Information

This news release contains future oriented financial information ("FOFI") within the meaning of applicable securities laws. The FOFI has been prepared by our management to provide an outlook of our activities and results and may not be appropriate for other purposes. The FOFI has been prepared based on a number of assumptions including the assumptions discussed and described as forward-looking statements and assumptions with respect to expected annualized net operating income. The actual results of our operations and the resulting financial results may vary from the forecast set forth herein, and such variation may be material. Our management believes that the FOFI has been prepared on a reasonable basis, reflecting management's best estimates and judgments. Readers are cautioned that the foregoing list of important factors is not exhaustive. The forward-looking statements and the FOFI contained in this news release are made as of the date of this news release or the dates specifically referenced herein. All forward-looking statements and the FOFI contained in this news release are expressly qualified by this disclaimer and cautionary statement. Other than as required by applicable securities laws, the Company assumes no obligation to update forward-looking statements or the FOFI should circumstances or the Company's estimates or opinions change.

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

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