



## NEWS RELEASE

### **RUBELLITE ENERGY INC. ANNOUNCES ACHIEVEMENT OF FOURTH QUARTER PRODUCTION GUIDANCE AND SUCCESSFUL LAND PURCHASES AND PROVIDES OPERATIONAL UPDATE**

**Calgary, Alberta – January 18, 2022 (TSX:RBY)** – Rubellite Energy Inc. ("Rubellite" or the "Company"), a pure play Clearwater oil exploration and development company, is pleased to release its fourth quarter and current production results, announce a material expansion in Rubellite's land base and prospect inventory and provide operational and hedging updates, all of which highlight successful advancement of Rubellite's growth focused business plan centered around the attractive Clearwater play. Highlights include:

- Q4 2021 average oil sales production of 647 bbl/d;
- Current oil sales production of over 1,100 bbl/d;
- Strong preliminary performance from new development wells recently rig released in the Ukalta area relative to Rubellite's type curve;
- Ongoing two-rig program on track to deliver oil sales production milestone of >2,000 bbl/d during Q1 2022;
- 35% growth in land base, adding 38 net sections for \$6.7 million (~\$689/ha);
- Material growth in drilling location inventory to 550 potential drilling locations (primarily 8-leg multi-laterals), 240 of which have been internally classified as development / step-out and 310 as exploratory; and
- As benchmark oil prices have continued to strengthen, commodity price management positions are being layered in for 2022 and 2023 to protect Rubellite's robust organic growth plan.

#### **PRODUCTION**

Rubellite is pleased to report that the Company recorded fourth quarter oil sales production of 647 bbl/d, in line with the fourth quarter guidance range of 650 – 700 bbl/d, despite extremely cold weather conditions in late December which hindered trucking to sales, new well startups and field operations generally. Rubellite's fourth quarter drilling program at Ukalta began to contribute materially to the ramp up of oil sales production volumes throughout December, which averaged 918 bbl/d, as new multi-lateral wells were rig released and achieved full recovery of oil-based drilling mud ("OBM") losses which are not recorded as sales production as the OBM is re-used in future drilling operations or sold and credited back to drilling capital.

Four new wells drilled in the fourth quarter at Ukalta began to contribute to Rubellite's reported oil sales production volumes over the course of December, after they each achieved full recovery of their OBM. Four additional new multi-lateral wells, two at Ukalta and two at Figure Lake, were rig released and commenced OBM recovery operations during the month of December. As of today's date, one more of these four wells has recently concluded its OBM recovery period and has been permanently tied-in to facilities. The remaining three December drills, along with three additional new wells that are scheduled to be rig released in January will continue to recover OBM and commence their respective IP30 production periods after OBM is recovered over the next few weeks. New wells will continue to be brought on in a step-wise fashion and operating conditions will be optimized through their early start-up production periods.

Rubellite currently has a total of 18 (17.0 net) multi-lateral wells contributing to oil sales production and 3 (3.0 net) additional wells rig released and in the start-up stage of recovering OBM. Current sales production is over 1,100 bbl/d of conventional heavy oil and will continue to ramp up over the month of January and throughout the remainder of the first quarter as new wells reach full recovery of OBM and are optimized, and an additional 9 (7.0 net) planned wells are drilled, recover their OBM and commence delivery to sales terminals. As per previous guidance, the Company is on track to reach its sales production milestone of in excess of 2,000 bbl/d during the first quarter of 2022.

## **OPERATIONS UPDATE**

Since its inception in July 2021, Rubellite has rig released a total of 16 (15.0 net) new multi-lateral Clearwater wells, including two (1.0 net) at Marten Hills, seven (7.0 net) at Figure Lake and seven (7.0 net) at Ukalta. Of the 16 new wells, 11 have recovered their full OBM and are contributing to reported oil sales production volumes, including 8 of those wells that have more than 30 days of production post OBM recovery and whose performance can begin to be evaluated relative to type curves. As new wells continue to move through their expected production lag time periods related to multi-well pad configurations and OBM recovery before oil sales production is reported, oil sales volumes are now growing quickly as permanent tie-ins are executed and wells are beginning to be optimized.

At Ukalta, five of seven wells rig released in 2021 were development wells targeting the primary lower Clearwater zone with either six or eight lateral legs, while two wells were exploratory in nature targeting new zones within the Clearwater formation. As of today's date, all five of the new development wells at Ukalta are now contributing to oil sales production volumes, and two of those wells have completed their respective IP30 production periods. Both of these wells had six lateral legs and exceeded type curve expectations with IP30 rates of approximately 185 and 175 bbl/d respectively as compared to the Ukalta type curve of approximately 140 bbl/d for a six-leg 8,400m lateral. The remaining three Ukalta development wells are at early stages post OBM recovery and are all showing similar positive indications of good quality reservoir based on drilling and fluid recovery rates. An additional location from the same surface location is anticipated to rig release this week and is anticipated to have its OBM recovered before the end of the month. Performance from the new Ukalta wells will be monitored closely as operating parameters are optimized.

Rubellite continues to utilize two drilling rigs targeting multi-lateral development in the Clearwater play. At Ukalta, following rig release of the final development well on the 2-12 pad, the first of three additional development wells planned on the existing 9-9 pad will spud later this week. These wells are all expected to be turned over to production operations prior to spring break-up. After a short break in drilling operations at Ukalta, as the rig is windowed out for approximately 30 days, Rubellite expects to spud its first of three additional new wells in early March on the existing 13-35 pad at Ukalta which is situated proximal to high-grade road, and continue drilling operations on that pad through spring break-up.

At Figure Lake, following up its exploratory success, Rubellite successfully accessed a second drilling rig in late November to execute a four well winter drilling program expanding the existing South Figure Lake pad. The first two development wells had eight lateral legs and commenced OBM recovery operations in late December. Both wells are nearing the end of their OBM recovery periods with positive performance indications. The third development well on the South Figure Lake pad was recently rig released and drilling operations have commenced on the final well in this program. These additional two South Figure Lake wells are expected to be turned over to operations in late January following which the drilling rig will move north to execute a four (2.0 net) well development program at Marten Hills prior to spring break-up.

Drilling costs, net of forecast OBM recoveries, are on track and showing continuous improvement as expected with the increased scale of activity and continuity of operations. The Company is continuing to work to reduce time lags for production start-up on multi-well pads by utilizing the drilling rig for completion operations, pre-building permanent production facilities and setting up pads for concurrent drilling and production operations, thereby improving capital efficiencies and accelerating economic returns.

## **LAND ACQUISITION AND INVENTORY DELINEATION AND GROWTH**

Rubellite is pleased to announce that the Company has been successful in executing multiple land acquisition transactions to grow its Clearwater play land position to 142.5 sections, up 36% from the 104.5 sections held by Rubellite at its inception in mid-July. By closing the equity financings on October 5, 2021 at the high end of the range for the non-brokered private placement, \$9.5 million of additional capital was secured to grow its asset base and accelerate organic production and adjusted funds flow growth. Close to \$6.7 million has been invested to secure additional Clearwater rights through multiple crown land sales and several other small transactions. Rubellite continues to pursue transactions to grow its land base and the Company's development and exploration opportunity inventory.

Incorporating the results from its drilling programs, competitor activities and land acquisition activities, Rubellite has refined the characterization of its prospect inventory and updated the scope of opportunities captured on its growing land base. Rubellite now has identified 550 drilling locations, primarily eight-leg multi-lateral wells, up from 370 locations, primarily six-leg multi-lateral wells, identified at its inception. Based on Rubellite and competitor drilling results to date, close to 240 locations are internally categorized as either low risk, development wells or step out locations within the mapped outline of existing proven zones where economic production rates have been verified. The

remaining 310 prospect inventory locations are exploratory, representing the potential of mappable prospective Clearwater zones on Rubellite lands where economic production has not yet been established.

## COMMODITY PRICE RISK MANAGEMENT UPDATE

Rubellite's commodity price risk management strategy is focused on managing downside risk and increasing certainty in adjusted funds flow by mitigating the effect of commodity price volatility. Physical forward sales contracts and financial derivatives are used to increase certainty in adjusted funds flow, manage the balance sheet, ensure adequate funding for capital programs and lock in investment returns, and to take advantage of perceived anomalies in commodity markets. Rubellite also utilizes foreign exchange derivatives and physical or financial derivatives related to oil basis differentials between West Texas Intermediate ("WTI") and Western Canada Select ("WCS) benchmark prices in order to mitigate the effects of fluctuations in foreign exchange rates and basis differentials on the Company's realized revenue.

WTI benchmark oil prices have strengthened over the past several months and current and forward WCS oil prices have largely mirrored or surpassed these increases as WCS differentials have tightened somewhat and the Canadian dollar relative to US currency has weakened modestly. Rubellite has been in action executing a hedging program designed to protect a base level of funds flow to support capital investment to drive free funds flow above the Company's growth-focused development drilling program spending in 2022 and beyond. WCS oil price protection is in place for an average volume of approximately 1,125 bbl/d at close to \$71.25/bbl for 2022.

As at January 18, 2022, Rubellite has entered into the following commodity price management contracts:

Commodity	Volumes sold	Term	Reference/ Index	Contract Traded Bought/sold	Average Price (\$/bbl)	Market Price (\$/bbl)
Crude Oil	200 bbl/d	Jan 1, 2022 – Mar 31, 2022	WTI (USD\$/bbl)	Swap - sold	\$75.00	\$82.90
Crude Oil	500 bbl/d	Jan 1, 2022 – Jun 30, 2022	WCS FP (CAD\$/bbl)	Swap - sold	\$71.14	\$84.92
Crude Oil	200 bbl/d	Jan 1, 2022 – Dec 31, 2022	WCS FP (CAD\$/bbl)	Swap - sold	\$76.15	\$82.00
Crude Oil	100 bbl/d	Feb 1, 2022 – Feb 28, 2022	WCS FP (CAD\$/bbl)	Swap - sold	\$69.50	\$87.05
Crude Oil	300 bbl/d	Feb 1, 2022 – Dec 31, 2022	WCS FP (CAD\$/bbl)	Swap - sold	\$70.34	\$81.92
Crude Oil	200 bbl/d	Mar 1, 2022 – Mar 31, 2022	WCS FP (CAD\$/bbl)	Swap - sold	\$70.40	\$86.50
Crude Oil	300 bbl/d	Apr 1, 2022 – Dec 31, 2022	WCS FP (CAD\$/bbl)	Swap - sold	\$69.40	\$80.80
Crude Oil	300 bbl/d	Jul 1, 2022 – Dec 31, 2022	WCS FP (CAD\$/bbl)	Swap - sold	\$69.70	\$79.10
Crude Oil	200 bbl/d	Mar 1, 2022 – Dec 31, 2022	WCS Diff (CAD\$/bbl)	Swap - sold	\$(17.25)	\$(16.80)
Crude Oil	100 bbl/d	Jan 1, 2023 – Dec 31, 2023	WTI (USD\$/bbl)	Swap - sold	\$64.50	\$71.20

## Q1 2022 OUTLOOK

Rubellite is on track to achieve its exploration and development capital spending guidance released November 11, 2021 for combined fourth quarter of 2021 through the first quarter of 2022 spending of \$26 to \$30 million. Forecast exploration and development capital expenditures include spending to drill, complete, equip and tie-in wells, net of OBM recovery which is credited back to drilling capital. Undeveloped land purchases and acquisitions have been excluded from exploration and development capital guidance.

Development drilling activity across Rubellite's three operating areas is forecast to drive rapid production growth. Production sales volumes are expected to reach in excess of 2,000 bbl/d during the first quarter of 2022. The Company expects to update first quarter and full year 2022 guidance after stabilized production results from the ongoing Ukalta and Figure Lake drilling programs have been established. Rubellite also plans to continue exploration activities to pursue additional prospective land capture and de-risk acreage.

In the context of current strip pricing, Rubellite's organic growth business plan is expected to be fully funded, drive material adjusted funds flow growth over the next two years and generate free funds flow in excess of exploration and development spending in 2022.

An updated Corporate Overview presentation has been posted to the Company's website at [www.rubelliteenergy.com](http://www.rubelliteenergy.com).

## ADDITIONAL INFORMATION

### About Rubellite

Rubellite is a Canadian energy company engaged in the exploration, development and production of heavy crude oil from the Clearwater formation in Eastern Alberta, utilizing multi-lateral drilling technology. Rubellite has a pure play Clearwater asset base and is pursuing a robust organic growth plan focused on superior corporate returns and free funds flow generation while maintaining a conservative capital structure and prioritizing ESG excellence. Additional information on Rubellite can be accessed at the Company's website at [www.rubelliteenergy.com](http://www.rubelliteenergy.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

The Toronto Stock Exchange has neither approved nor disapproved the information contained herein.

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**BOE VOLUME CONVERSIONS:** *Barrel of oil equivalent ("boe") may be misleading, particularly if used in isolation. In accordance with National Instrument 51-101, a conversion ratio for conventional natural gas of 6 Mcf:1 bbl has been used, which 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 addition, utilizing a conversion on a 6 Mcf:1 bbl basis may be misleading as an indicator of value as the value ratio between conventional natural gas and heavy crude oil, based on the current prices of natural gas and crude oil, differ significantly from the energy equivalency of 6 Mcf:1 bbl. A conversion ratio of 1 bbl of heavy crude oil to 1 bbl of NGL has also been used throughout this news release.*

*The following abbreviations used in this news release have the meanings set forth below:*

bbl barrels  
bbl/d barrels per day  
boe barrels of oil equivalent

### Initial Production Rates

*Any references in this news release to initial production rates are useful in confirming the presence of hydrocarbons; however, such rates are not determinative of the rates at which such wells will continue production and decline thereafter and are not necessarily indicative of long-term performance or ultimate recovery. Readers are cautioned not to place reliance on such rates in calculating the aggregate production for the Company. Such rates are based on field estimates and may be based on limited data available at this time.*

### Estimates of Drilling Locations

*Unbooked drilling locations are the internal estimates of Rubellite based on the Clearwater assets prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves or resources (including contingent and prospective). Unbooked locations have been identified by Rubellite's management as an estimation of Rubellite's multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that Rubellite will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and natural gas reserves, resources or production. The drilling locations on which Rubellite will actually drill wells, including the number and timing thereof is ultimately dependent upon the availability of funding, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While a certain number of the unbooked drilling locations have been de-risked by Rubellite by drilling existing wells in relative close proximity to such unbooked drilling locations, the majority of other unbooked drilling locations are farther away from existing wells where management of Rubellite has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves, resources or production.*

### Non-GAAP Measures

*This news release contains the terms "adjusted funds flow" and "free funds flow", which do not have standardized meanings prescribed by GAAP. Management believes that in addition to net income (loss) and net cash flows from (used in) operating activities as defined by GAAP, these terms are useful supplemental measures to evaluate operating performance. Users are cautioned however that these*

measures should not be construed as an alternative to net income (loss) or net cash flows from operating activities determined in accordance with GAAP as an indication of Rubellite's performance and may not be comparable with the calculation of similar measurements by other entities.

For additional reader advisories in regards to non-GAAP financial measures, including Rubellite's method of calculation and reconciliation of these terms to their corresponding GAAP measures, see the section entitled "Non-GAAP Measures" within the Company's MD&A filed on SEDAR.

**Adjusted funds flow:** Adjusted funds flow is calculated based on cash flows from (used in) operating activities, excluding changes in non-cash working capital and expenditures on decommissioning obligations since Rubellite believes the timing of collection, payment or incurrence of these items is variable. Expenditures on decommissioning obligations may vary from period to period depending on capital programs and the maturity of the Company's operating areas. Expenditures on decommissioning obligations are managed through the capital budgeting process which considers available adjusted funds flow. Management uses adjusted funds flow and adjusted funds flow per boe as key measures to assess the ability of the Company to generate the funds necessary to finance capital expenditures, expenditures on decommissioning obligations, and meet its financial obligations.

Adjusted funds flow is not intended to represent net cash flows from (used in) operating activities calculated in accordance with IFRS.

**Free funds flow:** Free funds flow is defined as adjusted funds flow less total net capital expenditures. Total net capital expenditures is defined as total capital expenditures before acquisitions and non-core dispositions.

### **Forward-Looking Information**

Certain information in this news release including management's assessment of future plans and operations, and including the information contained under the headings "Operations Update" and "Q1 2022 Outlook" may constitute forward-looking information or statements (together "forward-looking information") under applicable securities laws. The forward-looking information includes, without limitation, statements with respect to: expectations as to increased sales production as new wells fully recover load oil from the drilling process; drilling activity plans and the planned two-rig drilling program for the remainder of the first quarter of 2022 and the benefits to be derived from such drilling including the production growth and ability for the business plan to be fully funded; expectations respecting Rubellite's future exploration, development and drilling activities; the estimated initial working capital and debt of Rubellite; and the anticipated focus of Rubellite's business plan.

Forward-looking information is based on current expectations, estimates and projections that involve a number of known and unknown risks, which could cause actual results to vary and in some instances to differ materially from those anticipated by Rubellite and described in the forward-looking information contained in this news release. In particular and without limitation of the foregoing, material factors or assumptions on which the forward-looking information in this news release is based include: the ability of Rubellite to successfully operate the Clearwater assets; forecast commodity prices and other pricing assumptions; forecast production volumes based on business and market conditions; foreign exchange rates; near-term pricing and continued volatility of the market; accounting estimates and judgments; future use and development of technology and associated expected future results; the ability to obtain regulatory approvals; the successful and timely implementation of capital projects; ability to generate sufficient cash flow to meet current and future obligations; Rubellite's ability to operate under the management of Rubellite pursuant to the management services agreement; the ability of Rubellite to obtain and retain qualified staff and equipment in a timely and cost-efficient manner, as applicable; the retention of key properties; forecast inflation and other assumptions inherent in Rubellite's current guidance and estimates; the continuance of existing tax, royalty, and regulatory regimes; the accuracy of the estimates of reserves volumes; ability to access and implement technology necessary to efficiently and effectively operate assets; and the ongoing and future impact of the coronavirus on commodity prices and the global economy, among others.

Undue reliance should not be placed on forward-looking information, which is not a guarantee of performance and is subject to a number of risks or uncertainties, including without limitation those described herein and under "Risk Factors" in Rubellite's Management Information Circular dated August 4, 2021 and in other reports on file with Canadian securities regulatory authorities which may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)). Readers are cautioned that the foregoing list of risk factors is not exhaustive. Forward-looking information is based on the estimates and opinions of Rubellite's management at the time the information is released, and Rubellite disclaims any intent or obligation to update publicly any such forward-looking information, whether as a result of new information, future events or otherwise, other than as expressly required by applicable securities law.