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ROK Resources Files Financial Results for the Second Quarter of 2023 and Provides Lithium Update

REGINA, SK / ACCESSWIRE / August 17, 2023 / ROK Resources Inc. ("ROK" or the "Company") (TSXV:ROK) has filed its interim Financial Results and Management Discussion & Analysis for the three and six months ended June 30, 2023 and provides an update on the second lithium well drilled.

Q2 2023 HIGHLIGHTS

- **Production up 8% YoY:** Production was up 8% from 3,054 boepd in Q2 2022, to 3,297 boepd in Q2 2023.
- **Net Debt reduced by 90% YoY:** Net debt was reduced from \$38.4 million at June 30, 2022, to \$3.8 million. Note: 2023 net debt calculation is inclusive of \$7.2 million of the current portion of hedges to be realized in the next 12 months based on mark-to-market fair value.
- **Term loan fully repaid:** The Company fully repaid its non-revolving Term Loan, 20 months prior to expiry without penalty. Since March 2022, the Company has retired more than \$60 million of debt.
- **Credit facility renewed:** The Company renewed its \$22.5 million revolving credit facility.
- **2024 - 2025 hedges unwound:** The Company made the strategic decision to unwind certain 12 to 24-month commodity swap hedges with the elimination of this requirement with the termination of the Term Loan.
- **Lithium National Instrument 43-101 Technical Report Released:** The Company announced the results of Hub City Lithium Corp.'s ("Hub City Lithium") National Instrument 43-101 technical report confirming an inferred lithium resource of 1.15 million tonnes of lithium carbonate equivalent.
- **Delineated Viewfield lithium asset:** Drilled the second lithium test well at Viewfield and confirmed high Lithium concentrations.

2023 CORPORATE OUTLOOK

The first six months of 2023 were focused on corporate debt reduction, accretive asset purchases, non-core divestitures and the integration of new assets, as well as the restructuring of the Company's hedge book to provide greater exposure to an inclining commodity price environment. Total debt was reduced by over 90% year-over-year, which has provided the Company with the flexibility to allocate additional development capital across some of the most economic plays in North America. Given the significant delivering in the first half of the year, the Company will utilize a portion of its spare debt capacity but will continue to target a D:CF level of 0.5. ROK will focus the next 12-18 months on organic production growth and will continue to evaluate strategic, tuck-in acquisitions in core operating areas. Consistent with previous disclosure, the Company's capital program remains weighted to the second half of 2023, with a focus on Southeastern Saskatchewan light oil growth. The capital budget remains unchanged at approximately \$30 million and the Company continues to target a 4,500 boepd exit rate at December 31, 2023.

In summary, the Company is pleased to provide the following guidance for the remainder of 2023:

- Capital budget unchanged at \$30 million
- 9 to 11 gross drilling locations targeting highly economic, light oil plays in Southeast Saskatchewan
- Exit 2023 production target of 4,500 boepd
- Exit 2023 net debt of \$16-\$17 million, before inclusion of any mark-to-market fair value of hedges

Financial	Q2 2023	Q2 2022	YTD 2023	YTD 2022
Net income (loss)	(326,538)	(1,460,541)	(63,747)	74,749,015
Basic (\$/share)	(0.00)	(0.01)	(0.00)	0.51
Diluted (\$/share)	(0.00)	(0.01)	(0.00)	0.50
Funds flow	5,352,133	17,200,967	16,866,866	19,580,003
Basic (\$/share)	0.02	0.09	0.08	0.13
Diluted (\$/share)	0.02	0.09	0.08	0.13
Expenditures on property, plant and equipment	3,559,136	4,453,423	9,004,786	4,502,826
Operating				
Operating Income				
Oil and Natural Gas Sales	17,737,937	28,710,012	41,875,450	36,831,890
Royalties	(3,788,007)	(4,593,258)	(8,559,392)	(5,882,316)
Operating Expenses	(9,770,012)	(5,781,028)	(19,241,548)	(7,625,159)
Operating Income	4,179,918	18,335,726	14,074,510	23,324,415
Realized gain on commodity contracts	2,459,098	235,975	5,125,545	235,975
Processing and other income	287,341	522,535	1,022,072	585,010
Net Operating Income	6,926,357	19,094,236	20,222,127	24,145,400
Average daily production				
Crude oil (bbl/d)	1,692	2,085	2,077	1,376
NGLs (boe/d)	340	179	370	124
Natural gas (mcf/d)	7,591	4,740	7,613	3,023
Total (boe/d)	3,297	3,054	3,716	2,003
Operating Netback per boe				
Oil and Natural Gas Sales	59.13	103.32	62.26	101.60
Royalties	(12.63)	(16.53)	(12.73)	(16.23)
Operating Expenses	(32.57)	(20.80)	(28.61)	(21.04)
Operating Netbacks (\$/boe)	13.93	65.99	20.92	64.33
Operating Netbacks, after hedging (\$/boe)	22.13	66.83	28.55	64.99
Operating Income Profit Margin	23.6%	63.9%	33.6%	63.3%
Operating Income Profit Margin, after hedging	37.4%	64.7%	45.9%	64.0%
Share information				
Common shares outstanding, end of period	214,873,217	195,160,585	214,873,217	195,160,585
Weighted average basic shares outstanding	214,382,652	189,352,095	213,156,298	146,999,083
Weighted average diluted shares outstanding	214,382,652	189,352,095	213,156,298	150,094,930

Q2 2023 SUMMARY

In Q2 2023, the first full quarter since the closing of the Acquisition (as defined from the news release dated January 24, 2023), the Company realized average daily production volume of 3,297 boepd (62% Liquids), resulting in crude and natural gas sales of \$17.7 million oil and natural gas sales and realized hedge gain of \$2.4 million. This generated a net operating income of \$6.9 million, after royalties, operating expenses, and processing and other income.

The Alberta wildfires affected ROK's Kaybob, Alberta operations, resulting in production shut-ins of ~250 boepd (80% natural gas) over the period. Production has recently been restored; however periodic production shut-ins are expected throughout Q3 2023 due to ongoing constraints of 3rd party facilities. In addition, as is customary for spring in Saskatchewan and Alberta, road bans reduced production by approximately 50 boepd for the period.

Operating costs, which include expenses incurred to operate wells, gather, treat, and transport production volumes as well as costs to perform well and facility repairs and maintenance, increased in Q2 2023 when compared to previous periods. This can be attributed to increased gas gathering costs associated with acquired production assets, in addition to a cost per barrel increase due to the temporary shut-ins of production. With the integration of the new assets, workover & well repair costs increased as previously down wells were brought back online. The Company expects these costs to normalize back to previous levels through the remainder of 2023, with estimated annualized

operating expenses of \$27 to \$28 per boe, inclusive of transportation. Uncertainty around ongoing inflationary effects on operating costs will continue to be a contributing factor.

Capital expenditures in the quarter totaled \$4.1 million, which included the early spud of the Company's first drilling location. The remainder of capital expenses were attributed to the recompletion and workover of newly acquired wells, core land purchases, abandonment and reclamation work and expenses related to the Hub City Lithium operations.

NET DEBT

Net Debt as at June 30, 2023, and December 31, 2022, as outlined below:

	June 30, 2023	December 31, 2022
Cash and cash equivalents	5,835,504	5,258,881
Accounts receivable	10,737,549	10,862,673
Prepays and deposits	1,180,079	1,144,672
Risk management contracts	7,222,224	4,418,471
Less: Accounts payable	(12,645,664)	(13,678,677)
Adjusted working capital⁽²⁾	12,329,692	8,006,020
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Credit Facility (8.2%) ⁽¹⁾	15,750,000	-
Lease obligations ⁽¹⁾	396,133	-
Senior Loan Facility (15%) ⁽¹⁾	-	43,347,566
Less: adjusted working capital ⁽²⁾	(12,329,692)	(8,006,020)
Net debt	3,816,441	35,341,546

(1) Represents undiscounted face value of debt balances and lease obligations outstanding as of each respective date presented.

(2) Calculation of adjusted working capital excludes current portion of debt as presented on the statement of financial position. The mark-to-market fair value of the current portion of risk management contracts is included within adjusted working capital.

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.

Complete reports and statements are available on SEDAR+ at www.sedarplus.ca and on the Company website www.rokresources.ca.

LITHIUM UPDATE

The Company, as a twenty-five (25%) percent shareholder and manager of operations of Hub Cit Lithium, is pleased to announce successful results from a multi-layer perforation and swab test of a second targeted lithium well located in the Viewfield Area of Saskatchewan. The successful step out well was approximately 800 meters east of the Viewfield discovery well (see press release dated February 21, 2023).

Third-party laboratory testing returned lithium concentrations in the Duperow formation of up to **237 mg/l** (the "Test Results"). According to public records, these Test Results are among the highest lithium concentrations recorded in a brine in Canada to date. For Detailed Test Results refer to Figure 1.

Test Results – Figure 1

Target Duperow Interval	Average Porosity (%)	Zone Thickness (m)	Lithium Concentration (mg/l)
Wymark E	9.3	3.3	118
Wymark D	11.0	9.7	237
Wymark C	11.2	8.3	166
Wymark B	13.1	16.2	102
Wymark A	13.4	8.0	99
Saskatoon B	8.1	10.1	104
Saskatoon A	12.2	9.7	89

Note: Independent laboratory testing was conducted by Isobrine Solutions (Edmonton, Alberta)

These results confirm the highly-concentrated lithium resource encountered in the Viewfield discovery well and are within the modelled range predicted by the National Instrument 43-101 resource assessment dated April 20, 2023 (please see press release May 2, 2023). The information gathered from this well will be incorporated into the Company's Preliminary Economic Assessment which is on track for completion and release in late September 2023.

About ROK

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

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Non-IFRS Measures

The non-IFRS measures referred to above do not have any standardized meaning prescribed by International Financial Reporting Standards ("IFRS") and, therefore, may not be comparable to similar measures used by other companies. Management uses this non-IFRS measurement 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. "Operating Income" is calculated by deducting royalties and operating expense from total sales revenue. Total sales revenue is comprised of oil and gas sales. 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. "Funds from Operations" is calculated by adding other income and realized gains/losses on commodity contracts ("hedging") to Operating Income. "Net Debt" includes all indebtedness of the Company, such as the Term Loan, Credit Facility, and Senior Loan Facility (as defined within the Company's interim condensed

financial statements for the six months ended June 30, 2023), 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 Company’s statement of financial position within the Company’s interim condensed financial statements for the six months ended June 30, 2023.

“Funds Flow” includes all cash for (used in) operating activities and is calculated before the change in non-cash working capital. "Funds flow", "funds flow basic (\$/share)" and "funds flow diluted (\$/share)" are capital management measures and are key measures of operating performance as they demonstrate the Company’s ability to generate the cash necessary to repay debt and fund capital investments. Management believes that by excluding the temporary impact of changes in non-cash operating working capital, funds flow, funds flow basic (\$/share) and funds flow diluted (\$/share) provide useful measures of ROK’s ability to generate cash that are not subject to short-term movements in non-cash operating working capital. Funds flow on a per share basis (basic and diluted) is calculated by dividing funds flow by the weighted average number of basic shares and weighted average number of diluted shares outstanding for the relevant period.

The following table reconciles cash flow from operating activities to funds flow:

	Q2 2023	Q2 2022	YTD 2023	YTD 2022
Cash provided by operating activities	9,927,244	18,661,683	16,650,104	16,355,845
Change in non-cash working capital	(4,575,111)	(1,460,716)	216,762	3,224,158
Funds Flow	5,352,133	17,200,967	16,866,866	19,580,003

Conversion Measures

Production volumes and reserves are commonly expressed on a barrel of oil equivalent (“boe”) basis whereby natural gas volumes are converted at the ratio of 6 thousand cubic feet (“Mcf”) to 1 barrel of oil (“bbl”). 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.

Abbreviations

bbls/d	barrels per day
boe	barrels of oil equivalent
boepd	barrels oil equivalent per day
IP	Initial Production
NGLs	Natural Gas Liquids
Mboe	Thousands of barrels of oil equivalent
Mg/l	Milligrams per Litre
MMboe	Millions of barrels of oil equivalent
PDP	Proved Developed Producing
TP	Total Proved Reserves
TPP	Total Proved and Probable Reserves
IFRS	International Financial Reporting Standards as issued by the International Accounting Standards Board
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for the crude oil standard grade

Cautionary Statement Regarding Forward-Looking Information

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

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SOURCE: ROK Resources Inc.