



## **INTERIM CONDENSED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2020**

### **NOTICE OF NO AUDITORS' REVIEW OF INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited interim condensed financial statements of ROK Resources Inc. have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditors.

# ROK RESOURCES INC.

## INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

<i>(Unaudited, expressed in Canadian Dollars)</i>	<b>September 30, 2020</b>	December 31, 2019
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	<b>1,711,191</b>	1,250,300
Accounts receivable	<b>210,987</b>	6,144
Prepays and deposits	<b>69,130</b>	26,385
	<b>1,991,308</b>	1,282,829
Non-current Assets		
Property, plant and equipment (Note 5)	<b>3,744,825</b>	-
Exploration & evaluation assets (Note 6)	<b>982,097</b>	918,246
	<b>6,718,230</b>	2,201,075
<b>Liabilities</b>		
Current Liabilities		
Accounts payable and accrued liabilities	<b>445,154</b>	55,155
Non-current Liabilities		
Severance liability	-	100,000
Decommissioning obligations (Note 7)	<b>3,384,499</b>	-
	<b>3,829,653</b>	155,155
<b>Shareholders' Equity</b>		
Share capital (Note 8a)	<b>87,685,684</b>	87,210,218
Subscription receipts (Note 13)	<b>909,000</b>	-
Warrants (Note 8b)	<b>211,145</b>	40,004
Contributed surplus (Note 8c)	<b>31,622,804</b>	31,586,276
Deficit	<b>(117,540,056)</b>	(116,790,578)
	<b>2,888,577</b>	2,045,920
	<b>6,718,230</b>	2,201,075

*Going concern (Note 2)*

*Commitments (Note 11)*

*Subsequent events (Note 13)*

*See accompanying notes to the interim condensed financial statements.*

## ROK RESOURCES INC.

### INTERIM CONDENSED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the three and nine months ended September 30

<i>(Unaudited, expressed in Canadian Dollars)</i>	Three months ended		Nine months ended	
	2020	2019 <sup>(1)</sup>	2020	2019 <sup>(1)</sup>
<b>Revenue:</b>				
Oil and natural gas sales	445,907	-	445,907	-
Royalties	(66,999)	-	(66,999)	-
Revenue	378,908	-	378,908	-
<b>Expenses and other items:</b>				
Operating expenses	368,788	-	368,788	-
General and administrative	214,049	39,708	518,802	150,195
Business development	295	10,577	66,042	10,577
Stock-based compensation (Note 8c)	27,832	4,780	82,564	17,193
Depletion and depreciation (Note 5)	86,329	-	86,329	-
Net finance expense (income)	10,052	(4,389)	7,780	(13,172)
Foreign exchange loss (gain)	1,579	920	(1,919)	4,341
	708,924	51,596	1,128,386	169,134
<b>Net loss and comprehensive loss</b>	<b>(330,016)</b>	<b>(51,596)</b>	<b>(749,478)</b>	<b>(169,134)</b>
Loss per share – basic and diluted (Note 8d)	(0.01)	(0.00)	(0.02)	(0.01)
Weighted average number of common shares outstanding	48,949,277	23,274,268	45,179,745	23,274,268

(1) Presented in Canadian Dollars to conform with current period presentation - see Note 3

See accompanying notes to the interim condensed financial statements.

# ROK RESOURCES INC.

## INTERIM CONDENSED STATEMENTS OF CASH FLOWS

For the three and nine months ended September 30

<i>(Unaudited, expressed in Canadian Dollars)</i>	Three months ended		Nine months ended	
	2020	2019 <sup>(1)</sup>	2020	2019 <sup>(1)</sup>
<b>Cash flows provided by (used in):</b>				
<b>Operating activities</b>				
Loss	(330,016)	(51,596)	(749,478)	(169,134)
Adjustments for:				
Depletion and depreciation	86,329	-	86,329	-
Stock-based compensation	27,832	4,780	82,564	17,193
Unrealized foreign exchange loss (gain)	1,579	(987)	(1,919)	2,434
Severance liability	(100,000)	-	(100,000)	-
Net finance expense (income)	10,052	-	7,780	-
Change in non-cash working capital (Note 12)	40,597	22,628	53,528	(12,857)
	<b>(263,627)</b>	<b>(25,175)</b>	<b>(621,196)</b>	<b>(162,364)</b>
<b>Investing activities</b>				
Net asset acquisition (Note 4b)	-	-	(274,446)	-
Expenditures on property, plant and equipment	(181,949)	-	(181,949)	-
Expenditures on exploration and evaluation assets	(39,757)	-	(63,851)	-
Change in non-cash working capital (Note 12)	86,383	-	86,383	-
	<b>(135,323)</b>	<b>-</b>	<b>(433,863)</b>	<b>-</b>
<b>Financing activities</b>				
Proceeds on private placement, net of costs (Note 8a)	486,071	-	486,071	-
Proceeds on subscription receipts (Note 13)	909,000	-	909,000	-
Proceeds on option exercises (Note 8c)	92,000	-	92,000	-
Proceeds on warrant exercises (Note 8b)	22,500	-	22,500	-
Net finance received (paid)	(312)	-	1,960	-
Change in non-cash working capital (Note 12)	2,500	-	2,500	-
	<b>1,511,759</b>	<b>-</b>	<b>1,514,031</b>	<b>-</b>
Foreign exchange gain (loss) on cash	(1,579)	987	1,919	(2,434)
<b>Decrease in cash and cash equivalents</b>	<b>1,111,230</b>	<b>(24,188)</b>	<b>460,891</b>	<b>(164,798)</b>
Cash and cash equivalents, beginning of period	599,961	1,299,352	1,250,300	1,439,962
<b>Cash and cash equivalents, end of period</b>	<b>1,711,191</b>	<b>1,275,164</b>	<b>1,711,191</b>	<b>1,275,164</b>

Cash is defined as cash and cash equivalents.

(1) Presented in Canadian Dollars to conform with current period presentation - see Note 3

See accompanying notes to the interim condensed financial statements.

## ROK RESOURCES INC.

### INTERIM CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

*(Unaudited, expressed in Canadian Dollars)*

	Number of Shares	Share Capital	Subscription Receipts	Warrants	Contributed Surplus	Deficit	Total
Balance at December 31, 2018	23,274,268	86,110,218	-	40,004	31,483,897	(116,227,689)	1,406,430
Net loss						(169,134)	(169,134)
Stock-based compensation					17,193		17,193
<b>Balance at September 30, 2019 <sup>(1)</sup></b>	<b>23,274,268</b>	<b>86,110,218</b>	<b>-</b>	<b>40,004</b>	<b>31,501,090</b>	<b>(116,396,823)</b>	<b>1,254,489</b>

*(Expressed in Canadian Dollars)*

	Number of Shares	Share Capital	Subscription Receipts	Warrants	Contributed Surplus	Deficit	Total
Balance at December 31, 2019	43,274,268	87,210,218	-	40,004	31,586,276	(116,790,578)	2,045,920
Net loss						(749,478)	(749,478)
Private placement	7,692,308	314,030		172,041			486,071
Subscription receipts			909,000				909,000
Stock option exercise	920,000	138,036			(46,036)		92,000
Warrant exercise	150,000	23,400		(900)			22,500
Stock-based compensation					82,564		82,564
<b>Balance at September 30, 2020</b>	<b>52,036,576</b>	<b>87,685,684</b>	<b>909,000</b>	<b>211,145</b>	<b>31,622,804</b>	<b>(117,540,056)</b>	<b>2,888,577</b>

*(1) Presented in Canadian Dollars to conform with current period presentation - see Note 3*

*See accompanying notes to the interim condensed consolidated financial statements.*

ROK RESOURCES INC.  
Notes to the Interim Condensed Financial Statements  
For the periods ended September 30, 2020 and 2019

## **1. REPORTING ENTITY**

ROK Resources Inc. (“ROK” or the “Company”), formerly known as Petrodorado Energy Ltd., is a public company that is engaged in oil and gas exploration and development activities in Canada. The Company’s head office is located in Regina, Saskatchewan, Canada. The Company’s shares are listed and publicly traded on the TSX Venture Exchange (the “Exchange”) under the trading symbol “ROK”.

In recent years, the Company underwent a strategic reassessment which resulted in the disposal of all foreign operations and associated exploration blocks wherein the Company had a participating interest. In 2019, the Company completed the acquisition of certain Saskatchewan land leases with prospective mineral rights (see Note 4a) and changed its name to “ROK Resources Inc.”.

## **2. GOING CONCERN**

These interim condensed financial statements have been prepared on a going concern basis, which assumes that the Company will be able to discharge its obligations and realize its assets in the normal course of operations for the foreseeable future. During the nine months ended September 30, 2020, the Company incurred a loss of \$749,478 and used \$621,196 of cash flows in its operating activities, which were financed principally from proceeds from past share issuances. As at September 30, 2020, the Company had a working capital balance of \$1,546,154.

The Company only recently acquired petroleum and natural gas assets with existing production capabilities (see Note 4b). Until such time that these new producing assets contribute to generating net positive cash flow, the Company will continue to rely upon its remaining financial resources to fund administrative costs and the development of its oil and gas properties. These conditions indicate the existence of a material uncertainty that casts significant doubt about the Company’s ability to continue as a going concern. There is no guarantee that the Company will be successful in raising the capital required to fund ongoing operations and exploration and development activities or that the terms of a financing, if any, will be acceptable to the Company. The decline of commodity pricing in 2020 and the COVID-19 global pandemic and its impact on the economy further increases the risk associated with obtaining the capital necessary to develop the Company’s oil and gas properties.

Management believes that the going concern assumption is appropriate for these interim condensed financial statements and that the Company will be able to fund its operations during the upcoming year. Should the going concern assumption not be appropriate and the Company is not able to realize its assets and settle its liabilities in the normal course of operations, these interim condensed financial statements would require adjustments to the amounts and classifications of assets and liabilities.

## **3. BASIS OF PRESENTATION**

### **Statement of compliance**

These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” under International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

These interim condensed financial statements follow the same accounting policies and method of computation as the Company’s annual audited financial statements for the year ended December 31, 2019, with the exception of certain disclosures that are normally required to be included in annual financial statements which have been condensed or omitted. These interim condensed financial statements should be read in conjunction with the Company’s annual audited financial statements for the year ended December 31, 2019.

ROK RESOURCES INC.  
Notes to the Interim Condensed Financial Statements  
For the periods ended September 30, 2020 and 2019

These interim condensed financial statements were authorized for issue by the Board of Directors on November 26, 2020.

**Basis of measurement**

These interim condensed financial statements have been prepared on the historical cost basis except for certain financial and non-financial assets and liabilities, which have been measured at fair value. The methods used to measure fair value are consistent with the Company's December 31, 2019 audited consolidated financial statements.

In March 2020, the global outbreak of COVID-19 (coronavirus) was declared a pandemic by the World Health Organization. Governments worldwide, including those in Canada, have enacted emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to businesses globally resulting in an economic downturn. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions; however, the success of these interventions is not currently determinable. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. The scale and duration of these developments remain uncertain but could impact the Company's operations, future net earnings, cash flows and financial condition.

The preparation of 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. The COVID-19 outbreak presents additional uncertainty and risk with respect to the Company, its performance, and estimates and assumptions used by management in the preparation of its financial results.

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 years affected. Estimates and judgements made by management in the preparation of these interim condensed financial statements are subject to a higher degree of measurement uncertainty during this volatile period.

**Functional and presentation currency**

These interim condensed financial statements are presented in Canadian dollars ("CAD").

Effective December 31, 2019, the Company changed its presentation currency from US Dollars ("USD") to CAD to better reflect the Company's business activities, the needs of investors and comparability to peers in the oil and gas industry. In making this change in presentation currency to CAD, the Company followed the guidance in IAS 21 "The Effects of Changes in Foreign Exchange Rates" and have applied the change retrospectively to all comparative amounts as if CAD had always been the Company's presentation currency.

**Significant accounting policies**

The Company's significant accounting policies can be read in Note 4 to the Company's annual audited consolidated financial statements as at and for the year ended December 31, 2019.

ROK RESOURCES INC.  
Notes to the Interim Condensed Financial Statements  
For the periods ended September 30, 2020 and 2019

**New standards adopted on January 1, 2020**

IFRS 3 “Business Combinations” was amended to revise the definition of the term 'business'. The amendments narrowed the definitions of a business and outputs and includes an optional concentration test. The adoption of this amendment did not have a material impact on the Company's financial statements.

**4. ACQUISITIONS**

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. Amendments may be made to these amounts as values subject to estimate are finalized for a period of up to one year.

**a) ROK Acquisition**

On November 28, 2019, the Company completed the acquisition of ROK Resources Inc., a private Saskatchewan oil and gas company (the “Private Company”), pursuant to which the Company acquired all of the issued and outstanding shares of the Private Company. Under the terms of the transaction, former Private Company shareholders were issued an aggregate of 20,000,000 Class B Shares of the Company as consideration valued at \$1.1 million. As a result of the transaction, the Company acquired interests in certain undeveloped land located in Southeast Saskatchewan on which it intends to conduct petroleum and natural gas exploratory work.

As the Private Company had no operations or substantive business activities nor any revenue-generating assets, the transaction was accounted for as an acquisition of net assets with the following net fair values assigned:

Cash	210,975
Accounts receivable and prepaids	28,928
Exploration and evaluation assets	917,538
Accounts payable	(44,531)
<b>Total net assets acquired</b>	<b>1,112,910</b>
Share consideration (20,000,000 Class B Shares)	1,100,000
Transaction costs	12,910
<b>Total purchase price</b>	<b>1,112,910</b>

**b) Glen Ewen Asset Acquisition**

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

The transaction was accounted for as an acquisition of net assets with the following preliminary net fair values assigned, subject to further purchase price adjustments between the Company and the vendor:

ROK RESOURCES INC.  
Notes to the Interim Condensed Financial Statements  
For the periods ended September 30, 2020 and 2019

Development and production assets	3,649,205
Decommissioning liability	(3,374,759)
<b>Total net assets acquired</b>	<b>274,446</b>
Cash consideration	70,000
Purchase price adjustments	173,077
Transaction costs	31,369
<b>Total purchase price</b>	<b>274,446</b>

## 5. PROPERTY, PLANT AND EQUIPMENT

The Company's property, plant and equipment ("PP&E") consist of development and production assets ("D&P") and corporate assets. 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	Corporate	Total PP&E
Balance, December 31, 2019	-	-	-
Acquisitions (Note 4b)	3,649,205	-	3,649,205
Additions	181,949	-	181,949
<b>Balance, September 30, 2020</b>	<b>3,831,154</b>	-	<b>3,831,154</b>
<b>Accumulated Depletion &amp; Depreciation</b>			
Balance, December 31, 2019	-	-	-
Depletion & depreciation	86,329	-	86,329
<b>Balance, September 30, 2020</b>	<b>86,329</b>	-	<b>86,329</b>
<b>Net Book Value</b>			
At December 31, 2019	-	-	-
<b>At September 30, 2020</b>	<b>3,744,825</b>	-	<b>3,744,825</b>

At September 30, 2020, the balance of PP&E consisted of those D&P assets acquired as part of the transaction outlined in Note 4b as well as ongoing capital additions. Future development costs in the amount of \$716,000 were included in the depletion calculated for the nine months ended September 30, 2020.

At September 30, 2020 there were no indicators of impairment to the carrying amount of PP&E.

## 6. EXPLORATION AND EVALUATION ASSETS

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

Balance, December 31, 2019	918,246
Additions	63,851
<b>Balance, September 30, 2020</b>	<b>982,097</b>

The Company's E&E assets represent the recognized acquisition value and subsequent costs incurred in relation to the undeveloped land interests located in Saskatchewan on which it intends to conduct petroleum and natural gas exploratory work.

ROK RESOURCES INC.  
Notes to the Interim Condensed Financial Statements  
For the periods ended September 30, 2020 and 2019

## 7. DECOMMISSIONING LIABILITIES

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

Balance, December 31, 2019	-
Liabilities acquired (Note 4b)	3,374,759
Accretion expense	9,740
<b>Balance, September 30, 2020</b>	<b>3,384,499</b>

The underlying cost estimates are derived from a combination of published industry benchmarks as well as site specific information. As at September 30, 2020, the undiscounted amount of the estimated cash flows required to settle the obligation is \$3.2 million and is expected to be incurred over the next 40 years (\$nil as of December 31, 2019). Based on an inflation rate of 1.6%, the undiscounted amount of the estimated future cash flows required to settle the obligation is \$4.1 million at September 30, 2020 (December 31, 2019 – \$nil).

The inflated future cost estimates are discounted based on a risk-free rate to determine the carrying amounts presented in the table above. As at September 30, 2020, the carrying amount of the decommissioning obligations is based on a risk-free rate of 1.2%.

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

## 8. SHARE CAPITAL

### a) Common shares

At September 30, 2020, the Company was authorized to issue an unlimited number of Class B Shares, with no par value, with holders of Class B Shares entitled to two votes per share and to dividends, if declared. Outstanding Class B Shares as of September 30, 2020, are as follows:

	Common shares	Amount
Balance, December 31, 2018	23,274,268	86,110,218
Shares issued on asset acquisition (Note 4a)	20,000,000	1,100,000
Balance, December 31, 2019	43,274,268	87,210,218
Private placement, July 2020	7,692,308	314,030
Stock option exercise	920,000	138,036
Warrant exercise	150,000	23,400
<b>Balance, September 30, 2020</b>	<b>52,036,576</b>	<b>87,685,684</b>

On July 31, 2020, the Company closed a private placement financing consisting of units of the Company at a price of \$0.065 per unit for total gross proceeds of \$500,000. Each unit consisted of one Class B Share in the capital of the Company and included one Class B Share purchase warrant, with each warrant exercisable to purchase one Class B Share at a price of \$0.15 for a period of twenty four months from the date of issuance, expiring on July 31, 2022. A total of 7,692,308 Units were issued pursuant to this offering. The Class B Shares and warrants issued pursuant to this offering are subject to a hold period of four months and a day from the closing date, expiring on December 1, 2020.

ROK RESOURCES INC.  
Notes to the Interim Condensed Financial Statements  
For the periods ended September 30, 2020 and 2019

The Company has allocated \$314,030 of total proceeds from the private placement to share capital and \$172,041 to warrants, net of issue costs. The allocation considered both the fair value of Class B Shares in the market as well as warrant fair value based on a Black-Scholes option pricing model.

On November 28, 2019, the Company issued 20,000,000 Class B Shares to the former shareholders of the Private Company as consideration for 100% of the outstanding shares of the Private Company in accordance with the terms of the Transaction (see Note 4a). The newly issued Class B Shares were valued at \$0.055 per share for a total value of \$1,100,000 based upon the market price of the Company's Class B Shares on November 28, 2019.

**b) Warrants**

***Purchase warrants on private placement***

Pursuant to the non-brokered private placement of units in July 2020 (see Note 8a), the Company issued 7,692,308 units, each consisting of one Class B share and one share purchase warrant. Each warrant can be exercised to purchase one additional common share at a price of C\$0.18 until July 31, 2022. A fair value of \$172,041, net of issue costs, was recognized at the time of the issuance of these purchase warrants.

***2017 purchase warrants***

Pursuant to the non-brokered private placement of units in June 2017, the Company issued 6,666,667 share purchase warrants. The warrants are exercisable at a price of \$0.15 per share until June 2022. A fair value of \$40,004, net of issue costs, was recognized for the issuance of the share purchase warrants.

A summary of the changes in warrants is presented below:

	Warrants	Weighted average exercise price
Balance, December 31, 2019	6,666,667	0.15
Warrants issued	7,692,308	0.18
Warrants exercised	(150,000)	0.15
<b>Balance, September 30, 2020</b>	<b>14,208,975</b>	<b>0.17</b>

The following summarizes information about total purchase warrants outstanding as at September 30, 2020:

Exercise prices (C\$)	Number of warrants outstanding	Weighted average term to expiry (years)	Number of warrants exercisable
0.15	6,516,667	1.72	6,516,667
0.18	7,692,308	1.83	7,692,308
	<b>14,208,975</b>	<b>1.78</b>	<b>14,208,975</b>

**c) Stock options**

The Company has a stock option plan whereby options can be granted from time to time to directors, 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:

ROK RESOURCES INC.  
Notes to the Interim Condensed Financial Statements  
For the periods ended September 30, 2020 and 2019

	Stock options	Weighted average exercise price
Balance, December 31, 2018	2,168,000	0.27
Expired options	(108,000)	3.50
Options issued	1,850,000	0.15
Balance, December 31, 2019	3,910,000	0.12
Options forfeited	(166,667)	0.15
Expired options	(83,333)	0.15
Options exercised	(920,000)	0.10
<b>Balance, September 30, 2020</b>	<b>2,740,000</b>	<b>0.13</b>
<b>Exercisable, September 30, 2020</b>	<b>1,673,333</b>	<b>0.12</b>

In December 2019, the Company granted 1,850,000 options to acquire common shares to certain officers and employees of the Company at a price of \$0.15 per common share. The options are for a five-year term, expiring in December 2024, and vesting one-third on date of grant, one-third on the first anniversary date and one-third on the second anniversary date from the date of grant.

Options granted in 2019 were allocated an estimated fair value using the Black-Scholes option pricing model to estimate the fair value with the following weighted average assumptions:

Expected forfeiture rate	10%
Risk-free interest rate	1.48%
Expected dividend yield	0%
Expected stock price volatility	136%
Expected option life	5 years
Fair value of options granted	\$0.122

The following summarizes information about stock options outstanding as at September 30, 2020:

Exercise prices	Number of options outstanding	Weighted average term to expiry (years)	Number of options exercisable
0.10	1,140,000	2.36	1,140,000
0.15	1,600,000	4.18	533,333
	<b>2,740,000</b>	<b>3.42</b>	<b>1,673,333</b>

No stock options were issued during the nine months ended September 30, 2020. For the nine months ended September 30, 2020, the Company recognized \$82,564 (September 30, 2019 - \$17,193) in stock-based compensation expense. Recognized stock-based compensation is recorded as an expense and as contributed surplus.

**d) Loss per share**

For purposes of the loss per share calculations for the periods ended September 30, 2020 and 2019, there is no difference between the basic loss per share and the diluted loss per share amounts. For the periods ended September 30, 2020, 2,990,000 options and 14,208,975 warrants (September 30, 2019 - 2,060,000 options and 6,666,667 warrants) were excluded as their impact was anti-dilutive.

ROK RESOURCES INC.  
Notes to the Interim Condensed Financial Statements  
For the periods ended September 30, 2020 and 2019

**9. REVENUE**

The following table presents the Company's oil and natural gas revenue disaggregated by product type for the three and nine months ended September 30, 2020 and 2019:

	Three months ended		Nine months ended	
	2020	2019	2020	2019
Oil sales	287,799	-	287,799	-
Natural gas sales	102,298	-	102,298	-
NGL sales	55,810	-	55,810	-
<b>Total</b>	<b>445,907</b>	<b>-</b>	<b>445,907</b>	<b>-</b>

As at September 30, 2020, receivables from contracts with customers, which are included in accounts receivable, were \$163,679 (December 31, 2019 - \$nil).

**10. FINANCIAL RISK MANAGEMENT**

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

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks, and the Company's management of capital. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

**Credit risk**

Credit risk reflects the risk of loss if counterparties do not fulfill their contractual obligations and arises principally from the Company's receivables from joint operations partners and petroleum and natural gas customers.

Receivables from petroleum and natural gas marketers are normally collected on the 25th day of the month following production. When production is not taken in kind payment comes from the common stream operator and facility operator in which payment is typically received on the 25th day of the month following production. The Company's approach to mitigate credit risk associated with these balances is to maintain marketing relationships with established and reputable customers, common stream operators and facility operators that are considered to be creditworthy. The Company has not experienced any collection issues with its current common stream and facility operators.

Joint operations receivables are typically collected within two to three months of the joint operations billing being issued to the partner. The Company mitigates collection risk from joint operations receivables by obtaining partner approval of significant capital and operating expenditures prior to expenditure and, in certain circumstances, may collect cash deposits in advance of incurring financial obligations on behalf of joint operations partners. Joint operations receivables are from partners in the petroleum and natural gas industry who are subject to the risks and conditions of the industry. Significant changes in industry conditions and risks that negatively impact partners' ability to generate cash flow will increase the risk of not collecting joint operations receivables.

ROK RESOURCES INC.  
Notes to the Interim Condensed Financial Statements  
For the periods ended September 30, 2020 and 2019

The Company has considered the impact of the COVID-19 outbreak and the resulting decreases to commodity prices on the expected credit loss of the Company and has not noted a significant impact.

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:

<b>Carrying Amount</b>	<b>September 30, 2020</b>	<b>December 31, 2020</b>
Oil and natural gas customers	191,172	-
Joint operations partners	13,276	-
Accruals and other	6,539	6,144
<b>Total</b>	<b>210,987</b>	<b>6,144</b>

The Company applies the simplified approach to providing for expected credit losses as prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable and accrued receivables. The expected credit losses below also incorporate forward looking information.

<b>Aging</b>	<b>September 30, 2020</b>	<b>December 31, 2020</b>
0 - 30 days	169,545	6,144
30 - 90 days	41,442	-
Greater than 90 days	-	-
Expected credit loss	-	-
<b>Total</b>	<b>210,987</b>	<b>6,144</b>

The Company considers amounts outstanding greater than 90 days to be past due. 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 September 30, 2020 there were no receivables which were over 90 days due and considered past due (December 31, 2019 - \$nil).

The Company held cash and cash equivalents of \$1,711,191 as at September 30, 2020 (December 31, 2019 - \$1,250,300). 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 impacts of the COVID-19 outbreak and the resulting decreases to commodity prices has increased the liquidity risk of the Company. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient cash resources in order to finance operations, fund capital expenditures, and to repay debt and other liabilities of the Company as they come due, without incurring unacceptable losses or risking harm to the Company's reputation. The Company's processes for managing liquidity risk include preparing and monitoring capital and operating budgets, coordinating and authorizing project expenditures, and authorization of contractual agreements. The Company seeks additional financing based on the results of these processes. The budgets are updated when required as conditions change.

At September 30, 2020, the Company's contractual obligations consist of accounts payable and accrued liabilities which are considered current in nature and due within one year.

ROK RESOURCES INC.  
Notes to the Interim Condensed Financial Statements  
For the periods ended September 30, 2020 and 2019

**Market risk**

Market risk is the risk or uncertainty that changes in price, such as commodity prices, foreign exchange rates, and interest rates will affect the Company's net earnings and the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns. From time to time, the Company may utilize financial derivative contracts to manage market risks in accordance with the risk management policy that has been approved by the Board of Directors. There were no financial contracts or embedded derivatives outstanding at September 30, 2020 or December 31, 2019.

**Commodity price risk**

Commodity price risk is the risk that the fair value of the future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted by not only the US dollar, but also by world economic events that dictate the levels of supply and demand.

To date in 2020, crude oil prices have declined dramatically and despite modest recovery from the 20 year low reached in April, oil prices continue to be weak and volatile as a result of factors such as the COVID-19 outbreak. Natural gas prices have also been adversely affected by oversupply and expectation of lower industrial demand, however the AECO gas reference price has improved relative to the comparative periods of 2019 due to narrowing of the Canadian basis differential.

	Three months ended September 30			Nine months ended September 30		
	2020	2019	%	2020	2019	%
WTI Cushing Oklahoma (US\$/bbl) <sup>(1)</sup>	40.93	56.47	(28)	38.31	57.04	(33)
Canadian Light Sweet 40 API (\$/bbl) <sup>(1)</sup>	49.05	69.26	(29)	44.17	69.58	(37)
NYMEX Henry Hub (US\$/MMBtu) <sup>(1)</sup>	2.13	2.33	(9)	1.92	2.57	(25)
AECO 5A (\$/GJ) <sup>(2)</sup>	2.12	0.86	147	1.98	1.44	38
Exchange rate (CA\$/US\$) <sup>(1)</sup>	1.33	1.32	1	1.35	1.33	2

(1) Source: Sproule Associates Limited

(2) Source: Canadian Gas Price Reporter (NGX AB-NIT Same Day Index 5A)

As at September 30, 2020, the Company had not entered into any derivative contracts or forward commodity sales contracts to manage its exposure to commodity price fluctuations.

**Foreign currency risk**

Foreign currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign currency exchange rates. While the majority of the Company's financing and administrative costs will be based and paid in Canadian dollars, the Company is exposed to the risk of fluctuations in foreign exchange rates between the Canadian dollar and the US dollar (US\$) given the Company's realized pricing in Canadian dollars is directly influenced by US\$ denominated benchmark pricing. As at September 30, 2020, the Company had not entered into any foreign currency derivatives to manage its exposure to currency fluctuations.

**Interest rate risk**

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in prevailing market interest rates. The Company is exposed to interest rate risk on its cash and cash equivalents and short-term investments that have a floating interest rate. Fluctuations of interest rates for the periods ending September 30, 2020 and 2019 would not have had a significant impact on the financial statements.

**Fair value of financial instruments**

The Company's financial instruments as at September 30, 2020, include cash and cash equivalents, accounts receivable, prepaids, and accounts payable and accrued liabilities.

ROK RESOURCES INC.  
Notes to the Interim Condensed Financial Statements  
For the periods ended September 30, 2020 and 2019

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 aforementioned financial instruments of the Company are classified as level 1 based on the nature of their observable inputs for fair value measurement. The fair value of cash and cash equivalents, accounts receivable, prepaids, accounts payable and accrued liabilities approximate their carrying amounts due to their short terms to maturity.

#### **Capital management**

The Company's objectives when managing capital are to ensure the Company will have sufficient financial capacity, liquidity, and flexibility to fund the Company's operations and potential strategic transactions for the foreseeable future (see Note 2). The Company is dependent upon funding these activities through a combination of available cash, debt and equity, which it considers to be the components of its capital structure as outlined below.

The Company 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.

#### **11. COMMITMENTS**

The Company's estimated financial commitments consist of fees and taxes related to the existing mineral leases held in Saskatchewan that equate to a total financial commitment of no more than \$185,000 per year. Fees or royalties on production are only derived once production is realized on existing mineral leases.

The expenditures above represent the Company's estimated cost to satisfy contract requirements and are based on the latest possible data available for each contract.

ROK RESOURCES INC.  
Notes to the Interim Condensed Financial Statements  
For the periods ended September 30, 2020 and 2019

**12. SUPPLEMENTAL CASH FLOW INFORMATION**

For the periods ended September 30	Three months ended		Nine months ended	
	2020	2019	2020	2019
Accounts receivable	(202,997)	1,107	(204,843)	(4,449)
Prepays and deposits	(52,311)	-	(42,745)	-
Accounts payable and accrued liabilities	384,788	21,521	389,999	(8,408)
<b>Change in non-cash working capital</b>	<b>129,480</b>	<b>22,628</b>	<b>142,411</b>	<b>(12,857)</b>
Relating to:				
Operating activities	40,597	22,628	53,528	(12,857)
Investing activities	86,383	-	86,383	-
Financing activities	2,500	-	2,500	-
<b>Change in non-cash working capital</b>	<b>129,480</b>	<b>22,628</b>	<b>142,411</b>	<b>(12,857)</b>

**13. SUBSEQUENT EVENTS**

**Private placement offering**

On November 9, 2020, the Company closed a private placement financing consisting of units of the Company (each a "Unit") at a price of \$0.20 per Unit for total gross proceeds of \$1,392,000 (the "Offering"). Each Unit consisted of one Class B Share in the capital of the Company and included one half of one Class B Share purchase warrant, with each warrant exercisable to purchase one Class B Share at a price of \$0.30 for a period of twenty four months from the date of issuance. A total of 6,960,000 Units were issued pursuant to the Offering. The Class B Shares and warrants issued pursuant to the Offering are subject to a hold period of four months and a day from the closing date, expiring on March 9, 2021. While the Offering was non-brokered, approximately \$14,000 was paid in finders fees and commissions to various brokers who assisted with finding subscribers to the Offering, in addition to the issuance of 70,000 broker warrants with the same terms as the purchase warrants. As of September 30, 2020, the Company had received \$909,000 pursuant to subscriptions toward this private placement, which were classified as "Subscription Receipts" for purposes of these interim condensed financial statements.