

# ROK RESOURCES INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

The following is management's discussion and analysis ("MD&A") of the operating and financial results of ROK Resources Inc. ("ROK" or the "Company") for the three and nine months ended September 30, 2021, as compared to the three and nine months ended September 30, 2020, as well as information and expectations concerning the Company's outlook based on currently available information.

This MD&A should be read in conjunction with ROK's interim condensed financial statements for the three and nine months ended September 30, 2021, as well as the audited annual financial statements for the year ended December 31, 2020 (collectively, the "Financial Statements") prepared in accordance with IFRS (as defined below), together with the accompanying notes.

This MD&A contains forward-looking information about our current expectations, estimates, projections and assumptions. Additional information on the Company, its financial statements, this MD&A and other factors that could affect the Company's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)).

*All dollar values are expressed in Canadian dollars, unless otherwise indicated, and are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB").*

This MD&A is prepared as of November 29, 2021.

### NON-IFRS MEASURES

The non-IFRS measures referred to below do not have any standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures used by other companies. Management uses these non-IFRS measurements to provide its shareholders and investors with a measurement of the Company's financial performance and are not intended to represent operating profits nor should they be viewed as an alternative to cash provided by operating activities, net income or other measures of financial performance calculated in accordance with IFRS. The reader is cautioned that these amounts may not be directly comparable to measures for other companies where similar terminology is used.

### Funds Used in Operations

"Funds Used in Operations" include all cash used in operating activities and are calculated before the change in non-cash working capital. A reconciliation of cash used in operating activities to funds used in operations for the three and nine months ended September 30, 2021, and 2020, are as follows:

<b>Funds used in operations (\$)</b>	<b>Q3 2021</b>	<b>Q3 2020</b>	<b>YTD 2021</b>	<b>YTD 2020</b>
Cash used in operating activities	(197,204)	(171,627)	(648,983)	(529,196)
Change in non-cash working capital	(152,774)	40,597	(289,517)	53,528
<b>Funds used in operations</b>	<b>(44,430)</b>	<b>(212,224)</b>	<b>(359,466)</b>	<b>(582,724)</b>

### Operating Income and Netback

"Operating Income" is calculated by deducting operating expense from total revenue. Total revenue is comprised of oil and gas sales, net of royalties. The Company refers to Operating Income expressed per unit of production as an "Operating Netback". "Operating Income Profit Margin" is calculated by the Company as Operating Income as a

percentage of oil and natural gas sales. A reconciliation of the measures for the three and nine months ended September 30, 2021 and 2020, are as follows:

	Q3 2021	Q3 2020	YTD 2021	YTD 2020
Crude Oil and Natural Gas Sales	1,075,829	275,513	2,225,065	275,513
Royalties	(205,357)	(66,999)	(425,826)	(66,999)
Operating Expenses	(473,924)	(198,394)	(954,577)	(198,394)
Operating Income	396,548	10,120	844,662	10,120
Sales volume (boe)	18,107	14,298	46,694	14,298
Per boe				
Crude Oil and Natural Gas Sales	59.42	18.79	47.65	18.79
Royalties	(11.34)	(4.57)	(9.12)	(4.57)
Operating Expenses	(26.17)	(13.53)	(20.44)	(13.53)
Operating Netback per boe	21.91	0.69	18.09	0.69
Operating Income Profit Margin	36.9%	3.7%	38.0%	3.7%

### Net Debt (Surplus)

Throughout this MD&A, references to “Net Debt” include Debt Notes (defined further below), net of Adjusted Working Capital. “Adjusted Working Capital” is calculated as current assets less current liabilities, excluding current portion of debt as presented on the interim condensed consolidated statement of financial position. As at September 30, 2021, the Adjusted Working Capital surplus includes cash and cash equivalents, accounts receivable, prepaid expenses and deposits, and accounts payable and accrued liabilities. ROK uses “Net Debt” as a measure of the Company’s financial position and liquidity, however it is not intended to be viewed as an alternative to other measures calculated in accordance with IFRS.

	September 30, 2021	December 31, 2020
Debt Notes (14%)	4,000,000	-
Less: Adjusted Working Capital	1,264,851	1,596,525
<b>Net Debt (Surplus)</b>	<b>2,735,149</b>	<b>(1,596,525)</b>

### BUSINESS PROFILE AND STRATEGY

The Company’s head office is located in Regina, Saskatchewan, Canada, and the Company’s shares are traded on the TSX Venture Exchange (“TSXV”) under the trading symbol “ROK”. In recent years, the Company has established its oil and gas operations in the region of Southeastern Saskatchewan via the acquisition of land leases with prospective mineral rights and developed production assets.

Even though these events have improved the financial condition of the Company, the lack of positive cash flow from operations may mean that any future strategic opportunities for the Company or the development of petroleum and natural gas properties may require additional financing to execute. The Board of Directors and management continue to develop its existing properties to maximize production from existing reserves and have also continued to review all potential transactions available to the Company with the mission to identify viable and lucrative opportunities that may provide the best future for the Company and the shareholders with the goal to maximize shareholder value.

## **2021 CORPORATE TRANSACTIONS**

### **Non-Operated Carnduff Acquisition**

In February 2021, the Company acquired a non-operated working interest in producing and non-producing petroleum and natural gas assets, along with an interest in a multi-well facility in Southeastern Saskatchewan. Total consideration for the acquisition was the assumption of all liabilities associated with the acquired assets. Company estimates of undiscounted future abandonment and reclamation obligations for the acquired assets are approximately \$320,000.

### **Carievale Farmout**

In March 2021, the Company entered into a farmout agreement to acquire the rights to earn certain undeveloped oil and gas assets in the Carievale area of Southeastern Saskatchewan. The Company will participate in the drilling, completion and equipping of two earning wells, paying 70% of the costs to earn a 35% working interest in the two earning wells, plus a 35% working interest in approximately 2,900 gross acres of undeveloped lands. Prior to March 31, 2022, the Company has the option to purchase up to a 50% interest in the undeveloped oil and gas assets, which includes two producing oil and gas wells for proceeds totaling \$2 million. Please refer to "Commitments Summary Update" section for further details as to the status of these farmout commitments.

### **Non-Operated Florence Asset Acquisition**

In April 2021, the Company closed the acquisition of non-operated working interest in certain producing petroleum and natural gas properties located within the Florence area of Southeastern Saskatchewan. Total consideration for the acquisition was \$1,500,000 in cash and 2,000,000 Class B Shares of the Company. The acquisition property is located within the Company's core operating area in Southeastern Saskatchewan, targeting the Midale and Frobisher formations. The acquired assets also include associated facilities and land, as well as associated liabilities relating to future abandonment obligations on well and facility sites.

### **Operated Florence Asset Acquisition**

In May 2021, the Company closed the acquisition of operated working interest in certain producing petroleum and natural gas properties located within the Florence area of Southeastern Saskatchewan. Total consideration for the acquisition was \$2,500,000 in cash and 2,250,000 Class B Shares of ROK. The acquired assets also include associated facilities and land, as well as associated liabilities relating to future abandonment obligations on well and facility sites.

### **Lithium Exploration Management Agreement**

In July 2021, the Company entered into an exploration management agreement wherein the Company was issued a 25% interest in a private entity 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; and
- Facilitate the completion of a preliminary economic assessment

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

As of September 30, 2021, no costs nor any liabilities have been incurred by the Company relating to the above objectives.

### **Steelman Farmout**

In October 2021, the Company entered into a farmout agreement to acquire the rights to earn certain undeveloped oil and gas assets in the Steelman area of Southeastern Saskatchewan. ROK will participate in the drilling, completion and equipping of one test well, paying 100% of the costs to earn a 100% interest in the test well and the quarter section containing the test well. Furthermore, the Company will have the option to drill additional option wells within 120 days of drilling of the test well, earning a 100% interest in each option well and two contiguous quarter sections (including the quarter section that each option well is drilled upon) for each option well to a maximum earning of eight additional quarter sections on top of the test well quarter section. The test well, option well(s) and associated undeveloped acreage are subject to a 1% non-convertible overall gross overriding royalty, a 4% non-convertible additional gross overriding royalty on the test well and 6.5% non-convertible additional gross overriding royalty on the option well(s) up to 6,000 m<sup>3</sup> of oil production (the "Incentive Period"), declining to 4% after the Incentive Period. The test well is required to be spud on or before March 15, 2022, or a non-performance fee of \$50,000 will be paid by ROK to the farmor counterparty, and the farmout agreement will terminate without earning.

## **2020 CORPORATE TRANSACTIONS**

### **Glen Ewen Asset Acquisition**

On June 30, 2020, the Company closed the acquisition of certain producing petroleum and natural gas properties located within the Glen Ewen area of Southeastern Saskatchewan, targeting the Midale and Frobisher Beds. The acquired assets included associated facilities and undeveloped 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. This contiguous area allows for cost effective development of ROK's previously undeveloped lands utilizing existing processing capacity, water disposal and pipeline infrastructure. The acquisition package also contained 27 suspended wells and 11 inactive facility sites, which continue to be evaluated for future reactivation.

### **COVID-19 PANDEMIC**

More than a year after being declared a global pandemic by the World Health Organization in March 2020, COVID-19 continues to impact global economic conditions. Global financial markets, and commodity prices in particular, have experienced significant volatility and uncertainty. Crude oil and natural gas prices have recovered from the historic lows observed in the first two quarters of 2020 and exceeded pre-pandemic levels during the first half of 2021. While the current outlook for commodity prices is relatively strong, long-term price support from future demand remains uncertain. The scale and duration of these developments remain uncertain but could impact the Company's operations, future net earnings and cash flows given the COVID-19 pandemic is an evolving situation that will continue to have widespread implications for the Company's business environment and financial condition. Management cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact the Company's financial statements in fiscal 2021 and beyond.

## LIQUIDITY AND CAPITAL RESOURCES

The Company's approach to managing liquidity is to ensure a balance between expenditure requirements and cash used in operations and working capital. As at September 30, 2021, the Company had working capital of \$0.4 million (\$1.6 million working capital at December 31, 2020) comprised mostly of cash and cash equivalents and current portion of Debt Notes (as defined below). Changes in working capital have been primarily due to oil and natural gas sales, net of royalties and operating expenses, as well as general and administrative costs, business development expenses, and acquisition costs of the Company incurred during the year.

In the past year, the Company has acquired petroleum and natural gas assets with production capabilities. Until such time that these new producing assets generate sufficient cash flow to fund the Company's operations, the Company is reliant upon its remaining financial resources or its ability to raise additional capital 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. While the Company intends to move forward with the development of its oil and gas assets, there is no guarantee that the Company will be successful in its exploration and development activities. The continued volatility of commodity prices and the COVID-19 global pandemic and its impact on the economy further increases the risk associated with the probability of success for the Company's oil and gas properties.

Based on current information, the Company anticipates that its working capital is not sufficient to meet its expected ongoing obligations and the planned development program for the coming year and additional financing will be required. Furthermore, any further material acquisitions would also require additional financing prior to the realization of such transactions.

### Private Placement Offerings

In May 2021, the Company completed the first closing of a private placement financing for a total of \$1,790,000, whereby 8,950,000 units of the Company were issued at a price of \$0.20 per unit. In June 2021, the second closing of the aforementioned private placement for a total of \$410,000 through the issuance of an additional 2,050,000 units of the Company was completed, bringing total gross proceeds to \$2,200,000, before issuance costs, for 11,000,000 units. Each unit consists of one Class B Share in the capital of the Company and one half of one purchase warrant. Each purchase warrant is exercisable for one Class B Share at an exercise price of \$0.35 per purchase warrant for a period of 2 years. Commissions were paid to various brokers and finders in an amount of approximately \$56,000 plus the issuance of a total of 280,000 broker warrants, with each such broker warrant exercisable for one Class B Share at an exercise price of \$0.35 per broker warrant for a period of two years.

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

In July 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 the offering. The Class B Shares and warrants issued pursuant to the offering were subject to a hold period of four months and a day from the closing date, expiring on December 1, 2020. While the offering was non-brokered, approximately \$8,000 was paid in finders fees and commissions to various brokers who assisted with finding subscribers to this offering.

The Company uses the proceeds from these private placement offerings and Note Financing for general corporate purposes as well as the acquisition, operation, and development of the assets in Southeastern Saskatchewan.

### **Debt Note Financing**

In June 2021, the Company completed the first tranche of \$3,500,000 of senior secured notes of the Company ("Debt Notes"), with each Debt Note consisting of a principal amount of \$1,000 and with interest payable thereon at a rate of 14% per annum over a term of three years from the date of issuance thereof (the "Note Financing"). In July 2021, a second tranche of \$500,000 of Debt Notes was closed by the Company under the same terms. The maturity date of the Debt Notes is May 28, 2024 however the Company has the option to fully repay the Debt Notes at no penalty after two years from the date of issuance. Similarly, the debtholders can demand repayment after two years from the date of issuance. Payments of interest only of approximately \$150,000 per quarter will be made during the first year of the term of the Debt Notes and blended payments of interest and principal of approximately \$520,000 per quarter will be made during the second and third year of the term of the Debt Notes. The Debt Notes are secured by the assets of the Company and are senior to all other indebtedness of the Company.

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

In addition, 500 purchase warrants were issued to participants in the Note Financing for each \$1,000 principal amount of Debt Notes purchased, with each purchase warrant being exercisable for one Class B Share at an exercise price of \$0.35 per warrant for a period of two years.

### **PETROLEUM AND NATURAL GAS PROPERTIES**

ROK has an approximate acreage position of 7,300 gross (6,500 net) acres within the Glen Ewen and Florence area of Southeastern Saskatchewan. This area has historical production from both the Midale and Frobisher beds directly adjacent to the ROK acreage. Mapping of the regionally dominant SW to NE structural highs within this area has allowed for the identification of multiple drilling targets.

The recent successful application of hydraulic fracture stimulation within the Glen Ewen area has created an opportunity to apply similar completion techniques to the Midale beds throughout the Glen Ewen and Florence project areas. Although the Midale has historically been produced conventionally within the Florence area, the interbedded nature of the rock suggests that superior results would be achieved through the use of horizontal fracturing technology.

In addition to horizontal fracture exploitation of the Midale formation, the Company intends to target conventional horizontal drilling of the Frobisher beds. The ROK management team has extensive geological, geophysical and operational experience in the development of both of these plays.

### **OUTLOOK**

Management's primary objective is to continue to move the Company forward and increase value for shareholders. With the recent asset acquisitions in the Florence and Carnduff areas, the Company has strengthened its balance sheet by adding production and cashflow, in addition to booked and unbooked drilling locations. A growth and development strategy for the foreseeable future is underway, which may include additional strategic acquisitions, an equity raise, well reactivations and drilling and completion of new wells. The goal is to grow ROK's Southeastern

Saskatchewan asset base, while continuing to evaluate larger scale assets that will provide long term value growth for the Company well into the future. The Company intends to move forward with the drilling of 6 gross (4.53 net) development locations, with estimated capital expenditures associated with the development program to be \$6.1 million gross (\$5.3 million net). All six operations will test a separate prospect directly offsetting existing production and have potential for additional development drilling offsetting these initial tests, and be accretive to production, cash flow and future reserves bookings.

## COMMITMENT SUMMARY UPDATE

### Mineral Lease Commitments

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

### Carievale Farmout Commitments

In March 2021, the Company entered into the aforementioned farmout agreement to acquire the rights to earn certain oil and gas assets in the Carievale area of Southeastern Saskatchewan (see above). Under the terms of the farmout agreement, ROK must participate in the drilling, completion and equipping of two earning wells, paying 70% of the costs. The Company currently estimates related costs for the two earning wells to be \$1.4 million to the Company. The first commitment well was completed in October 2021. The second commitment well must be spud by January 31, 2022, under the current terms of the farmout agreement.

### Steelman Farmout

In October 2021, the Company entered into the aforementioned farmout agreement to acquire the rights to earn certain undeveloped oil and gas assets in the Steelman area of Southeastern Saskatchewan (see above). Under the terms of the farmout agreement, ROK must participate in the drilling, completion and equipping of one test well, paying 100% of the costs. The Company currently estimates related costs for the test well to be \$0.8 million to the Company. The test well must be spud on or before March 15, 2022, or a non-performance fee of \$50,000 must be paid by ROK to the farmor counterparty, and the farmout agreement will terminate without earning.

## DISCUSSION OF OPERATING RESULTS

### Production

	Q3 2021	Q3 2020	YTD 2021	YTD 2020
Crude oil (bbl/d)	130	65	98	65
NGLs (boe/d)	36	50	38	50
Natural gas (Mcf/d)	179	265	215	265
Total (boe/d) <sup>(1)</sup>	197	159	171	159

(1) Barrels of oil equivalent (“boe”) may be misleading, particularly if used in isolation. Refer to the section entitled “Conversion Measures” at the end of this MD&A.

### Crude Oil and Natural Gas Sales

	Q3 2021	Q3 2020	YTD 2021	YTD 2020
Crude Oil	945,898	287,799	1,970,785	287,799
NGLs	95,523	(7,733)	177,281	(7,733)
Natural gas	34,408	(4,553)	76,999	(4,553)
Total	1,075,829	275,513	2,225,065	275,513

### Realized Sales Prices

	Q3 2021	Q3 2020	YTD 2021	YTD 2020
Crude oil (\$/bbl)	78.80	47.97	73.90	47.97
NGLs (\$/boe)	28.47	(1.68)	17.30	(1.68)
Natural gas (\$/Mcf)	2.09	(0.19)	1.31	(0.19)
Total (\$/boe)	59.42	18.79	47.65	18.79

Increases in revenue are a combination of both increased petroleum and natural gas production and improving commodity prices. Increased production is due to the additional producing assets that have been acquired over the 2021 year, as described above, which has offset natural production declines in the Glen Ewen Assets that were acquired in 2020. Commodity pricing has been steadily increasing since the significant declines in global prices in March 2020 on account of the COVID-19 pandemic. Realized sales prices on petroleum and natural gas volumes sold has continued to increase as global prices have increased.

### Royalties

	Q3 2021	Q3 2020	YTD 2021	YTD 2020
Total royalties	205,357	66,999	425,826	66,999
Total royalties (% of sales)	19.1%	24.3%	19.1%	24.3%
Total royalties (\$/boe)	11.34	4.57	9.12	4.57

Royalties as a percentage of total petroleum and natural gas sales are highly sensitive to commodity prices and adjustments to gas cost allowance. Thus, royalty rates can fluctuate from quarter-to-quarter and year-to-year. Royalties as a percentage of revenues in Q3 2021 were 19.1 percent compared to 24.3 percent in Q3 2020. Year to date, royalties as a percentage of revenues were 19.1 percent compared to 24.3 percent for the same period in 2020. The decreases in royalty rates were primarily attributable to varying royalty rates on production from recent acquisitions when compared to royalty rates on the Company's other producing properties.

### Operating Expenses

	Q3 2021	Q3 2020	YTD 2021	YTD 2020
Total operating expenses	473,924	198,394	954,577	198,394
Total operating expenses (\$/boe)	26.17	13.53	20.44	13.53

Operating costs include expenses incurred to operate wells, gather and treat production volumes as well as costs to perform well and facility repairs and maintenance. Operating expenses in Q3 2021 increased quarter-over-quarter due to increased fixed and variable costs associated with the acquired Florence production. Furthermore, due to the production shut-ins in the Glen Ewen Asset for remediation work, production declines as well as one-time remediation expenses incurred during the quarter caused notable increases in operating costs per barrel in Q3 2021. With the remediation work completed, management does not anticipate as high of operating expenses per barrel for Q4 2021. As the Company focuses its objectives on a development phase for its petroleum and natural gas assets, it expects operating costs to trend back down.

### General and Administrative Expenses

General and administrative expenses ("G&A") for the three and nine months ended September 30, 2021, were \$399,851 and \$1,076,613, respectively (\$214,049 and \$518,802 for the three and nine months ended September 30, 2020, respectively). The increase in G&A is due to increase in overall business activity of the Company in 2021 when compared to 2020.

	Q3 2021	Q3 2020	YTD 2021	YTD 2020
Professional Fees	62,757	44,491	186,333	66,176
Wages & Salaries	144,929	99,171	446,868	309,082
Fees, Rent, Investor Relations and Other	192,165	70,387	443,412	143,544
<b>Total</b>	<b>399,851</b>	<b>214,049</b>	<b>1,076,613</b>	<b>518,802</b>

Increases in G&A expenses for all periods in 2021 is attributable to the overall growth and expansion of the Company's business operations in 2021 in comparison to 2020. With several acquisitions for the Q3 2021 year-to-date period, an increase in relation to overhead, staff, and consultants costs has naturally occurred on account of increased operations. Increased efforts for investor relations with shareholders and investors has already increased overall G&A.

### 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 endeavours. For the nine months ended September 30, 2021, the Company incurred business development expenses of \$114,565 relating to efforts towards strategic acquisition (September 30, 2020 - \$66,042).

### Stock-Based Compensation

For the nine months ended September 30, 2021, the Company recorded stock-based compensation expense of \$294,001 (\$82,564 for the nine months ended September 30, 2020). Stock options were granted in Q3 2021, with the vesting of these options accounting for the majority of stock-based compensation expense in the most recent 2021 quarter.

### Exploration & Evaluation Expense

For the nine months ended September 30, 2021, the Company recorded exploration and evaluation ("E&E") expenses of \$184,086 (\$nil for comparative period). E&E expenses represent land expiries and write-offs for those leases that the Company did not renew or does not expect to renew at expiry.

### Depletion and Depreciation

The carrying costs for property, plant and equipment directly associated with oil and gas operations, including estimated future development costs, are recognized as depletion expense in the statements of loss and comprehensive loss on a unit of production basis over proved plus probable reserves. The carrying costs of office and computer equipment are recognized as depreciation expense in the statements of loss and comprehensive loss on a straight-line or declining-balance basis.

For the nine months ended September 30, 2021, the Company recorded depletion expense of \$614,408 (\$86,329 for the comparative period to September 30, 2020). Depletion is calculated based on oil and gas production on the Company's developed properties, with increased production in 2021 resulting in increased depletion expense.

### Finance Expenses

	Q3 2021	Q3 2020	YTD 2021	YTD 2020
Interest income	(97)	(406)	(310)	(3,747)
Interest expense & bank charges	1,170	718	2,530	1,787
Debt interest expense	129,260	-	177,589	-
Accretion on debt notes	30,376	-	34,758	-
Accretion on decommissioning obligations	17,776	9,740	42,508	9,740
<b>Total</b>	<b>178,485</b>	<b>10,052</b>	<b>257,075</b>	<b>7,780</b>

Finance expenses were \$257,075 for the nine months ended September 30, 2021, compared to finance expense of \$7,780 for the comparative period up to September 30, 2020. Finance expense includes accretion on decommissioning obligations that are associated with oil and gas properties acquired starting in Q3 2020, and debt interest expense related to newly issued Debt Notes issued in Q2 2021.

## **CAPITAL EXPENDITURES**

For the nine months ended September 30, 2021, the Company spent \$1.7 million in development and production capital expenditures, and \$0.3 million in exploration and evaluation capital expenditures, excluding expenditures on acquisitions. For capital expenditures in development and production assets, over \$0.8 million related to drilling and completion activities in the Carievale Asset associated with the Carievale Farm-In (see above). Production and surface equipment expenditures of \$0.5 million was also incurred for purposes of upgrading infrastructure. Lastly, over \$0.4 million of expenditures was incurred in relation to ongoing stimulation workovers realized in the Glen Ewan Asset.

For capital expenditures in exploration and evaluation assets, approximately \$0.2 million of expenditures related to ongoing acquisition of mineral leases of prospective properties for future exploration. Expenditures of \$0.1 million related to the acquisition and interpretation of seismic data for certain exploration assets.

## **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.

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, 2021</b>	<b>December 31, 2020</b>
Oil and natural gas customers	514,643	250,523
Joint operations partners	64,919	18,530
Accruals and other	73,402	176,042
<b>Total</b>	<b>652,964</b>	<b>445,095</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, 2021</b>	<b>December 31, 2020</b>
0 - 30 days	543,219	431,413
30 - 90 days	95,465	12,165
Greater than 90 days	14,280	1,517
Expected credit loss	-	-
<b>Total</b>	<b>652,964</b>	<b>445,095</b>

The Company considers amounts outstanding greater than 90 days to be past due, unless circumstances on particular balances provide certainty of collection. Receivables normally collectible within 30 to 60 days can take longer as information requests and timing can come into effect in dealing with receivables from joint venture partners. At September 30, 2021, there were no significant receivables which were considered past due (December 31, 2020 - \$nil).

The Company held cash and cash equivalents of \$1,031,864, as at September 30, 2021 (December 31, 2020 - \$1,420,067). The Company manages the credit exposure related to cash and cash equivalents by selecting counterparties 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 impact on 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.

The following table outlines the contractual maturities of the Company's financial liabilities at September 30, 2021:

	Less than 1 year	1-2 years	Thereafter	Total
Trade accounts payable	436,989	-	-	436,989
Capital payables	144,192	-	-	144,192
Debt Notes - principal <sup>(1)</sup>	888,889	1,777,778	1,333,333	4,000,000
Debt Notes - interest <sup>(1)</sup>	544,317	342,137	87,793	974,247
	<b>2,014,387</b>	<b>2,119,915</b>	<b>1,421,126</b>	<b>5,555,428</b>

(1) Assumes repayment is not demanded in June 2023. The notes have a three-year term, but the holders can demand repayment after the end of the second year.

### 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, 2021, or December 31, 2020.

### Commodity price risk

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

Despite modest recovery from the 20-year low reached in April 2020, oil prices continue to be 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 period of 2020.

As of September 30	2021	2020	%
WTI Cushing Oklahoma (US\$/bbl) <sup>(1)</sup>	71.54	39.63	81
Canadian Light Sweet 40 API (\$/bbl) <sup>(1)</sup>	86.46	46.54	86
NYMEX Henry Hub (US\$/MMBtu) <sup>(1)</sup>	5.11	2.28	124
AECO 5A (\$/GJ) <sup>(2)</sup>	3.56	2.12	68
Exchange rate (CA\$/US\$) <sup>(1)</sup>	1.27	1.32	(4)

(1) Source: Sproule Associates Limited

(2) Source: ICE Report Center (NGX AB-NIT Same Day Index 5A)

As at September 30, 2021, the Company had not entered into any derivative contracts or forward commodity sales contracts to manage its exposure to commodity price fluctuations.

### Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign currency exchange rates. While the majority of the Company's financing and administrative costs will be based and paid in Canadian dollars, the Company is exposed to the risk of fluctuations in foreign exchange rates between the Canadian dollar and the US dollar (US\$) given the Company's realized pricing in Canadian dollars is directly influenced by US\$ denominated benchmark pricing. As at September 30, 2021, 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. Fluctuations of interest rates for the periods ended September 30, 2021 and 2020, would not have had a significant impact on cash and cash equivalents. Furthermore, the Company is not currently exposed to interest rate risk on its interest-bearing loans given these debt instruments are all subject to fixed interest rates.

### **Fair value of financial instruments**

The Company's financial instruments as at September 30, 2021, include cash and cash equivalents, accounts receivable, prepaids, accounts payable and accrued liabilities, and Debt Notes.

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

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

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

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

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

The fair value of cash and cash equivalents, accounts receivable, prepaids, accounts payable and accrued liabilities approximate their carrying amounts due to their short terms to maturity. The fair value of the Debt Notes is approximately \$4.0 million (level 3 fair value).

### **Capital management**

The Company's objectives when managing capital are to ensure the Company will have sufficient financial capacity, liquidity, and flexibility to fund the Company's operations and potential strategic transactions for the foreseeable future. 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. To maintain or adjust the capital structure, from time to time the Company may issue or repurchase common shares or other securities, sell assets or adjust its capital spending to manage current and projected debt levels.

The Company monitors leverage and adjusts its capital structure based on its Net Debt (definition and details of the underlying calculation are provided under the heading "Non-GAAP Measures"). 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.

	<b>September 30, 2021</b>	<b>December 31, 2020</b>
Debt Notes (14%)	4,000,000	-
Less: Adjusted Working Capital	1,264,851	1,596,525
<b>Net Debt (Surplus)</b>	<b>2,735,149</b>	<b>(1,596,525)</b>

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.

## SHAREHOLDERS' EQUITY

### Common shares

At September 30, 2021, the Company was authorized to issue an unlimited number of Class B Shares, with no par value, with holders of Class B Shares entitled to two votes per share and to dividends, if declared. Outstanding Class B Shares as of September 30, 2021, are as follows:

	Common shares	Amount
Balance, December 31, 2019	43,274,268	87,210,218
Private placement, July 2020	7,692,308	362,012
Private placement, November 2020	6,960,000	1,078,397
Stock option exercise	920,000	138,036
Warrant exercise	150,000	23,400
Elimination of deficit <sup>(1)</sup>	-	(85,204,302)
Balance, December 31, 2020	58,996,576	3,607,761
Shares issued for asset acquisitions	4,250,000	785,000
Private placement, June 2021	11,000,000	1,875,359
Stock option exercise	225,000	41,147
<b>Balance, September 30, 2021</b>	<b>74,471,576</b>	<b>6,309,267</b>

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

### Warrants

The Company has issued and outstanding warrants exercisable to acquire Class B Shares of the Company that were issued as part of various private placement financings carried out in prior years.

A summary of the changes in warrants is presented below:

	Warrants	Weighted average exercise price
Balance, December 31, 2019	6,666,667	0.15
Purchase warrants issued, July private placement	7,692,308	0.15
Purchase warrants issued, November private placement	3,480,000	0.30
Broker warrants issued, November private placement	70,000	0.30
Warrants exercised	(150,000)	0.15
Balance, December 31, 2020	17,758,975	0.18
Purchase warrants issued, June private placement	5,500,000	0.35
Broker warrants issued, June private placement	280,000	0.35
Purchase warrants issued, Note financing	2,000,000	0.35
<b>Balance, September 30, 2021</b>	<b>25,538,975</b>	<b>0.23</b>

The following summarizes information about total purchase warrants outstanding as at September 30, 2021:

Exercise prices	Number of warrants outstanding	Weighted average term to expiry (years)	Number of warrants exercisable
0.15	14,208,975	0.78	14,208,975
0.30	3,550,000	1.11	3,550,000
0.35	7,780,000	1.61	7,780,000
	<b>25,538,975</b>	<b>1.08</b>	<b>25,538,975</b>

### Stock options

The Company has adopted a formal rolling 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. A summary of the changes in stock options is presented below:

	Stock options	Weighted average exercise price
Balance, December 31, 2019	3,910,000	0.12
Options forfeited	(166,667)	0.15
Expired options	(83,333)	0.15
Options exercised	(920,000)	0.10
Balance, December 31, 2020	2,740,000	0.13
Options issued	4,150,000	0.28
Options exercised	(225,000)	0.10
<b>Balance, September 30, 2021</b>	<b>6,665,000</b>	<b>0.22</b>
<b>Exercisable, September 30, 2021</b>	<b>3,364,996</b>	<b>0.19</b>

The following summarizes information about stock options outstanding as at September 30, 2021:

Exercise prices	Number of options outstanding	Weighted average term to expiry (years)	Number of options exercisable
0.10	915,000	1.66	915,000
0.15	1,600,000	3.18	1,066,666
0.28	4,150,000	4.81	1,383,330
	<b>6,665,000</b>	<b>3.99</b>	<b>3,364,996</b>

In July 2021, the Company awarded 4,150,000 options to directors, officers, and consultants of the Company. The options are exercisable into Class B Shares of the Company at an exercise price of \$0.28 per share. The options vest as to one third immediately, an additional one third vesting on the first anniversary of the date of grant, and the remaining one third vesting on the second anniversary of the date of grant. The expiry for all options is July 21, 2026.

As of the date of this MD&A, the Company maintained balances of 74,471,576 Class B Shares, 25,538,975 warrants, and 6,665,000 stock options.

## NEW ACCOUNTING STANDARDS

There were no material changes in the Company's significant accounting policies from those disclosed in the 2020 annual audited financial statements with the exception of the following accounting policy which was adopted during the three months ended September 30, 2021:

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

## USE OF ESTIMATES AND JUDGMENTS

The timely preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and income and expenses. 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 the financial statements are outlined below.

### 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 the financial statements:

**i) Identification of cash-generating units**

The Company's assets are aggregated into cash-generating units, for the purpose of calculating impairment, based on their ability to generate largely independent cash flows. By their nature, these estimates and assumptions are subject to measurement uncertainty and may impact the carrying value of the Company's assets in future periods.

**ii) Exploration and evaluation assets**

The application of the Company's accounting policy for exploration and evaluation assets requires management to make certain judgments as to future events and circumstances as to whether economic quantities of reserves have been found in assessing economic and technical feasibility.

**iii) Impairment of property, plant and equipment and exploration and evaluation assets**

Judgments are required to assess when impairment indicators, or reversal indicators, exist and impairment testing is required. In determining the recoverable amount of assets, in the absence of quoted market prices, impairment tests are based on estimates of reserves, production rates, future oil and natural gas prices, future costs, discount rates, market value of land and other relevant assumptions.

**iv) Income taxes**

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

of deferred tax assets as well as the amounts recognized in profit or loss in the period in which the change occurs.

**v) Asset Acquisitions**

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

**Key sources of estimation uncertainty**

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

**i) Reserves and resource assessment**

The assessment of reported recoverable quantities of proved and probable reserves and prospective resource estimates include estimates regarding production profile, commodity prices, exchange rates, remediation costs, timing and amount of future development costs, and production, transportation, and marketing costs for future cash flows. It also requires interpretation of geological and geophysical models in anticipated recoveries. The economical, geological and technical factors used to estimate reserves and prospective resources may change from period to period. Changes in reported reserves and prospective resources can impact the carrying values of the Company's petroleum and natural gas properties and exploration and evaluation assets and equipment, the calculation of depletion and depreciation, the provision for decommissioning obligations, and the recognition of deferred tax assets due to changes in expected future cash flows.

The Company's petroleum and natural gas reserves represent the estimated quantities of petroleum, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be economically recoverable in future years from known reservoirs and which are considered commercially viable. Such reserves may be considered commercially producible if management has the intention of developing and producing them and such intention is based upon (i) a reasonable assessment of the future economics of such production; (ii) a reasonable expectation that there is a market for all or substantially all the expected petroleum and natural gas production; and (iii) evidence that the necessary production, transmission, and transportation facilities are available or can be made available. Reserves may only be considered proven and probable if the ability to produce is supported by either actual production or conclusive formation tests. Prospective 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.

**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, future environmental and regulatory legislation, the extent of reclamation activities, the engineering methodology for estimating cost, future removal technologies in determining the removal cost and liability-specific discount rates to determine the present value of these cash flows.

**iii) Business combinations**

In a business combination, management makes estimates of the fair value of assets acquired and liabilities assumed as part of the acquisition transaction.

**iv) Share-based payments**

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

**v) Tax provisions**

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

**RELATED PARTY TRANSACTIONS**

In July 2021, the Company completed the aforementioned Note Financing through the issuance of Debt Notes for proceeds of \$4,000,000 before transaction costs. Of the total proceeds, approximately \$500,000 were from subscriptions by directors or by investors related to directors of the Company. Beyond the aforementioned, the Company had no other related party transactions other than compensation to management for the nine months ended September 30, 2021, and 2020.

**PRINCIPAL BUSINESS RISKS**

The Company's business and results of operations are subject to a number of risks and uncertainties which include, but are not limited to, the following:

**Going Concern**

The Company has included a "going concern" disclosure in the notes to the Company's interim condensed financial statements for the three and nine months ended September 30, 2021 (see "Going Concern" under Note 2). Current cash resources of the Company may not be sufficient to continue its business activities. In the event that the Company is unable to raise additional capital and/or attain sufficient revenues from its operations, as to which in each case there can be no assurance, the Company may not be able to continue its operations.

**Crude Oil and Natural Gas Development**

Exploration, development, production of oil and natural gas involves a wide variety of risks which include, but are not limited to, the uncertainty of finding oil and gas in commercial quantities, securing markets, commodity price fluctuations, exchange and interest rate exposure and changes to government regulations, including regulations relating to prices, taxes, royalties, and environmental protection. The oil and gas industry is intensely competitive and the Company competes with a large number of companies with greater resources.

The Company's ability to obtain reserves in the future will depend not only on its ability to develop its current properties, but also on its ability to acquire new prospects and producing properties. The acquisition, exploration and development of new properties also require that sufficient capital from outside sources will be available to the Company in a timely manner. The availability of equity or debt financing is affected by many factors, many of which are beyond the control of the Company.

## **Addition of Reserves and Resources**

The Company's future crude oil and natural gas reserves, production, and cash flows to be derived therefrom are highly dependent on the Company successfully discovering and developing or acquiring new reserves and resources. The addition of new reserves and resources will depend not only on the Company's ability to explore and develop properties but also, in the case of reserves, on its ability to select and acquire suitable producing properties or prospects. There can be no assurance that the Company's exploration, development or acquisition efforts will result in the discovery and development of commercial accumulations of oil and natural gas.

## **Reserve Estimates**

There are numerous uncertainties inherent in estimating quantities of reserves, including many factors beyond the control of the Company. Estimates of reserves depend in large part upon the reliability of available geological and engineering data and require certain assumptions to be made in order to assign reserve volumes. Geological and engineering data is used to determine the probability that a reservoir of oil and/or natural gas exists at a particular location, and whether, and to what extent, such hydrocarbons are recoverable from the reservoir. Accordingly, the ultimate reserves discovered by the Company may be significantly less than the total estimates.

## **Exploration Risks**

The exploration of the Company's properties may from time to time involve a high degree of risk that no production will be obtained or that the production obtained will be insufficient to recover drilling and completion costs. The costs of seismic operations and drilling, completing and operating wells are uncertain to a degree. Cost overruns can adversely affect the economics of the Company's exploration programs and projects. In addition, the Company's seismic operations and drilling plans may be curtailed, delayed or cancelled as a result of numerous factors, including, among others, equipment failures, weather or adverse climate conditions, shortages or delays in obtaining qualified personnel, shortages or delays in the delivery of or access to equipment, necessary governmental, regulatory or other third-party approvals and compliance with regulatory requirements.

## **Environmental Risks**

Oil and gas exploration and production can involve environmental risks such as litigation, physical and regulatory risks. Physical risks include the pollution of the environment, climate change and destruction of natural habitat, as well as safety risks such as personal injury. The Company works hard to identify the potential environmental impacts of its new projects in the planning stage and during operations. The Company conducts its operations with high standards in order to protect the environment, its employees and consultants, and the general public. ROK maintains current insurance coverage for comprehensive and general liability as well as limited pollution liability. The amount and terms of this insurance are reviewed on an ongoing basis and adjusted as necessary to reflect current corporate requirements, as well as industry standards and government regulations. Without such insurance, and if the Company becomes subject to environmental liabilities, the payment of such liabilities could reduce or eliminate its available funds or could exceed the funds the Company has available and result in financial distress.

## **Climate Change Risks**

Our exploration and production facilities and other operations and activities emit greenhouse gasses ("GHG") which may require us to comply with federal and/or provincial GHG emissions legislation. Climate change policy is evolving at regional, national and international levels, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place to prevent climate change or mitigate our effects. The direct or indirect costs of compliance with GHG-related regulations may have a material adverse effect on the business, financial condition, results of operations and prospects of the Company. Some of ROK's facilities may ultimately be subject to future regional, provincial and/or federal climate change regulations to manage GHG emissions. In addition, climate change has been linked to long-term shifts in climate patterns and extreme weather conditions both of which pose the risk of causing operational difficulties.

## **Key Personnel**

The Company's success depends in large part on the ability of its executive management team to deal effectively with complex risks and relationships and execute the Company's business plan. The members of the management team contribute to the Company's ability to obtain, generate and manage opportunities. There can be no assurance that the Company's present key personnel and directors will remain with the Company. The departure of any such key person or director may materially affect the Company's business, financial condition, results of operations, and the value of the Class B Shares.

## **Public Market Risk**

There can be no assurance that an active trading market in the Company's securities will be sustained. The market price for the Company's securities could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of the Company's peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the securities of the Company. The stock market from time to time has experienced extreme price and volume fluctuations, which may be unrelated to the operating performance of particular companies.

## **Dividends**

To date, the Company has not paid regular dividends on its outstanding securities and does not anticipate paying any dividends in the foreseeable future. There are no restrictions in the Company's articles or elsewhere which would prevent the Company from paying dividends. It is not contemplated that any dividends will be paid on the Class B Shares in the immediate future as it is anticipated that all available funds will be invested to finance the growth of the Company's business. The directors of the Company will determine if, and when, dividends will be declared and paid in the future from funds properly applicable to the payment of dividends based on the Company's earnings, financial position and other conditions at the relevant time. All of the Class B Shares are entitled to an equal share in any dividends declared and paid.

## **Failure to Maintain Listing of the Class B Shares**

The Class B Shares are currently listed for trading on the facilities of the TSXV. The failure of the Company to meet the applicable listing or other requirements of the TSXV in the future may result in the Class B Shares ceasing to be listed for trading on the TSXV, which would have a material adverse effect on the value of the Class B Shares. There can be no assurance that the Class B Shares will continue to be listed for trading on the TSXV.

## **Structure of the Company**

From time to time, the Company may take steps to organize its affairs in a manner that minimizes taxes and other expenses payable with respect to the operation of the Company and its subsidiaries. If the manner in which the Company structures its affairs is successfully challenged by a taxation or other authority, the Company and the holders of Class B Shares may be adversely affected.

## **Management's Report on Internal Control over Financial Reporting**

In connection with National Instrument 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109") adopted by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company are required to file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis. The Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

## CAUTION REGARDING FORWARD-LOOKING INFORMATION

This MD&A offers an assessment of the Company's future plans and operations as of the date hereof and may contain forward-looking information. All statements other than statements of historical fact are forward-looking statements. Such information is generally identified by the use of words such as "anticipate", "continue", "estimate", "expect", "may", "plan", "will", "project", "should", "believe" and similar expressions. Statements relating to "reserves" or "resources" are also forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the resources and reserves described can be profitably produced in the future. All such statements involve known and unknown risks, uncertainties, and assumptions.

Management believes that the expectations reflected in the forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct. Such forward-looking information included in this MD&A should not be unduly relied upon as the plans, assumptions, intentions, or expectations upon which it is based may not occur. Actual results or events may vary from the forward-looking information.

In particular, this MD&A may contain forward-looking information pertaining to the following:

- the potential of the Company's assets,
- the Company's growth strategy and opportunities,
- performance characteristics of the Company's oil properties and estimated capital commitments and probability of success,
- crude oil production and recovery estimates and targets,
- the existence and size of the oil reserves and resources,
- capital expenditure programs and estimates, including the timing of activity,
- plans for, and results of, exploration and development activities,
- projections of market prices and costs,
- the supply and demand for oil,
- expectations regarding the ability to raise equity and debt capital on acceptable terms, including the ability to negotiate and complete any agreements contemplated,
- the timing for receipt of regulatory approvals, and
- treatment of the Company under governmental regulatory regimes and tax laws.

The purpose of providing any financial outlook in this MD&A is to illustrate how the business of the Company might develop without the benefit of specific historical financial information. Readers are cautioned that this information may not be appropriate for other purposes.

The forward-looking information herein is based on certain assumptions and analysis by the management of the Company in light of its experience and perception of historical trends, current conditions and expected future developments and other factors that it believes are appropriate and reasonable under the circumstances. The forward-looking information herein is based on a number of assumptions, including but not limited to:

- the availability on acceptable terms of funds for capital expenditures,
- the availability in a cost-efficient manner of equipment and qualified personnel when required,
- the stability of the regulatory framework governing taxes and environmental matters in any jurisdiction in which the Company may conduct its business in the future,
- continuing strong demand for oil,
- the ability to market production of oil successfully to customers,
- future production levels and oil prices,
- the applicability of technologies for recovery and production of oil reserves,
- the existence and recoverability of any oil reserves,
- geological and engineering estimates in respect of resources and reserves in which the Company has an interest,
- the geography of the areas in which the Company has an interest, and

- the impact of increasing competition on the Company.

The actual results, performance and achievements of the Company could differ materially from those anticipated in these forward-looking statements as a result of the risks and uncertainties set forth elsewhere in the MD&A and the following risks and uncertainties:

- global financial conditions,
- general economic, market and business conditions,
- volatility in market prices, the stock market, foreign exchange and interest rates,
- risks inherent in oil and gas operations, exploration, development and production,
- the failure by counterparties to make payments or perform their operational or other obligations to the Company in compliance with the terms of contractual arrangements between the Company and such counterparties,
- risks related to the timing of completion of the Company’s projects and plans,
- uncertainties associated with estimating oil and natural gas reserves and resources,
- competition for, among other things, capital, acquisitions of resources, and skilled personnel,
- the ability to hold existing leases through drilling or lease extensions or otherwise,
- incorrect assessments of the value of acquisitions,
- claims made in respect of the Company’s properties or assets,
- geological, technical, drilling and processing problems, including the availability of equipment and access to properties,
- environmental risks and hazards,
- the inaccuracy of third parties’ reviews, reports and projections,
- rising costs of labour and equipment,
- the failure to engage or retain key personnel,
- changes in income tax laws or changes in tax laws and incentive programs, and
- other factors discussed under “Principal Business Risks” in this MD&A.

Readers are cautioned that the foregoing lists of assumptions, risks and uncertainties are not exhaustive. The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement. The forward-looking information speaks only as of the date of this MD&A, and the Company does not undertake any obligation to publicly update or revise any forward-looking information except as required by applicable securities laws.

#### SELECTED QUARTERLY INFORMATION

The following table sets out selected unaudited quarterly financial information of the Company and is derived from unaudited quarterly financial data prepared by management in accordance with IFRS.

<b>Quarterly Results (\$)</b>	<b>Q3 2021</b>	<b>Q2 2021</b>	<b>Q1 2021</b>	<b>Q4 2020</b>
Oil and natural gas sales	1,075,829	709,209	440,027	322,935
Oil and natural gas sales, net of royalties	870,472	572,392	355,835	250,579
Net loss	(926,576)	(394,051)	(375,440)	(453,404)
Net loss per share (basic & diluted)	(0.01)	(0.01)	(0.01)	(0.01)

<b>Quarterly Results (\$)</b>	<b>Q3 2020</b>	<b>Q2 2020</b>	<b>Q1 2020</b>	<b>Q4 2019</b>
Oil and natural gas sales	275,513	-	-	-
Oil and natural gas sales, net of royalties	208,514	-	-	-
Net loss	(330,016)	(242,700)	(176,762)	(393,755)
Net loss per share (basic & diluted)	(0.01)	(0.01)	(0.00)	(0.01)

Over the past eight quarters, fluctuations in production volumes and realized commodity prices have impacted the Company's petroleum and natural gas revenues and funds flow. Net income (loss) has fluctuated due to effects of operating results from the acquisition of new producing assets, additional financing costs, and share-based compensation expense. Capital expenditures and production volumes have fluctuated over time as a result of the timing of acquisitions and the impact of market conditions on the Company's development capital expenditures.

Operating results for the first three quarters of 2021 have continued to improve quarter-over-quarter when comparing the Operating Income Profit Margin of each 3-month period, which is mainly attributable to continued increases in realized commodity prices and increased production from recent acquisitions. Year-to-date results also include increased general and administrative expenses and finance expenses due to the continue growth of the Company, and the costs of new debt financing in 2021 to help finance that growth.

#### **CONVERSION MEASURES AND SHORT-TERM PRODUCTION RATES**

Production volumes and reserves are commonly expressed on a boe basis whereby natural gas volumes are converted at the ratio of 6 thousand cubic feet to 1 barrel of oil. Although the intention is to sum oil and natural gas measurement units into one basis for improved analysis of results and comparisons with other industry participants, boe's may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf to 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In recent years, the value ratio based on the price of crude oil as compared to natural gas has been significantly higher than the energy equivalency of 6:1 and utilizing a conversion of natural gas volumes on a 6:1 basis may be misleading as an indication of value.

Short-term production rates can be influenced by flush production effects from fracture stimulations in horizontal wellbores and may not be indicative of longer-term production performance or ultimate recovery of reserves. Individual well performance may vary.

#### **ABBREVIATIONS USED**

bbl	barrel	AECO	intra-Alberta Nova inventory transfer price
bbl/d	barrels per day	GJ	gigajoule
boe	barrel of oil equivalent	Mcf	thousand cubic feet
boe/d	barrels of oil equivalent per day	Mcf/d	thousand cubic feet per day
bopd	barrels of oil per day	MMBtu	million British thermal units
Mbbls	thousand barrels	MMcf	million cubic feet
Mboe	thousand barrels of oil equivalent	MMcf/d	million cubic feet per day
MMboe	million barrels of oil equivalent	Bcf	billion cubic feet
Mstb	thousand stock tank barrels	NGL	natural gas liquids
m <sup>3</sup>	cubic metres	Cdn	Canadian
WTI	West Texas Intermediate	US	United States