

TO SHAREHOLDERS

Rubellite Energy Inc. ("Rubellite" or the "Company") 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.

Rubellite was incorporated on July 12, 2021 and commenced operations with the acquisition of Perpetual Energy Inc.'s ("Perpetual") Clearwater lands, wells, roads and related facilities in northeast Alberta (the "Clearwater Assets") on July 15, 2021. Following overwhelming support by the shareholders of Perpetual at a special shareholder meeting held on August 31, 2021, and the approval of the Court of Queen's Bench of Alberta, a plan of arrangement under the *Business Corporations Act (Alberta)* involving Perpetual, the shareholders of Perpetual and Rubellite was completed on September 3, 2021 (the "Arrangement"). Pursuant to the Arrangement shareholders of Perpetual received Rubellite common shares.

The Clearwater Assets were acquired for aggregate consideration of \$65.5 million. The consideration consisted of:

- i) promissory notes totaling \$59.4 million, which were paid in cash on October 5, 2021;
- ii) the issuance of 680,485 Rubellite common shares valued at \$1.3 million;
- iii) the return of 8.2 million Perpetual common shares exchanged in the plan of arrangement and valued at \$2.8 million; and
- iv) the issuance to Perpetual of warrants to purchase 4.0 million Rubellite common shares at a price of \$3.00 per share for a period of five years and valued at \$2.0 million.

In conjunction with the Arrangement, Rubellite raised an aggregate \$83.5 million through:

- i) a backstopped arrangement warrant financing completed on October 5, 2021 which resulted in the issuance of 16.7 million Rubellite common shares for total proceeds of \$33.5 million;
- ii) a non-brokered \$20.0 million private placement financing completed on October 5, 2021 which resulted in the issuance of 10.0 million Rubellite common shares; and
- iii) a brokered \$30.0 million subscription receipt financing (15.0 million subscription receipts) completed on July 13, 2021 which resulted in the issuance of 15.0 million common shares of Rubellite on October 5, 2021.

These transactions put Rubellite in a strong financial position with no debt, cash on the balance sheet and a large inventory of prospective drill ready locations to fuel a robust growth plan in an attractive oil price environment. The Company has been successful in executing its high growth business plan, profitably drilling wells and growing production, and materially expanding its land base and prospect inventory.

For 2022, Rubellite's strategic priorities are to:

1. Deliver a robust organic production growth profile to unlock free funds flow;
2. Drive top quartile capital efficiencies;
3. Materially grow our net asset value and de-risk locations;
4. Grow our Clearwater land base and prospect inventory;
5. Maintain a strong balance sheet and manage risk; and
6. Record positive performance metrics to validate ESG excellence.

The Board of Directors and management are grateful for the support of our partners and service providers and the extraordinary commitment to excellence of the Rubellite team. Propelled by an entrepreneurial culture which marries creativity with accountability, we look forward to building this exciting pure play Clearwater explorer and producer to supply ever-cleaner heavy oil to the market, while creating value for our shareholders and all other stakeholders.



SUE RIDDELL ROSE
President and Chief Executive Officer

March 30, 2022

FINANCIAL AND OPERATING HIGHLIGHTS

(\$ thousands, except as noted)

	Three months ended December 31, 2021	Year ended December 31, 2021 ⁽¹⁾
Financial		
Oil revenue	3,931	4,923
Net income (loss)	(1,265)	7,702
Per share – basic ⁽³⁾	(0.03)	0.34
Per share – diluted ⁽³⁾	(0.03)	0.33
Cash flow from operating activities	1,115	1,115
Adjusted funds flow – pre-transaction costs ⁽²⁾	2,158	2,666
Adjusted funds flow ⁽²⁾	1,469	1,595
Per share – basic ⁽²⁾⁽³⁾	0.03	0.07
Per share – diluted ⁽²⁾⁽³⁾	0.03	0.07
Adjusted working capital ⁽¹⁾⁽²⁾	5,375	5,375
Capital expenditures⁽²⁾		
Development ⁽²⁾	17,180	17,358
Exploration ⁽²⁾	15,660	15,811
	1,520	1,547
Wells Drilled⁽⁴⁾ – gross (net)	8/8.0	10/10.0
Common shares outstanding (thousands)		
Weighted average – basic	41,834	22,702
Weighted average – diluted	42,360	23,228
Operating		
Daily average heavy oil sales production (bbl/d)	603	593
Average prices		
West Texas Intermediate (\$US/bbl)	77.13	75.73
Western Canada Select (\$Cdn/bbl)	78.65	77.37
Realized oil price ⁽⁵⁾ – before hedging (\$/bbl)	70.94	69.76
Realized oil price ⁽²⁾⁽⁵⁾ – after hedging (\$/bbl)	72.77	71.20

⁽¹⁾ Reflects activity from incorporation on July 12, 2021 and operating results from September 3, 2021, the effective date of the completion of the Arrangement, to December 31, 2021.

⁽²⁾ Non-GAAP measure, Non-GAAP ratio or supplementary financial measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Refer to the section entitled "Non-GAAP and Other Financial Measures" and "Advisories – Specified Financial Measures" contained within this Annual Results report.

⁽³⁾ Per share amounts are calculated using the weighted average number of basic or diluted common shares outstanding for the period.

⁽⁴⁾ Five (4.0 net) additional wells were drilled in 2021 prior to the effective date of the completion of the Plan of Arrangement on September 3, 2021.

⁽⁵⁾ Realized oil prices included physical sales contracts for which delivery was made during the reporting period; Realized oil price after hedging includes realized gains and losses on financial derivatives and foreign exchange contracts.

ADVISORIES

This letter to shareholders, 2021 annual highlights and Annual Results report refer to certain non-GAAP measures and metrics commonly used in the oil and natural gas industry and provides forward-looking information and statements. Further detailed information regarding these measures is provided in this Annual Results report in "Management's Discussion and Analysis – NON-GAAP AND OTHER FINANCIAL MEASURES" on pages 18, 19 and 20, "Management's Discussion and Analysis – RESERVES DATA" on page 20 and "Management's Discussion and Analysis – FORWARD-LOOKING INFORMATION" on pages 20 and 21, "Management's Discussion and Analysis – OIL AND GAS METRICS" on page 21 and "Management's Discussion and Analysis – INITIAL PRODUCTION RATES" on page 21 of this Annual Results report.

In addition to the disclosure set out in Rubellite's Management's Discussion and Analysis for the period ended December 31, 2021, we provide certain supplementary disclosure in respect of certain specified financial measures (as such term is defined in National Instrument 51-112 – *Non-GAAP and Other Financial Measures*) and in respect of certain oil and gas metrics.

Specified Financial Measures

The term "adjusted working capital" is a non-GAAP financial measure and is calculated by adding cash, accounts receivable and prepaids less accounts payables and accrued liabilities but excluding the current portion of the fair value of derivatives. This determination of adjusted working capital is reflective of the measures used by Management to monitor its liquidity in light of operating and capital budgeting decisions. Rubellite had used the label "net positive working capital" in respect of the same non-GAAP financial measure. Please see the 2021 MD&A under the heading "Non-GAAP and Other Financial Measures – Net Debt and Working Capital" for additional disclosure thereon.

The term "realized oil price after hedging" is a non-GAAP financial ratio which does not have a standardized meaning under IFRS and might not be comparable to similar measures presented by other companies where similar terminology is used. Investors are cautioned that this ratio should not be construed as alternatives to or more meaningful than the most directly comparable IFRS measures as indicators of Rubellite's performance. Rubellite calculates realized oil price after hedging as crude oil commodity sales from production, as determined in accordance with IFRS, less realized hedging losses as determined in accordance with IFRS, divided by the Company's crude oil production. The Company considers the realized oil price after hedging as an important measure in assessing the operating performance of the Company after taking into consideration risk management activities.

The terms "net asset value" or "NAV" and "net asset value per share" are non-GAAP financial measures which do not have a standardized meaning under IFRS and might not be comparable to similar measures presented by other companies where similar terminology is used. Management believes that net asset value and net asset value per share are key industry performance measures of value creation and are measures that provide investors with information that is commonly presented by other crude oil and natural gas producers. The Company calculates net asset value as the value of proved plus probable reserves inclusive of asset retirement obligations, plus the fair market value of undeveloped land, minus bank and other debt and plus or minus adjusted working capital as disclosed on page 9. Rubellite calculates net asset value per share by dividing net asset value by the number of issued and outstanding shares for the specified period. Management believes that net asset value per share provides investors an indicator of value that could be allocated to each shareholder's equity position.

The term "free funds flow" is a non-GAAP financial measure which does not have a standardized meaning under IFRS and might not be comparable to similar measures presented by other companies where similar terminology is used. Investors are cautioned that this ratio should not be construed as an alternative to or more meaningful than the most directly comparable IFRS measures as indicators of Rubellite's performance. Management uses certain industry benchmarks, such as free funds flow, to analyze financial and operating performance. This benchmark is calculated by taking adjusted funds flow and subtracting capital expenditures, excluding acquisitions and dispositions. Management believes that free funds flow provides a useful measure to determine the Company's ability to improve returns and manage the long-term value of the business.

Oil and Gas Advisories

All type curve information contained in this Annual Results report is from the McDaniel Reserve Report (as defined herein) of McDaniel & Associates Consultants Ltd. ("**McDaniel**") effective December 31, 2021 with a preparation date of March 9, 2022. McDaniel is a qualified reserves evaluator. The type curve information presented in this Annual Results report were based on the total proved plus probable category of reserves. Further and for greater clarity, references in the 2021 MD&A to: (i) the Ukalta IP30 type curve should be to approximately 135 bbl/d and; (ii) the Figure Lake type IP30 curve should be to approximately 115 bbl/d.

Reserve life index is an oil and gas metric. Proved plus probable reserve life index is comprised of total proved plus probable reserves divided by the Company's year one production estimated in the proved plus probable reserves category of the McDaniel Report and the proved reserve life index is comprised of total proved reserves divided by the Company's year one production estimated in the proved reserves category of the McDaniel Report. These metrics do not have a standardized meaning or a standard method of calculation and therefore such measure may not be comparable to similar measures used by other companies and should not be used to make comparisons. Such metrics have been included in this document to provide readers with additional measures to evaluate Rubellite's performance; however, such measures are not a reliable indicator of Rubellite's future performance and future performance may not compare to Rubellite's performance in previous periods and therefore such metrics should not be unduly relied upon.

HIGHLIGHTS

Rubellite's annual financial and operating results reflect the period from September 3, 2021, which was the effective date of the completion of the plan of arrangement, to December 31, 2021.

2021 FINANCIAL AND OPERATING HIGHLIGHTS

- Rubellite has steadily executed its business plan, running a two-rig drilling program since late November, and currently has a total of 26 (24.5 net) multi-lateral wells contributing to oil sales production, with an additional 4 (3.5 net) wells rig released and in the start-up stage of recovering load oil.
- Current production is approximately 1,700 bbl/d of conventional heavy oil, based on field estimates, and will continue to ramp up throughout the remainder of the first quarter as new wells reach full recovery of base oil load fluid and are optimized. As per previous guidance, the Company is on track to reach its production milestone of in excess of 2,000 bbl/d in late March.
- The Company has grown its land position for exposure to the Clearwater play to close to 180 net sections, up 72% from the 104 net sections held by Rubellite at its inception in July of 2021.

Fourth Quarter 2021

- Fourth quarter 2021 exploration and development capital expenditures⁽¹⁾ totaled \$15.7 million, in-line with previous guidance of between \$16.0 and \$18.0 million. Including land purchases, total capital expenditures⁽¹⁾ were \$17.2 million.
- Drilling activity for the fourth quarter totaled eight (8.0 net) horizontal multi-lateral Clearwater wells, including six (6.0 net) wells rig released at Ukalta and two (2.0 net) rig released at Figure Lake prior to year-end 2021. The Company secured a second drilling rig in late November to follow-up positive results in the Figure Lake area.
- Sixteen (15.0 net) wells were contributing to sales production at year-end 2021, while an additional five (5.0 net) wells were rig released and recovering oil-based drilling mud ("OBM") used during the drilling process. OBM recoveries are not recorded as sales production as the OBM is recycled for future drilling operations to the extent possible or sold and credited back to drilling capital.
- Production ramped up progressively through the fourth quarter of 2021 as new wells fully recovered base-oil load fluid, filled tank inventories and then commenced delivery to sales terminals. Rubellite recorded average sales production of 603 bbl/d (100% conventional heavy oil), slightly lower than previously forecast production based on field estimates as extremely cold weather conditions in late December hindered trucking of produced volumes to sales terminals and deferred the sale of several loads of produced heavy oil volumes to early January.
- Operating netbacks⁽¹⁾ were \$2.6 million, or \$47.10/bbl, reflecting strong Western Canadian Select ("WCS") benchmark prices and a realized oil price after hedging⁽¹⁾ of \$72.67/bbl.
- Adjusted funds flow⁽¹⁾ in the fourth quarter of 2021 was \$1.5 million (\$0.03/share), and included \$0.7 million in transaction costs related to the acquisition of the Clearwater Assets. Excluding transaction costs, adjusted funds flow⁽¹⁾ was \$2.2 million (\$0.09/share). Cash flow from operating activities in the fourth quarter and year-ended 2021 were \$1.1 million and \$1.1 million, respectively.
- Total proved plus probable reserves were 6.0 MMboe at December 31, 2021, an increase of 68% relative to the reserves recognized in the report of McDaniel for the Clearwater Assets effective June 1, 2021 immediately prior to the inception of Rubellite. The net present value ("NPV") of Rubellite's total proved plus probable reserves (discounted at 10%), was \$123.2 million. See "Year-End 2021 Reserves".
- Adjusted working capital⁽¹⁾ at year-end 2021 was \$5.4 million. Subsequent to year-end, the borrowing limit on the Company's reserves-based revolving credit facility was increased to \$25 million and the initial term was extended by 12 months to May 31, 2023.

⁽¹⁾ Non-GAAP measure, Non-GAAP ratio or supplementary financial measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Refer to the section entitled "Non-GAAP and Other Financial Measures" and "Advisories – Specified Financial Measures" contained within this Annual Results report.

Subsequent Events

On March 10, 2022, the Company entered into a bought deal financing with a syndicate of underwriters led by Peters & Co. Limited (the "Underwriters"), pursuant to which the Underwriters agreed to purchase for resale to the public, on a bought-deal basis, 6.2 million common shares ("Common Shares") of Rubellite at a price of \$3.55 per Common Share for gross proceeds of approximately \$22.0 million (the "Offering"). The Underwriters had an option to purchase up to an additional 930,000 Common Shares issued at a price of \$3.55 per Common Share (the "Over-Allotment Option") to cover over-allotments and for market stabilization purposes exercisable in whole or in part at any time until 30 days after closing of the Offering. The Over-Allotment Option was exercised and both the Offering and the Over-Allotment Option closed on March 30, 2022.

In addition to the Offering, Rubellite issued to certain of its and Perpetual's directors, officers and employees and their respective associates and relatives, on a private placement basis, concurrent with the closing of the Offering, an aggregate of 3,783,820 Common Shares at a price of \$3.55 per Common Share for gross proceeds to the Company of \$13,432,561 (the "Concurrent Private Placement"). The aggregate gross proceeds from the Offering and the Concurrent Private Placement were approximately \$38,744,061.

Rubellite intends to use the net proceeds from the Offering and Concurrent Private Placement to initially reduce amounts drawn on its first lien revolving credit facility with a syndicate of lenders (the "Credit Facility") (which was drawn at \$5.0 million prior to closing) and subsequently to fund the Company's ongoing capital expenditures and for general corporate purposes. The Company's primary anticipated ongoing capital expenditures relate to spending an aggregate of \$32 to \$40 million for exploratory, delineation and development drilling which are expected to be comprised of the following: (i) \$8 to \$12 million for the drilling of four to six (3.0 to 4.0 net) exploratory wells prior to April 1, 2023 at Peavine and on its other northern exploratory blocks to earn acreage and delineate area type curves; and (ii) \$24 to \$28 million for the drilling of 22 (20.5 net) additional delineation and development wells in the Clearwater formation in the second quarter through the fourth quarter of 2022. In addition, Rubellite will continue to pursue undeveloped land purchases and acquisitions to grow its land base and inventory of prospective Clearwater drilling locations. All of the wells anticipated to be drilled will be targeting heavy crude oil in the Clearwater formation.

OPERATIONS UPDATE

Rubellite is continuing to operate a two-rig drilling program across its three core producing properties to follow up its initial exploration success in Figure Lake, and accelerate development at Ukalta, and Marten Hills.

At Ukalta, ten (10.0 net) new development wells targeting the primary lower Clearwater zone have been rig released since Rubellite's inception. As of today's date, eight of the new development wells at Ukalta are now contributing to oil sales production volumes, and five of those wells have completed their respective IP30 production periods. IP30 rates ranging from 96 to 189 bbl/d, and averaging 148 bbl/d, have been recorded as compared to the Ukalta IP30 type curve of approximately 135 bbl/d⁽¹⁾. Three of the remaining Ukalta development wells completed their load oil recovery in mid to late February and are showing similar positive indications of type curve performance based on initial sales production rates. The remaining Ukalta wells just recently commenced OBM recovery and are expected to reach full recovery of OBM and start producing sales volumes prior to the end of March. Performance from the new Ukalta wells will be monitored closely as operating parameters are optimized.

Drilling operations at Ukalta will continue through spring break-up with three (3.0 net) multi-lateral development wells and a vertical water disposal well planned at the existing 13-35 pad situated proximal to a high-grade access road. When field conditions allow, drilling operations at Ukalta will continue to a six-well pad, targeting to extend the primary Clearwater zone development to the north.

At Figure Lake, Rubellite contracted a second drilling rig in late November to execute a four well winter follow-up drilling program at the existing South Figure Lake pad. The first two development wells completed their OBM recovery operations in late January and recorded IP30 rates of 86 and 115 bbl/d respectively, bringing the IP30 average of the four Figure Lake south pad wells that have had at least 30 days of sales production to 116 bbl/d, as compared to the Figure Lake type curve IP30 of approximately 115 bbl/d⁽¹⁾. Two additional wells drilled on the south pad were rig released in January, reached the end of their OBM recovery periods during the third week of February, and are now producing volumes to sales with positive indications of performance at or above the Figure Lake type curve. The drilling rig moved north in early February to execute a development program at Marten Hills prior to spring break-up. Drilling operations are expected to recommence at Figure Lake late in the second quarter, with up to 12 new horizontal multi-lateral wells and a vertical water disposal well planned for the remainder of 2022.

At Marten Hills, the planned four (2.0 net) well drilling program commenced in early February of which two (1.0 net) eight-leg multi-lateral wells have been rig released. One (0.5 net) well has recently commenced sales production while the other is just beginning OBM recovery operations. The remaining two (1.0 net) wells in the program are expected to be rig-released prior to the end of March or early April. 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.

Drilling costs have escalated somewhat due to increased OBM costs which are directly related to the price of base oil. Rubellite has recently secured a lower cost source of base oil in closer proximity to drilling operations to mitigate the rising costs. The Company is successfully reducing time lags for production start-up on new multi-well pads by constructing pads to accommodate concurrent drilling and production operations and pre-building permanent production facilities, thereby improving capital efficiencies and accelerating economic returns. In addition, the new on-site water disposal wells to be drilled at Ukalta and Figure Lake are expected to enhance field netbacks during the second half of 2022.

PEAVINE TRANSACTION AND EXPLORATION OPPORTUNITY

Subsequent to year-end, in March 2022, Rubellite signed a letter of intent to pursue a farm-in and option agreement (the "Peavine Transaction") in the Peavine area, in the vicinity of recent industry Clearwater drilling activity and southwest of Rubellite's existing option acreage at West Dawson in northern Alberta. The arrangement provides exposure to an additional 61.25 gross sections of land prospective for the Clearwater formation. A minimum of two exploratory wells will be drilled and completed prior to April 1, 2023, targeting to establish production and evaluate the future development potential of these Clearwater lands.

In addition to the Peavine Transaction, in the first quarter of 2022, Rubellite has invested approximately \$11 million to acquire crown land prospective for the Clearwater formation. Commensurate with growing production and adjusted funds flow, Rubellite plans to continue to pursue transactions to grow its land base and expand its inventory of opportunities across this emerging play.

2022 OUTLOOK

Rubellite's Board of Directors has approved an exploration and development capital spending⁽⁵⁾ budget of up to \$48 million for 2022 to drill, complete equip and tie-in up to 33 (30 net) horizontal multi-lateral wells in its three core operating areas as well as two (2.0 net) vertical water disposal wells to mitigate water handling costs. Forecast capital activities are expected to be fully funded from adjusted funds flow⁽⁵⁾ and the recently expanded credit facility. The Figure Lake drilling program will be partially funded by the Figure Lake GORR financing, which will provide approximately \$0.2 million per well for the next 12 wells planned in Figure Lake area.

The table below summarizes Rubellite's anticipated exploration and development capital spending⁽⁵⁾ and drilling activities during the first quarter and full year for 2022.

2022 Exploration and Development Forecast Capital Expenditures⁽⁵⁾

	Q1 2022 (\$ millions)	# of wells ⁽¹⁾ (gross/net)	Full Year 2022 (\$ millions)	# of wells ⁽¹⁾ (gross/net)
Ukalta		6 / 6.0		14 / 14.0
Figure Lake ⁽²⁾		2 / 2.0		13 / 13.0
Marten Hills		3 / 1.5		6 / 3.0
Total⁽³⁾⁽⁴⁾	\$20 - \$22	11 / 9.5	\$44 - \$48	33 / 30.0

⁽¹⁾ Well count reflects wells rig released during the period. One (1.0 net) well at Ukalta and one (0.5 net) well at Marten Hills are expected to spud late in Q1 2022 and rig release in early April. Full year 2022 well counts exclude two (2.0 net) vertical water disposal wells in Q2 and Q3 2022 at Ukalta and Figure Lake respectively.

⁽²⁾ Capital expenditures at Figure Lake are reduced for the Figure Lake GORR financing which is forecast to contribute \$0.4 million in Q1 2022 and \$2.0 million in 2022.

⁽³⁾ Q1 2022 capital expenditures include \$3.5 million for equipment, tubulars and OBM inventory procurement for the remainder of 2022 drilling program. Full year 2022 capital expenditures of \$44 to \$48 million include spending for two vertical water disposal wells.

⁽⁴⁾ Excludes activity on exploratory option blocks, undeveloped land purchases and acquisitions, if any.

⁽⁵⁾ Non-GAAP measure, Non-GAAP ratio or supplementary financial measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this Annual Results report.

Development drilling activity across Rubellite's three core operating areas is forecast to drive rapid production growth. Daily average sales production is expected to increase 91% to 107% from fourth quarter 2021 levels to average 1,150 to 1,250 boe/d (100% heavy oil) for the first quarter of 2022. The two-rig drilling program planned after spring break-up at Ukalta and Figure Lake is expected to continue to drive progressive growth over the remainder of 2022 and deliver full year 2022 average sales production levels of between 2,200 to 2,400 bbl/d.

2022 Guidance assumptions are as follows:

Guidance Assumptions

	2022
Annual average sales production (bbl/d)	2,200 - 2,400
Exploration and development capital expenditures ⁽¹⁾⁽²⁾ (\$ millions)	\$44 - \$48
Heavy oil wellhead differential (C\$/bbl) ⁽³⁾	\$8.00 - \$9.00
Royalties	11% - 12%
Operating costs (\$/bbl) ⁽²⁾	\$5.50 - \$6.50
Transportation costs (\$/bbl) ⁽²⁾	\$5.50 - \$6.50
G&A (\$/bbl) ⁽²⁾	\$4.00 - \$4.50

⁽¹⁾ Excludes activity on exploratory option blocks, undeveloped land purchases and acquisitions, if any.

⁽²⁾ Non-GAAP measure, Non-GAAP ratio or supplementary financial measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this Annual Results report.

⁽³⁾ Differential relative to the Western Canadian Select (Cdn\$/bbl) reference price prior to any price management activities.

2022 exploration and development capital expenditure guidance excludes capital spending for undeveloped lands, acquisitions, if any, and for commitment wells to earn lands pursuant to the Peavine Transaction and for other exploratory option blocks. The Company expects to fund the drilling of four to six (3.0 – 4.0 net) exploratory wells to earn acreage and delineate area type curves prior to April 1, 2023. In addition, Rubellite plans to pursue additional investments to continue to grow its land base and prospect inventory.

YEAR-END 2021 RESERVES

The Company's year-end 2021 reserves information is based on an independent reserves evaluation report prepared by McDaniel & Associates Consultants Ltd. (the "McDaniel Reserve Report"). Rubellite's proved plus probable reserves at year-end 2021 are 6.0 MMboe, comprised of 100% crude oil. The reserves are a combination of the initial Clearwater asset acquisition of 3.9 MMboe from Perpetual that closed July 15, 2021 and reserve extensions of 2.1 MMboe that represented incremental growth of 54% over the four months period ended December 31, 2021.

Reserve Highlights

The McDaniel Reserve Report highlights include:

- Total proved reserves were 3.2 MMboe at year-end 2021, representing 53% of the Company's proved plus probable reserves.
- Proved plus probable producing reserves were 1.8 MMboe at December 31, 2021, representing 30% of total proved plus probable reserves.
- Future development costs ("FDC") are \$46.5 million in the proved plus probable category. McDaniel recognized proved plus probable undeveloped reserves for 40 (36.0 net) multi-lateral horizontal heavy crude oil location in the Clearwater play.
- Based on an equal weighting of three consultant average price (McDaniel, GLJ, Sproule) forecasts (the "Consultant Average Price Forecast") used by McDaniel, the net present value ("NPV") of Rubellite's total proved plus probable reserves (discounted at 10%) before income tax, was \$123.2 million.
- Based on the Consultant Average Price Forecast, Rubellite's net asset value⁽¹⁾ ("NAV") (discounted at 10%) at year-end 2021 is estimated at \$143.4 million (\$3.27 per share).

⁽¹⁾ Non-GAAP measure, Non-GAAP ratio or supplementary financial measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Refer to the section entitled "Non-GAAP and Other Financial Measures" and "Advisories – Specified Financial Measures" contained within this Annual Results report.

Reserves Disclosure

Working interest reserves included herein refer to working interest reserves before royalty deductions. Reserves information is based on the McDaniel Reserve Report, with an effective date of December 31, 2021, and has been prepared in accordance with National Instrument 51-101 ("NI 51-101") using the Consultant Average Price Forecast. Rubellite's reserves at December 31, 2021 are summarized below:

Working Interest Reserves at December 31, 2021⁽¹⁾

	Light and Medium Crude Oil (Mbbf)	Heavy Oil (Mbbf)	Conventional Natural Gas (MMcf)	Natural Gas Liquids (Mbbf)	Oil Equivalent (Mboe)
Proved Producing	–	1,366	–	–	1,366
Proved Non-Producing	–	–	–	–	–
Proved Undeveloped	–	1,809	–	–	1,809
Total Proved	–	3,174	–	–	3,174
Probable Producing	–	426	–	–	426
Probable Non-Producing	–	–	–	–	–
Probable Undeveloped	–	2,421	–	–	2,421
Total Probable	–	2,847	–	–	2,847
Total Proved plus Probable	–	6,022	–	–	6,022

⁽¹⁾ May not add due to rounding.

Reserves Reconciliation

Working Interest Reserves⁽¹⁾

Barrels of Oil Equivalent (Mboe)	Proved	Probable	Proved and Probable
Opening Balance, July 12, 2021	–	–	–
Extensions and Improved Recovery	578	1,566	2,144
Discoveries	–	–	–
Technical Revisions	–	–	–
Acquisitions	2,671	1,281	3,953
Dispositions	–	–	–
Production	(75)	–	(75)
Economic Factors	–	–	–
Closing Balance, December 31, 2021	3,174	2,847	6,022

⁽¹⁾ May not add due to rounding.

Acquisition reserves include the initial Clearwater assets acquired from Perpetual as well as reserves added to land purchased in the Figure Lake property.

In the proved plus probable reserve category, the acquisition of 3,953 Mboe was comprised of 9 (8.0 net) producing wells and 31 (27.0 net) undeveloped locations. Following the acquisition, 13 (13.0 net) locations were drilled that resulted in proved plus probable adds of 2,144 Mboe attributed to the addition of 5 (5.0 net) producing wells, the transfer of 7 (7.0 net) wells from the proved plus probable undeveloped category to the proved plus probable developed category and the addition of 16 (16.0 net) proved plus probable undeveloped locations.

The table below summarizes the FDC estimated by McDaniel by play type to bring proved plus probable non-producing and undeveloped reserves to production.

Future Development Capital⁽¹⁾

(\$ millions)	2022	2023	2024	2025	2026	Remainder	Total
Figure Lake	10.6	9.9	–	–	–	–	20.5
Ukalta	17.7	2.5	–	–	–	–	20.3
Marten Hills	3.6	2.2	–	–	–	–	5.7
Total	31.9	14.6	0.0	0.0	0.0	0.0	46.5

⁽¹⁾ May not add due to rounding.

The McDaniel Reserve Report estimates that FDC of \$46.5 million will be required to drill 40 (36.0 net) multi-lateral horizontal heavy oil locations to develop the Company's proved plus probable reserves recognized in the Clearwater play.

RESERVE LIFE INDEX

Rubellite's proved plus probable reserves to production ratio, also referred to as reserve life index ("RLI"), was 6.6 years at year-end 2021, while the proved RLI was 4.6 years, based upon the 2022 production estimates in the McDaniel Reserve Report.

NET PRESENT VALUE OF RESERVES SUMMARY

Rubellite's heavy crude oil reserves were evaluated by McDaniel using the Consultant Average Price Forecast effective January 1, 2022, but does not include provision for financial oil and natural gas price hedges, foreign exchange contracts, income taxes, interest, debt service charges and general and administrative expenses. The following table summarizes the NPV of future revenue from reserves at December 31, 2021, assuming various discount rates:

NPV of Reserves, before income tax⁽¹⁾⁽²⁾⁽³⁾

(\$ millions except as noted)	Undiscounted	5%	10%	15%	Discounted at 20%	Unit Value Discounted at 10%/Year (\$/boe) ⁽⁴⁾
Proved Producing	48	44	41	37	35	33.08
Proved Non-Producing	0	0	0	0	0	–
Proved Undeveloped	44	37	31	27	23	19.24
Total Proved	93	82	72	64	58	25.19
Probable Producing	15	11	9	7	6	22.29
Probable Non-Producing	0	0	0	0	0	–
Probable Undeveloped	70	54	43	35	29	19.65
Total Probable	85	65	51	42	35	20.05
Total Proved plus Probable	178	146	123	106	93	22.76

⁽¹⁾ January 1, 2022 Consultant Average price forecast

⁽²⁾ Inclusive of all future asset retirement obligations.

⁽³⁾ May not add due to rounding.

⁽⁴⁾ Unit values are based on net reserve volumes.

McDaniel's NPV10 estimate of Rubellite's total proved plus probable reserves at year-end 2021 was \$123.2 million. At a 10% discount factor, total proved reserves account for 58% of the proved plus probable value. Proved plus probable producing reserves represent 40% of the total proved plus probable value (discounted at 10%) as obligations for non-producing wells, facilities and pipelines and forecast corporate marketing adjustments reduce the value of the developed producing reserves.

FAIR MARKET VALUE OF UNDEVELOPED LAND

Rubellite held 80,371 net undeveloped acres of land at December 31, 2021. Undeveloped acres refers to land where there are not any existing active wells within the rights associated with those, and includes 72,380 net acres where there are no proved or probable reserves assigned that were assigned value at year-end 2021. An independent third-party estimate of the fair market value of the Company's undeveloped, non-reserve acreage was prepared by Seaton-Jordan & Associates Ltd. ("Seaton-Jordan") and is based on past Crown land sale activity, adjusted for tenure and other considerations. The fair market value of Rubellite's undeveloped land at year-end 2021 is estimated by Seaton-Jordan at \$15.0 million, an increase of 6% from \$14.1 million relative to the undeveloped land assessment at June 2021.

NET ASSET VALUE⁽⁵⁾

The following NAV⁽⁵⁾ table shows what is normally referred to as a “produce-out” NAV calculation under which the Company’s proved plus probable reserves would be produced at forecast future prices and costs. The value is a snapshot in time and is based on various assumptions including commodity prices and foreign exchange rates that vary over time. It should not be assumed that the NAV represents the fair market value of Rubellite’s shares. The calculations below do not reflect the value of the Company’s prospect inventory to the extent that the prospects are not recognized within the NI 51-101 compliant reserve assessment, except as they are valued through the estimate of the fair market value of undeveloped land.

Pre-tax NAV⁽⁵⁾ at December 31, 2021⁽¹⁾

(\$ millions, except as noted)	Discounted at			
	Undiscounted	5%	10%	15%
Total Proved plus Probable Reserves ⁽²⁾	177.9	146.5	123.2	105.8
Fair market value of undeveloped lands ⁽³⁾	15.0	15.0	15.0	15.0
Adjusted working capital ⁽¹⁾⁽⁴⁾	5.4	5.4	5.4	5.4
NAV	198.1	166.7	143.4	126.0
Common shares outstanding (million) ⁽⁶⁾	43.8	43.8	43.8	43.8
NAV per share (\$/share)⁽⁵⁾⁽⁶⁾	4.52	3.81	3.27	2.88

⁽¹⁾ Financial information is per Rubellite’s 2021 audited consolidated financial statements.

⁽²⁾ Reserve values per McDaniel Reserve Report as at December 31, 2021. All asset retirement obligations including future abandonment and reclamation costs are included in the McDaniel Reserve Report (see page 12 of Rubellite’s 2021 Annual Information Form – *Abandonment and Reclamation Obligations*).

⁽³⁾ Independent third-party estimate; Excludes undeveloped land with reserves assigned.

⁽⁴⁾ Non-GAAP measure, Non-GAAP ratio or supplementary financial measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Refer to the section entitled “Non-GAAP and Other Financial Measures” and “Advisories – Specified Financial Measures” contained within this Annual Results report.

⁽⁵⁾ The terms “net asset value” or “NAV” and “net asset value per share” or “NAV per share” are non-GAAP financial measures which do not have a standardized meaning under IFRS and might not be comparable to similar measures presented by other companies where similar terminology is used. Management believes that NAV and NAV per share are key industry performance measures of value creation and are measures that provide investors with information that is commonly presented by other crude oil and natural gas producers.

⁽⁶⁾ NAV per share is calculated by dividing NAV by the number of issued and outstanding shares for the specified period.

The above evaluation includes FDC expectations required to bring undeveloped reserves on production, as recognized by McDaniel, that meet the criteria for booking under NI 51-101. The fair market value of undeveloped land does not reflect the value of the Company’s extensive prospect inventory which is anticipated to be converted into reserves and production over time through future capital investment.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is management's discussion and analysis ("MD&A") of Rubellite Energy Inc.'s ("Rubellite", the "Company" or the "Corporation") activity from incorporation on July 12, 2021 and operating and financial results for the period from September 3, 2021, being the effective date of the completion of the plan of arrangement (the "Arrangement") involving Perpetual Energy Inc. ("Perpetual"), the shareholders of Perpetual and Rubellite, to December 31, 2021. This MD&A should be read in conjunction with the Corporation's audited financial statements for the year ended December 31, 2021. The Corporation's financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") which require publicly accountable enterprises to prepare their financial statements using International Financial Reporting Standards ("IFRS"). The date of this MD&A is March 9, 2022. All amounts are in Canadian dollars unless specified otherwise.

This MD&A contains certain specified financial measures that are not recognized by GAAP and used by management to evaluate the performance of the Corporation and its business. Since certain specified financial measures may not have a standardized meaning, securities regulations require that specified financial measures are clearly defined, qualified and, where required, reconciled with their nearest GAAP measure. See "Non-GAAP and Other Financial Measures" for further information on the definition, calculation and reconciliation of these measures. This MD&A also contains forward-looking information. See "Forward-Looking Information". Readers are also referred to the other advisory sections at the end of this MD&A for additional information.

NATURE OF BUSINESS: Rubellite is a Canadian energy company headquartered in Calgary, Alberta and 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 www.sedar.com and found at www.rubelliteenergy.com.

Rubellite's common shares are publicly traded on the Toronto Stock Exchange under the symbol "RBY".

2021 MATERIAL TRANSACTIONS

Rubellite commenced operations with the acquisition of Perpetual's Clearwater lands, wells, roads and related facilities in northeast Alberta (the "Clearwater Assets") on July 15, 2021. Operating results for 2021 reflect the period from September 3, 2021, the effective date of the completion of the Arrangement, to December 31, 2021.

The Clearwater Assets were acquired for aggregate consideration of \$65.5 million. The consideration consisted of promissory notes totaling \$59.4 million, which were paid in cash on October 5, 2021, the issuance of 680,485 Rubellite common shares valued at \$1.3 million, the return of 8.2 million Perpetual common shares exchanged in the Arrangement and valued at \$2.8 million, and issuance to Perpetual of warrants to purchase 4.0 million Rubellite common shares at a price of \$3.00 per share for a period of five years and valued at \$2.0 million.

The acquisition has been accounted for as a business combination using the acquisition method of accounting, whereby the assets acquired and the liabilities assumed are recorded at the estimated fair value on September 3, 2021. There were \$1.1 million of transaction costs incurred by the Company and expensed through earnings for the year. With the recognition of a \$9.1 million deferred tax asset at September 3, 2021, a gain of \$9.1 million was recognized in net income.

In conjunction with the Arrangement, the Company undertook the following financing activities (the "Rubellite Financings"):

- i) a backstopped arrangement warrant financing, which closed on October 5, 2021 and resulted in the issuance of 16.7 million Rubellite common shares for total proceeds of \$33.5 million;
- ii) a non-brokered \$20.0 million private placement financing that closed on October 5, 2021, resulting in the issuance of 10.0 million Rubellite common shares; and
- iii) a brokered \$30.0 million subscription receipt financing (15.0 million subscription receipts) that closed on July 13, 2021 with cash held in escrow by a third-party trustee that was released on October 5, 2021. On October 5, 2021, each subscription receipt issued was exchanged on a one-to-one basis for 15.0 million common shares of Rubellite.

Following closing of the Rubellite Financings, the Company entered into a first lien credit facility with a syndicate of lenders to establish a \$3.0 million revolving credit facility with an initial term to May 31, 2022 and which may be extended for a further twelve months to May 31, 2023 subject to lender approval (the "Credit Facility"). As at December 31, 2021, \$nil was drawn against the Credit Facility. Subsequent to year end, the borrowing limit for the Credit Facility was increased to \$25.0 million.

FOURTH QUARTER 2021 HIGHLIGHTS

- On October 5, 2021 Rubellite completed the Rubellite Financings raising \$83.5 million in the aggregate through the issuance of approximately 41.7 million shares. The Rubellite Financings were priced at \$2.00 per share.
- Concurrently, proceeds from the Rubellite Financings fully repaid \$59.4 million in promissory notes related to the acquisition of the Clearwater Assets from Perpetual and established Rubellite with no net debt and positive net working capital⁽¹⁾ of approximately \$21.6 million at that time.
- Exploration and development capital expenditures⁽¹⁾ totaled \$15.7 million, in-line with previous guidance of fourth quarter 2021 spending of between \$16.0 and \$18.0 million. Including land purchases, total capital expenditures⁽¹⁾ were \$17.2 million.

- Drilling activity for the fourth quarter totaled eight (8.0 net) horizontal, multi-lateral Clearwater wells, including six (6.0 net) wells rig released at Ukalta and two (2.0 net) wells rig released at Figure Lake prior to year-end 2021. The Company secured a second drilling rig in late November to follow-up positive results in the Figure Lake area.
- Sixteen (15.0 net) wells were contributing to sales production at year-end 2021, while an additional five (5.0 net) wells were rig released and recovering oil-based drilling mud ("OBM") used during the drilling process. OBM recoveries are not recorded as sales production as the OBM is recycled for future drilling operations to the extent possible or sold and credited back to drilling capital.
- Production ramped up progressively through the fourth quarter of 2021 as new wells fully recovered base-oil load fluid, filled tank inventories and then commenced delivery to sales terminals. Rubellite recorded average sales production of 603 bbl/d (100% conventional heavy oil), slightly lower than previously forecast production based on field estimates as extremely cold weather conditions in late December hindered trucking of produced volumes to sales terminals and deferred the sale of several loads of produced heavy oil volumes to early January.
- Operating netbacks⁽¹⁾ were \$2.6 million, or \$47.31/bbl, reflecting strong Western Canadian Select ("WCS") benchmark prices and a realized oil price after hedging⁽¹⁾ of \$72.77/bbl.
- Adjusted funds flow⁽¹⁾ in the fourth quarter of 2021 was \$1.5 million (\$0.03/share), which included \$0.7 million in transaction costs related to the acquisition of the Clearwater Assets. Excluding transaction costs, adjusted funds flow⁽¹⁾ was \$2.2 million (\$0.09/share). Cash flow from operating activities in the fourth quarter and period ended 2021 were \$1.1 million.
- Net loss for the fourth quarter of 2021 was \$1.3 million (\$0.03/share).
- Total proved plus probable reserves as reported by the independent engineering firm McDaniel and Associates Consultants Ltd ("McDaniel") were 6.0 MMBoe at December 31, 2021, an increase of 68% relative to the reserves recognized in the report of McDaniel for the Clearwater Assets effective June 1, 2021 immediately prior to the inception of Rubellite. The net present value ("NPV") of Rubellite's total proved plus probable reserves (discounted at 10%), was \$123.2 million.
- Net positive working capital⁽¹⁾ at year-end 2021 was \$5.4 million. Subsequent to year-end, the borrowing limit on the Company's reserves-based revolving credit facility was increased to \$25.0 million and the initial term was extended by 12 months to May 31, 2023.

⁽¹⁾ Non-GAAP measure, non-GAAP ratio or supplementary financial measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A.

SUMMARY OF FOURTH QUARTER AND 2021 ANNUAL RESULTS

<i>(\$ thousands, except as noted)</i>	Q4 2021	Q3 2021	2021 ⁽¹⁾
Financial			
Oil revenue	3,931	992	4,923
Net income (loss)	(1,265)	8,967	7,702
Per share – basic ⁽³⁾	(0.03)	12.34	0.34
Per share – diluted ⁽³⁾	(0.03)	5.16	0.33
Total assets	115,862	132,370	115,862
Cash flow from (used in) operating activities	1,115	-	1,115
Adjusted funds flow – pre-transaction costs ⁽²⁾	2,158	760	2,666
Adjusted funds flow ⁽²⁾	1,469	378	1,595
Per share – basic ⁽²⁾⁽³⁾	0.03	0.70	0.07
Per share – diluted ⁽²⁾⁽³⁾	0.03	0.29	0.07
Common shares (thousands)			
Weighted average – basic	41,834	726	22,702
Weighted average – diluted	42,360	1,739	23,228
Operating			
Daily average heavy oil sales production (bbl/d)	603	561	593
Average prices			
Realized oil price – before hedging (\$/bbl)	70.94	65.50	69.76
Realized oil price – after hedging (\$/bbl) ⁽²⁾	72.77	65.50	71.20

⁽¹⁾ Reflects activity from incorporation on July 12, 2021 and operating results from September 3, 2021 the effective date of the Arrangement to December 31, 2021.

⁽²⁾ Non-GAAP measure, non-GAAP ratio or supplementary financial measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A.

⁽³⁾ Per share amounts are calculated using the weighted average number of basic or diluted common shares.

Operations update

Rubellite has been running a two-rig drilling program since late November and currently has a total of 26 (24.5 net) multi-lateral wells contributing to oil sales production, with an additional 4 (3.5 net) wells rig released and in the start-up stage of recovering load oil.

Current production is approximately 1,700 bbl/d of conventional heavy oil, based on field estimates, and will continue to ramp up throughout the remainder of the first quarter as new wells reach full recovery of base oil load fluid and are optimized. As per previous guidance, the Company is on track to reach its sales production milestone of in excess of 2,000 bbl/d in late March.

At Ukalta, ten (10.0 net) new development wells targeting the primary lower Clearwater zone have been rig released since Rubellite's inception. As of today's date, eight of the new development wells at Ukalta are now contributing to oil sales production volumes, and five of those wells have completed their respective IP30 production periods. IP30 rates ranging from 96 to 189 bbl/d, and averaging 148 bbl/d have been recorded as compared to the Ukalta type curve of approximately 140 bbl/d. Three of the remaining Ukalta development wells completed their load oil recovery in mid to late February and are showing similar positive indications of type curve performance based on initial sales production rates. The remaining Ukalta wells recently commenced OBM recovery operations and are expected to reach full recovery of OBM and start producing sales volumes prior to the end of March. Performance from the new Ukalta wells will be monitored closely as operating parameters are optimized.

Drilling operations at Ukalta will continue through spring break-up with three (3.0 net) multi-lateral development wells and a vertical water disposal well planned at the existing 13-35 pad situated proximal to a high-grade access road. When field conditions allow, drilling operations at Ukalta will continue to a six-well pad, targeting to extend the primary lower Clearwater zone development to the north.

At Figure Lake, Rubellite contracted a second drilling rig in late November to execute a four well winter follow-up drilling program at the existing South Figure Lake pad. The first two development wells completed their OBM recovery operations in late January and recorded IP30 rates of 86 and 115 bbl/d respectively, bringing the IP30 average of the four Figure Lake south pad wells, that have had at least 30 days of sales production to an average of 116 bbl/d, as compared to the Figure Lake Type curve of approximately 120 bbl/d. Two additional wells drilled on the same pad were rig released in January, reached the end of their OBM recovery periods during the third week of February, and are now producing volumes to sales with positive indications of performance at or above the Figure Lake type curve. The drilling rig moved north in early February to execute a development program at Marten Hills prior to spring break-up. Drilling operations are expected to recommence at Figure Lake late in the second quarter, with up to 12 new horizontal multi-lateral wells and a vertical water disposal well planned for the remainder of 2022.

At Marten Hills, the planned four (2.0 net) well drilling program commenced in early February of which two (1.0 net) eight-leg multi-lateral wells have been rig released. One (0.5 net) well has recently commenced sales production while the other is just beginning OBM recovery operations. The remaining two (1.0 net) wells in the program are expected to be rig-released prior to the end of March or early April. 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.

Drilling costs have escalated somewhat due to increased OBM costs which are directly related to the price of base oil. Rubellite has recently secured a lower cost source of base oil in closer proximity to drilling operations to mitigate the rising costs. The Company is successfully reducing time lags for production start-up on new multi-well pads by constructing pads to accommodate concurrent drilling and production operations and pre-building permanent production facilities, thereby improving capital efficiencies and accelerating economic returns. In addition, the new on-site water disposal wells to be drilled at Ukalta and Figure Lake are expected to enhance field netbacks during the second half of 2022.

2021 FOURTH QUARTER AND ANNUAL CAPITAL EXPENDITURES

<i>(\$ thousands)</i>	Q4 2021	Q3 2021	2021
Exploration	1,520	27	1,547
Development	15,660	151	15,811
Capital expenditures⁽¹⁾	17,180	178	17,358

⁽¹⁾ Non-GAAP measure, non-GAAP ratio or supplementary financial measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A.

Wells drilled by area

<i>(gross/net)</i>	Q4 2021	Q3 2021	Pre Sept 3, 2021 ⁽¹⁾
Ukalta	6/6.0	1/1.0	-/-
Figure Lake ⁽²⁾	2/2.0	1/1.0	3/3.0
Marten Hills	-/-	-/-	2/1.0
Total	8/8.0	2/2.0	5/4.0

⁽¹⁾ Wells drilled in 2021 by Perpetual prior to the effective date of the completion of the Arrangement on September 3, 2021.

⁽²⁾ One additional Figure Lake well was spud on December 29, 2021 and rig released January 13, 2022 and not included in the Q4 2021 well count.

2022 OUTLOOK AND GUIDANCE

Rubellite's Board of Directors has approved an exploration and development capital spending⁽⁵⁾ budget of up to \$48 million for 2022 to drill, complete equip and tie-in up to 33 (30 net) horizontal multi-lateral wells in its three core operating areas as well as two (2.0 net) vertical water disposal wells to mitigate water handling costs. Forecast capital activities are expected to be fully funded from adjusted funds flow⁽⁵⁾ and the recently expanded credit facility. The Figure Lake drilling program will be partially funded by the Figure Lake GORR financing, which will provide approximately \$0.2 million per well for the next 12 wells planned in Figure Lake area.

The table below summarizes Rubellite's anticipated exploration and development capital spending and drilling activities during the first quarter and full year for 2022.

2022 Exploration and Development Forecast Capital Expenditures

	Q1 2022 (\$ millions)	# of wells ⁽¹⁾ (gross/net)	Full Year 2022 (\$ millions)	# of wells ⁽¹⁾ (gross/net)
Ukalta		6 / 6.0		14 / 14.0
Figure Lake ⁽²⁾		2 / 2.0		13 / 13.0
Marten Hills		3 / 1.5		6 / 3.0
Total⁽³⁾⁽⁴⁾⁽⁵⁾	\$20 - \$22	11 / 9.5	\$44 - \$48	33 / 30.0

⁽¹⁾ Well count reflects wells rig released during the period. One (1.0 net) well at Ukalta and one (0.5 net) well at Marten Hills are expected to spud late in Q1 2022 and rig release in early April. Full year 2022 well counts exclude two (2.0 net) vertical water disposal wells in Q2 and Q3 2022 at Ukalta and Figure Lake respectively.

⁽²⁾ Capital expenditures at Figure Lake are reduced for the Figure Lake GORR financing which is forecast to contribute \$0.4 million in Q1 2022 and \$2.0 million in 2022.

⁽³⁾ Q1 2022 capital expenditures include \$3.5 million for equipment, tubulars and OBM inventory procurement for the remainder of 2022 drilling program. Full year 2022 capital expenditures include spending for two vertical water disposal wells.

⁽⁴⁾ Excludes activity on exploratory option blocks, undeveloped land purchases and acquisitions, if any.

⁽⁵⁾ Non-GAAP measure or Non-GAAP ratio that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A.

Development drilling activity across Rubellite's three core operating areas is forecast to drive rapid production growth. Daily average sales production is expected to increase 91% to 107% from fourth quarter 2021 levels to average 1,150 to 1,250 boe/d (100% heavy oil) for the first quarter of 2022. The two-rig drilling program planned after spring break-up at Ukalta and Figure Lake is expected to continue to drive progressive growth over the remainder of 2022 and deliver full year 2022 average sales production levels of between 2,200 to 2,400 bbl/d.

2022 guidance assumptions are as follows:

Guidance Assumptions

	2022
Annual average sales production (bbl/d)	2,200-2,400
Exploration and development expenditures ⁽¹⁾⁽²⁾ (\$ millions)	\$44 - \$48
Heavy oil wellhead differential (C\$/bbl) ⁽³⁾	\$8.00 - \$9.00
Royalties	11% - 12%
Operating costs (\$/bbl)	\$5.50 - \$6.50
Transportation costs (\$/bbl)	\$5.50 - \$6.50
G&A (\$/bbl)	\$4.00 - \$4.50

⁽¹⁾ Excludes activity on exploratory option blocks, undeveloped land purchases and acquisitions, if any.

⁽²⁾ Non-GAAP measure, non-GAAP ratio or supplementary financial measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A.

⁽³⁾ Differential relative to the Western Canadian Select (Cdn\$/bbl) reference price prior to any price management activities.

Production

	Q4 2021	Q3 2021	2021
Production			
Crude oil (bbl/d)	603	561	593
Total production (boe/d)	603	561	593

Fourth quarter production averaged 603 boe/d, up 42 boe/d or 7% from 561 boe/d in the third quarter. For the period ended December 31, 2021, production averaged 593 boe/d, which reflects activity from September 3, 2021, the effective date of the Arrangement, to December 31, 2021.

As at December 31, 2021, there were 16 (15.0 net) wells on production, compared to 11 (10.0 net) wells on production at the end of the third quarter of 2021, while an additional five (5.0 net) wells were rig released and recovering OBM. Current production is approximately 1,700 bbl/d of conventional heavy oil, based on field estimates, and will continue to ramp up throughout the remainder of the first quarter as new wells reach full recovery of base oil load fluid and are optimized. As per previous guidance, the Company is on track to reach its sales production milestone of in excess of 2,000 bbl/d in late March and Rubellite expects sales production to average between 1,150 and 1,250 bbl/d for the first quarter of 2022.

Revenue

<i>(\$ thousands, except as noted)</i>	Q4 2021	Q3 2021	2021
Oil revenue	3,931	992	4,923
Realized gains on derivatives	101	-	101
Realized revenue ⁽¹⁾	4,032	992	5,024
Unrealized gains (losses) on derivatives	(1,337)	-	(1,337)
Total revenue ⁽¹⁾	2,695	992	3,687
Average realized prices⁽¹⁾			
Realized oil price – before hedging (<i>\$/bbl</i>)	70.94	65.52	69.76
Realized oil price – after hedging (<i>\$/bbl</i>)	72.77	65.52	71.20

⁽¹⁾ Non-GAAP measure, non-GAAP ratio or supplementary financial measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A.

	Q4 2021	Q3 2021	2021
Reference prices			
West Texas Intermediate ("WTI") light oil (<i>US\$/bbl</i>)	77.13	71.54	75.73
Western Canadian Select ("WCS") differential (<i>US\$/bbl</i>)	(14.63)	(13.52)	(14.36)
WCS average (<i>Cdn\$/bbl</i>) ⁽¹⁾	78.65	73.52	77.37

⁽¹⁾ Derived using the Bank of Canada average foreign exchange rate of US\$1.00 = Cdn\$1.26 for the three months ended December 31, 2021 and \$1.25 for the period ended December 31, 2021.

Rubellite's oil revenue, before financial derivatives, for the three months ended December 31, 2021 of \$3.9 million increased from \$1.0 million during the third quarter of 2021, due to the inclusion of a full quarter of operating results, compared to only 27 days of during the third quarter as a result of the effective date of the completion of the Arrangement on September 3, 2021. Additionally, commodity prices increased during the fourth quarter when compared to the third quarter of 2021 driven by higher WTI reference prices. The increase in the WCS average price was due to the increase in WTI light oil prices to US\$77.13/bbl (Q3 2021 - \$71.54/bbl) partially offset by a slight increase in the WCS differential to US\$14.63/bbl (Q3 2021 - US\$13.52/bbl).

The Company entered into certain financial derivatives during the fourth quarter of 2021 that resulted in realized gains on derivatives of \$0.1 million and unrealized losses of \$1.3 million. Unrealized gains and losses represent the change in mark-to-market value of derivative contracts as forward commodity prices and foreign exchange rates change. Unrealized gains and losses on derivatives are excluded from the Corporation's calculation of cash flow from (used in) operating activities as non-cash items. Derivative gains and losses vary depending on the nature and extent of derivative contracts in place, which in turn, vary with the Corporation's assessment of commodity price risk, committed capital spending and other factors.

Royalties

<i>(\$ thousands, except as noted)</i>	Q4 2021	Q3 2021	2021
Oil royalties – crown	277	10	287
Oil royalties – freehold	127	77	204
Total royalties	404	87	491
\$/boe	7.28	5.75	6.95
Crown (<i>% of revenue</i>)	7.1	1.0	5.8
Freehold and overriding (<i>% of revenue</i>)	3.2	7.8	4.1
Total (<i>% of revenue</i>)	10.3	8.8	9.9

For the fourth quarter of 2021, royalties were \$0.4 million, compared to \$0.1 million in the third quarter of 2021. The increase in royalties was due to increased revenues from a full quarter of operations relative to the 27 day period constituting the third quarter 2021. Royalty rates as a percentage of revenue were driven by stronger oil reference prices.

Royalties totaled \$0.5 million for the period ended December 31, 2021, or 9.9% of revenue. The Company expects royalties to average 11% to 12% of revenue for 2022.

Production and operating expenses

<i>(\$ thousands, except as noted)</i>	Q4 2021	Q3 2021	2021
Production and operating expenses	684	118	802
\$/boe	12.35	7.78	11.36

Total production and operating expenses for the fourth quarter of 2021 increased significantly when compared to the third quarter as a result of more production days due to the effective date of Arrangement of September 3, 2021.

Total production and operating expenses increased 59% on a unit-of-production basis to \$12.35/boe for the fourth quarter of 2021, compared to \$7.78/boe for the third quarter of 2021. The increase was the result of higher operating costs due to extreme cold weather in Alberta that lasted for an extended period of time during December. Specifically, increased costs related to pump changes, increased propane, chemicals, emulsion treating and overall contract services many of which were driven by the cold weather and the start of operations for new wells. In addition, multiple new wells were recovering OBM as they progressively came on production through the quarter, contributing to operating costs while OBM sales are not recorded as sales production but instead are credited back to capital.

For the period ended December 31, 2021, production and operating expenses on a unit-of-production basis were \$11.36/boe.

For 2022, the Company expects unit operating costs to normalize with growing production volumes and a return to seasonal weather. With the ongoing drilling activity, sales production levels are forecast to increase, and load oil recoveries are expected to represent a progressively lower percentage of sales production. On average, the Company expects operating costs to average between \$5.50 and \$6.50 per bbl for the year.

Transportation costs

<i>(\$ thousands, except as noted)</i>	Q4 2021	Q3 2021	2021
Transportation costs	323	87	410
\$/boe	5.83	5.73	5.82

Transportation costs include clean oil trucking costs. For the fourth quarter of 2021, transportation costs were \$0.3 million, an increase from the third quarter as a result of increased production. On a unit-of-production basis, transportation costs were relatively unchanged at \$5.83/boe in the fourth quarter of 2021 (Q3 2021 – \$5.73/boe).

The Company expects transportation costs to average between \$5.50 and \$6.50 per bbl in 2022.

Operating netbacks⁽¹⁾

The following table highlights Rubellite's operating netbacks⁽¹⁾ for the three months and period ended December 31, 2021:

<i>(\$/boe) (\$ thousands)</i>	Q4 2021		Q3 2021		2021	
Production (boe/d)		603		561		593
Oil revenue	70.94	3,931	65.52	992	69.76	4,923
Realized gains on derivatives	1.83	101	-	-	1.44	101
Royalties	(7.28)	(404)	(5.75)	(87)	(6.95)	(491)
Production and operating expenses	(12.35)	(684)	(7.78)	(118)	(11.36)	(802)
Transportation costs	(5.83)	(323)	(5.73)	(87)	(5.82)	(410)
Total operating netback ⁽¹⁾	47.31	2,621	46.26	700	47.07	3,321

⁽¹⁾ Non-GAAP measure, non-GAAP ratio or supplementary financial measure ratio that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A.

For the fourth quarter, Rubellite's operating netback⁽¹⁾ was \$2.6 million (\$47.31/boe) compared to \$0.7 million (\$46.19/boe) for the approximate one month period ended September 30, 2021, based on realized revenue⁽¹⁾ of \$3.9 million (\$70.84/boe) driven by strong oil prices, with WTI benchmark prices of US\$77.13/bbl for the period. Higher prices were partially offset by higher operating costs driven by cold weather in Alberta and the start of new field operations.

During the period ended December 31, 2021, Rubellite's results were impacted by a shorter reporting period, reflective of 27 days of operations in the third quarter of 2021 as a result of the Arrangement date of September 3, 2021.

General and administrative ("G&A") expenses

<i>(\$ thousands, except as noted)</i>	Q4 2021	Q3 2021	2021
G&A expenses – excluding MSA costs ⁽¹⁾	180	136	316
G&A expenses – MSA costs ⁽¹⁾	303	56	359
Total G&A expenses	483	192	675
<i>\$/boe</i>	8.70	12.67	9.55

⁽¹⁾ In conjunction with the Arrangement, Rubellite has a MSA with Perpetual whereby Rubellite makes payment for certain technical and administrative services provided to Rubellite on a relative production split cost sharing basis.

In conjunction with the Arrangement, Rubellite entered into a Management Services Agreement and Operating ("MSA") with Perpetual whereby Rubellite makes payments for certain technical and administrative services provided to Rubellite on a relative production split cost sharing basis. For the fourth quarter of 2021, the amounts of costs billed under the MSA to Rubellite were \$0.3 million and for the period ended December 31, 2021, MSA costs were \$0.4 million.

During the fourth quarter of 2021, G&A expenses, excluding MSA costs, were \$0.1 million and for the period ended December 31, 2021 were \$0.3 million. General and administrative expenses, excluding MSA costs, consist primarily of legal fees, information systems licenses, audit fees, reserves assessment and tax related consulting fees.

Depletion

<i>(\$ thousands, except as noted)</i>	Q4 2021	Q3 2021	2021
Depletion	1,095	294	1,389
<i>\$/boe</i>	19.74	19.41	19.68

The Company calculates depletion using the net book value of the asset, future development costs associated with proved and probable reserves, salvage values on associated production equipment, as well as proved plus probable reserves. As at December 31, 2021, depletion was calculated on a \$74.0 million depletable balance, \$46.5 million in future development costs and excluded an estimated \$0.4 million of salvage value.

Depletion expense for the fourth quarter of 2021 was \$1.1 million or \$19.74/boe. The increase from the third quarter of 2021 reflects the increase in production volumes, and an increased depletable base on higher capital spending and increased in proved plus probable reserves.

Impairment

In accordance with IFRS, the Company is required to assess when internal or external indicators of impairment exist, and impairment testing is required. At December 31, 2021, the Company conducted an assessment of indicators of impairment for the Company's cash-generating unit ("CGU"). In performing the assessment, management determined there were no indicators of impairment.

E&E assets are tested for impairment when internal or external indicators of impairment exist as well as upon their eventual reclassification to oil and natural gas properties in PP&E. At December 31, 2021, the Company conducted an assessment of indicators of impairment for the Company's E&E assets. In performing the assessment, management determined there were no indicators of impairment.

LIQUIDITY, CAPITALIZATION AND FINANCIAL RESOURCES

Rubellite's strategy targets the maintenance of a strong capital base to retain investor, creditor and market confidence to support the execution of its business plans. The Company manages its capital structure and adjusts its capital spending in light of changes in economic conditions, available liquidity, and the risk characteristics of its underlying heavy oil assets. The Company considers its capital structure to include share capital, revolving bank debt, and net working capital⁽¹⁾. To manage its capital structure and available liquidity, the Company may from time to time issue equity or debt securities, sell assets, and adjust its capital spending to manage current and projected debt levels. The Company will continue to regularly assess changes to its capital structure and repayment alternatives, with considerations for both short-term liquidity and long-term financial sustainability.

Capital Management and Net Debt⁽¹⁾

<i>(\$ thousands, except as noted)</i>	December 31, 2021
Revolving bank debt	-
Net working capital deficiency (surplus) ⁽¹⁾	(5,375)
Net debt ⁽¹⁾	(5,375)
Shares outstanding at end of period (<i>thousands</i>)	43,809
Market price at end of period (<i>\$/share</i>)	2.24
Market value of shares ⁽¹⁾	98,132
Enterprise value ⁽¹⁾	92,757

⁽¹⁾ Non-GAAP measure, non-GAAP ratio or supplementary financial measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A.

At December 31, 2021, Rubellite had a working capital⁽¹⁾ surplus of \$5.4 million, down from \$49.1 million as at September 30, 2021 as a result of the Rubellite Transactions and the active capital program which drilled 8 (8.0 net) well since September 3, 2021.

Rubellite had available liquidity at December 31, 2021 of \$8.4 million, comprised of the \$3.0 million Credit Facility Borrowing Limit and net positive working capital⁽¹⁾ of \$5.4 million.

Subsequent to December 31, 2021, Rubellite's Credit Facility Borrowing Limit was increased to \$25.0 million with an initial term to May 31, 2023 and which may be extended for a further twelve months to May 31, 2024 subject to lender approval. If not extended by May 31, 2023, all outstanding advances would be repayable on May 31, 2024. The next semi-annual borrow base redetermination is scheduled on or before November 30, 2022.

Equity

At December 31, 2021 and March 9, 2022 there were 43.8 million common shares outstanding and 4.0 million Share Purchase Warrants.

The following table summarizes information about options and performance and restricted awards outstanding as the date of this MD&A:

<i>(millions)</i>	March 9, 2022
Restricted share units	203
Share options	757
Performance share units	185
Total	1,145

Commodity price risk management

As at March 9, 2022, the Company entered into the following swap commodity contracts:

Commodity	Volumes sold (bbl/d)	Term	Reference/ Index	Contract Traded Bought/sold	Average Price (CAD\$/bbl)
Crude Oil	500 bbls/d	Jan 1 – Jun 30, 2022	WTI (CAD\$/bbl)	Swap – sold	\$92.77
Crude Oil	300 bbls/d	Feb 1 – Dec 31, 2022	WTI (CAD\$/bbl)	Swap – sold	\$88.64
Crude Oil	200 bbls/d	Apr 1 – Jun 30, 2022	WTI (CAD\$/bbl)	Swap – sold	\$104.61
Crude Oil	300 bbls/d	Apr 1 – Dec 31, 2022	WTI (CAD\$/bbl)	Swap – sold	\$87.45
Crude Oil	500 bbls/d	Jul 1 – Dec 31, 2022	WTI (CAD\$/bbl)	Swap – sold	\$95.28
Crude Oil	200 bbls/d	Jan 1 – Dec 31, 2022	WCS FP (CAD\$/bbl)	Swap – sold	\$76.15
Crude Oil	100 bbls/d	Feb 1 – Feb 28, 2022	WCS FP (CAD\$/bbl)	Swap – sold	\$69.50
Crude Oil	200 bbls/d	Mar 1 – Mar 31, 2022	WCS FP (CAD\$/bbl)	Swap – sold	\$70.40
Crude Oil	200 bbls/d	Jan 1 – Mar 31, 2022	WTI (USD\$/bbl)	Swap – sold	\$75.00
Crude Oil	100 bbls/d	Jan 1, 2023 – Dec 31, 2023	WTI (USD\$/bbl)	Swap – sold	\$64.50

As at March 19, 2022, the Company entered into the following swap WTI-WCS basis differential:

Commodity	Volumes sold	Term	Reference/ Index	Average Price (CAD\$/bbl)
Crude Oil	500 bbls/d	Jan 1 - June 30, 2022	WCS Differential	(20.93)
Crude Oil	300 bbls/d	Feb 1 – Dec 31, 2022	WCS Differential	(17.55)
Crude Oil	300 bbls/d	Mar 1 – Dec 31, 2022	WCS Differential	(18.30)
Crude Oil	300 bbls/d	Apr 1 – Dec 31, 2022	WCS Differential	(18.05)
Crude Oil	200 bbls/d	Jul 1 – Dec 31, 2022	WCS Differential	(17.25)
Crude Oil	200 bbls/d	Jan 1, 2023 – Dec 31, 2023	WCS Differential	(17.75)

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

Rubellite has no operating commitments and no amounts are currently drawn under the Credit Facility.

OFF BALANCE SHEET ARRANGEMENTS

Rubellite has no off balance sheet arrangements.

RELATED PARTY TRANSACTIONS

In conjunction with the Arrangement, Rubellite entered into the MSA with Perpetual whereby Perpetual receives payment for certain technical and administrative services provided to Rubellite on a cost recovery basis. For the year ended December 31, 2021, the amount of general and administrative costs charged to Rubellite through the MSA was \$0.4 million. As a result of various other transactions between the parties, the Company recorded an accounts receivable of \$3.9 million owing from Perpetual and an accounts payable of \$3.8 million owing to Perpetual.

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management reviews its estimates on a regular basis. The emergence of new information and changed circumstances may result in actual results or changes to estimates that differ materially from current estimates.

Rubellite's financial and operational results incorporate certain estimates including:

- estimated commodity sales from production at a specific reporting date for which actual revenues have not yet been received, including associated estimated credit losses;
- estimated royalty obligations, transportation, and operating expenses at a specific reporting date for which costs have been incurred but have not yet been settled;
- estimated capital spending on projects that are in progress;
- estimated depletion charges that are based on estimates of reserves that Rubellite expects to recover in the future;
- estimated future recoverable value of PP&E and E&E and any associated impairment charges or reversals;
- estimated fair values of financial instruments that are subject to fluctuation depending upon the underlying forward curves for commodity prices, foreign exchange rates and interest rates, as well as volatility curves, and the risk of non-performance;
- estimated value of ARO that is dependent upon estimates of future costs and timing of expenditures;
- estimated compensation expense under Rubellite's share-based compensation plans including the PSUs awarded under the PSU Plans that are dependent on the final number of PSU awards that eventually vest based on a performance multiplier; and
- estimated fair values of assets acquired and liabilities assumed in a business combination.

CONTROL ENVIRONMENT

As of December 31, 2021, Rubellite conducted an internal evaluation of the effectiveness of Rubellite's disclosure controls and procedures as defined in Canada by National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures are effective to ensure that the information required to be disclosed in the reports that Rubellite files or submits under securities legislation is recorded, processed, summarized, and reported, within the time periods specified in the rules and forms therein. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that the information required to be disclosed by Rubellite in the reports that it files or submits under securities legislation is accumulated and communicated to Rubellite's Management, including the senior executive and officers, as appropriate to allow timely decisions regarding the required disclosure.

Internal Control over Financial Reporting ("ICFR") is a set of processes designed to provide reasonable assurance that all assets are safeguarded, transactions are appropriately authorized, and facilitate the preparation of relevant, reliable, and timely information. Because of its inherent limitations, ICFR may not prevent or detect misstatements. Management has assessed the effectiveness of Rubellite's ICFR as defined in Canada by NI 52-109. The assessment was based on the framework in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management concluded that Rubellite's ICFR was effective as of December 31, 2021. No changes were made to Rubellite's ICFR during the year ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, the ICFR.

NON-GAAP AND OTHER FINANCIAL MEASURES

Throughout this MD&A and in other materials disclosed by the Company, Rubellite employs certain measures to analyze financial performance, financial position, and cash flow. These non-GAAP measures, non-GAAP ratios and other supplemental financial measures do not have any standardized meaning prescribed under IFRS and therefore may not be comparable to similar measures presented by other entities. The non-GAAP measures, non-GAAP ratios and other supplemental financial measures should not be considered to be more meaningful than GAAP measures which are determined in accordance with IFRS, such as net income (loss), cash flow from operating activities, and cash flow used in investing activities, as indicators of Rubellite's performance.

Adjusted funds flow: Adjusted funds flow is calculated based on net cash flows from operating activities, excluding changes in non-cash working capital and expenditures on decommissioning obligations since the Company 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 Rubellite'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 pre-transaction costs is calculated as adjusted funds flow less transaction costs. Management has excluded transaction costs from the calculation as these are not related to cash flow from operating activities as they relate to the acquisition of Perpetual's Clearwater assets.

Adjusted funds flow per share is calculated using the weighted average number of shares outstanding used in calculating net income (loss) per share. Adjusted funds flow is not intended to represent net cash flows from operating activities calculated in accordance with IFRS.

Adjusted funds flow per boe is calculated as adjusted funds flow divided by total production sold in the period.

The following table reconciles net cash flows from (used in) operating activities as reported in the Company's consolidated statements of cash flows, to adjusted funds flow and adjusted funds flow - pre transaction costs:

<i>(\$ thousands, except as noted)</i>	Q4 2021	Q3 2021	2021
Net cash flows from operating activities	1,115	-	1,115
Change in non-cash working capital	354	126	480
Adjusted fund flow	1,469	126	1,595
Transaction costs	689	382	1,071
Adjusted funds flow – pre transaction costs	2,158	507	2,666
Adjusted funds flow per share	0.03	0.70	0.07
Adjusted funds flow per boe	26.50	33.55	22.60
Adjusted funds flow – pre transaction costs - per share	0.06	0.70	0.12
Adjusted funds flow – pre transaction costs - per boe	38.93	33.55	37.78

Operating netback: Operating netback is calculated by deducting royalties, production and operating expenses, and transportation costs from realized revenue. Operating netback is also calculated on a per boe basis using total production sold in the period. Rubellite considers operating netback to be an important performance measure to evaluate its operational performance as it demonstrates its profitability relative to current commodity prices. Realized revenue is realized oil revenue which includes realized gains (losses) on financial crude oil and foreign exchange contracts. Realized revenue is used by management to calculate the Company's net realized commodity prices, taking into account the monthly settlements of financial crude oil and natural gas forward sales, collars, basis differentials, and forward foreign exchange sales. These contracts are put in place to protect Rubellite's adjusted funds flow from potential volatility. Refer to reconciliations earlier in the MD&A.

Net Debt and Working Capital: Net debt is calculated by deducting any borrowing under the Credit Facility from working capital. Working capital is calculated by adding cash, accounts receivable and prepaids less accounts payables and accrued liabilities. Rubellite uses net debt as an alternative measure of outstanding debt. Management considers net debt and working capital as important measures in assessing the liquidity of the Company.

The following table reconciles working capital as reported in the Company's statements of financial position:

	As at December 31, 2021
Cash and cash equivalents	15,287
Accounts receivable	6,845
Prepaid expenses and deposits	247
Accounts payable and accrued liabilities	(17,004)
Working capital deficiency (surplus)	(5,375)
Bank indebtedness	-
Net debt	(5,375)

Realized Revenue and Total Revenue: Realized revenue is calculated as oil revenue less realized gains on derivatives. Total revenue is calculated as realized revenue less unrealized gain on derivatives. The Company considers realized revenue and total revenue as important measures in assessing the operating performance of the Company after taking into consideration risk management activities. Refer to reconciliations earlier in the MD&A.

Capital Expenditures: Rubellite uses capital expenditures to measure its capital investments compared to the Company's annual capital budgeted expenditures. Rubellite's capital budget excludes acquisition and disposition activities as well as the accounting impact of any accrual changes.

The most directly comparable GAAP measure for capital expenditures is cash flow used in investing activities. A summary of the reconciliation of cash flow used in investing activities to capital expenditures, is set forth below:

	Q4 2021	Q3 2021	2021
Net cash flows used in (from) investing activities	71,062	(3,901)	67,161
Acquisitions	(59,373)	4,051	(55,322)
Change in non-cash working capital	5,491	28	5,519
Capital expenditures	17,180	178	17,358

Enterprise value: Enterprise value is calculated by multiplying the current shares outstanding by the market price at the end of the period and then adjusting it by the net debt. Rubellite considers enterprise value as an important measure as it normalizes the market value of the Company's shares for its capital structure. Refer to reconciliations earlier in the MD&A.

Non-GAAP Financial Ratios: Rubellite calculates certain non-GAAP measures per boe as the measure divided by weighted average daily production. Management believes that per boe ratios are a key industry performance measure of operational efficiency and one that provides investors with information that is also commonly presented by other crude oil and natural gas producers. Rubellite also calculates certain non-GAAP measures per share as the measure divided by outstanding common shares.

Supplementary Financial Measures

"Average realized price" is comprised of total commodity sales from production, as determined in accordance with IFRS, divided by the Company's total production.

"Depletion expense per boe" is comprised of DD&A expense, as determined in accordance with IFRS, divided by the Company's total production.

"G&A expense per boe" is comprised of G&A expense, as determined in accordance with IFRS, divided by the Company's total production.

"Operating expense per boe" is comprised of operating expense, as determined in accordance with IFRS, divided by the Company's total production.

"Realized gain on derivative per boe" is comprised of realized gain on derivative, as determined in accordance with IFRS, divided by the Company's total production.

"Transportation expense per boe" is comprised of operating expense, as determined in accordance with IFRS, divided by the Company's total production.

"Royalties as a percentage of oil revenue" is comprised of royalties, as determined in accordance with IFRS, divided by oil revenue from production as determined in accordance with IFRS.

"Royalties per boe" is comprised of royalties, as determined in accordance with IFRS, divided by the Company's total production.

"Market value of shares" is comprised of common shares outstanding multiplied by the market price of shares.

RESERVES DATA

There are numerous uncertainties inherent in estimating quantities of crude oil, natural gas and NGL reserves and the future cash flows attributed to such reserves. The reserve and associated cash flow information set forth above are estimates only. In general, estimates of economically recoverable crude oil, natural gas and NGL reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and natural gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary materially. For those reasons, estimates of the economically recoverable crude oil, NGL and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues associated with reserves prepared by different engineers, or by the same engineers at different times, may vary. The Company's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material.

All evaluations and reviews of future net revenue are stated prior to any provisions for interest costs or general and administrative costs and after the deduction of estimated future capital expenditures for wells to which reserves have been assigned. The after-tax net present value of the Company's oil and gas properties reflects the tax burden on the properties on a stand-alone basis and utilizes the Company's tax pools. It does not consider the corporate tax situation, or tax planning. It does not provide an estimate of the after-tax value of the Company, which may be significantly different. The Company's financial statements and the management's discussion and analysis should be consulted for information at the level of the Company.

The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to effects of aggregations. The estimated values of future net revenue disclosed in this MD&A do not represent fair market value. There is no assurance that the forecast prices and cost assumptions used in the reserve evaluations will be attained and variances could be material.

The reserve data provided in this MD&A presents only a portion of the disclosure required under NI 51-101. All of the required information will be contained in the Company's Annual Information Form for the year ended December 31, 2021, which will be filed on SEDAR (accessible at www.sedar.com) on or before March 31, 2022.

FORWARD-LOOKING INFORMATION

Certain information in this MD&A including management's assessment of future plans and operations, and including the information contained under the headings "Fourth Quarter 2021 Highlights - Operations Update" and "2022 Outlook and Guidance" 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: future capital expenditure and production forecasts; expectations for enhanced field netbacks in 2022 as a result of on-site water disposal wells to be drilled at Ukalta and Figure Lake; expectations as to drilling activity plans 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 and Perpetual'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 MD&A. In particular and without limitation of the foregoing, material factors or assumptions on

which the forward-looking information in this MD&A is based include: the successful operation of the assets; forecast commodity prices and other pricing assumptions; forecast production volumes based on business and market conditions; foreign exchange and interest 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 MSA; 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 and Russia's military actions in Ukraine 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 Annual Information Form for the year ended December 31, 2021 and in other reports on file with Canadian securities regulatory authorities which may be accessed through the SEDAR website (www.sedar.com) and at Rubellite's website www.rubelliteenergy.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 Perpetual'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.

OIL AND GAS METRICS

This MD&A contains certain oil and gas metrics which do not have standardized meanings or standard methods of calculation and therefore such measures may not be comparable to similar measures used by other companies and should not be used to make comparisons. Such metrics have been included in this document to provide readers with additional measures to evaluate Rubellite's performance; however, such measures are not reliable indicators of Rubellite's future performance and future performance may not compare to Rubellite's performance in previous periods and therefore such metrics should not be unduly relied upon.

INITIAL PRODUCTION RATES

Any references in this MD&A 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.

BOE VOLUME CONVERSIONS

Barrel of oil equivalent ("boe") may be misleading, particularly if used in isolation. In accordance with NI 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 MD&A.

The following abbreviations used in this MD&A have the meanings set forth below:

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

MANAGEMENT'S REPORT

The financial statements of Rubellite Energy Inc. ("Rubellite" or the "Company") are the responsibility of Management and have been approved by the Board of Directors of the Company. These financial statements have been prepared by Management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the Interpretations of the IFRS Interpretations Committee.

The financial statements are audited and have been prepared using accounting policies in accordance with IFRS. The preparation of Management's Discussion and Analysis is based on the Company's financial results which have been prepared in accordance with IFRS. It examines the Company's financial performance in 2021 and should be read in conjunction with the financial statements and accompanying notes.

Management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting. Management believes that the system of internal controls that have been designed and maintained at the Company provide reasonable assurance that financial records are reliable and form a proper basis for preparation of financial statements. The internal accounting control process includes Management's communication to employees of policies which govern ethical business conduct.

Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Board of Directors has appointed an Audit Committee consisting of unrelated, non-management directors which meets during the year with Management and independently with the external auditors and as a group to review any significant accounting, internal control and auditing matters in accordance with the terms of the charter of the Audit Committee as set out in the Annual Information Form. The Audit Committee reviews the financial statements and Management's Discussion and Analysis before the financial statements are submitted to the Board of Directors for approval. The external auditors have free access to the Audit Committee without obtaining prior Management approval.

With respect to the external auditors, the Audit Committee approves the terms of engagement and reviews the annual audit plan, the Auditors' Report and results of the audit. It also recommends to the Board of Directors the firm of external auditors to be appointed by the shareholders.

The independent external auditors, KPMG LLP, have been appointed by the Board of Directors on behalf of the shareholders to express an opinion as to whether the financial statements present fairly, in all material respects, the Company's financial position, financial performance and cash flows in accordance with IFRS. The report of KPMG LLP outlines the scope of their examination and their opinion on the financial statements.



Susan L. Riddell Rose
President &
Chief Executive Officer



Ryan A. Shay
Vice President, Finance &
Chief Financial Officer

March 9, 2022

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Rubellite Energy Inc.

Opinion

We have audited the financial statements of Rubellite Energy Inc. (the "Company"), which comprise:

- the statement of financial position as at December 31, 2021
- the statement of income and comprehensive income for the period from incorporation on July 12, 2021 to December 31, 2021
- the statement of changes in equity for the period from incorporation on July 12, 2021 to December 31, 2021
- the statement of cash flows for the period from incorporation on July 12, 2021 to December 31, 2021
- and notes to the financial statements, including a summary of significant accounting policies

Hereinafter referred to as the "financial statements".

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021, and its financial performance and its cash flows for the period from incorporation on July 12, 2021 to December 31, 2021 in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the period from incorporation on July 12, 2021 to December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditors' report.

Evaluation of the acquisition-date fair value of oil and natural gas interests and exploration and evaluation assets acquired through a business combination

Description of the matter

We draw attention to note 2, note 3 and note 4 to the financial statements. The Company acquired oil and natural gas interests ("PP&E") and exploration and evaluation ("E&E") assets through a business combination on September 3, 2021 (the "acquisition-date"). The estimated fair value on the acquisition-date for the PP&E and E&E assets was \$56.5 million and \$10.1 million, respectively. The determination of the acquisition-date fair value of PP&E and E&E assets acquired through a business combination involves significant estimates, including the cash flows associated with the proved and probable oil and gas reserves, the discount rates and the sales value of undeveloped lands.

The estimate of proved and probable oil and gas reserves and the related cash flows includes significant assumptions related to:

- Forecasted oil and gas commodity prices
- Forecasted production
- Forecasted operating costs
- Forecasted royalty costs
- Forecasted future development costs.

For purposes of estimating the acquisition-date fair value of PP&E, the Company's internal reserve evaluator provided an estimate of proved and probable oil and gas reserves and the related cash flows. Independent third-party reserve evaluators are engaged at least annually to estimate proved and probable oil and gas reserves and the related cash flows from the Company's oil and natural gas interests.

Why the matter is a key audit matter

We identified the evaluation of the acquisition-date fair value of oil and natural gas interests and exploration and evaluation assets acquired through a business combination as a key audit matter. Significant auditor judgment was required in evaluating the results of our audit procedures regarding the estimate of proved and probable oil and gas reserves and the related cash flows and discount rates ("reserve value") and the sales value of undeveloped lands.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter:

With respect to the estimate of proved and probable oil and gas reserves and related cash flows as at the acquisition-date:

- We evaluated the competence, capabilities and objectivity of the internal reserve evaluator
- We compared forecasted oil and gas commodity prices to those published by other independent third-party reserve evaluators
- We evaluated the appropriateness of forecasted production and forecasted operating costs, royalty costs and future development costs assumptions by comparing to corresponding amounts in the proved and probable oil and gas reserves and the related cash flows estimated by the independent third party reserves evaluators as at December 31, 2021. We took into account changes in conditions and events affecting the Company to assess the adjustments or lack of adjustments between the acquisition-date and December 31, 2021.

With respect to the estimate of proved and probable oil and gas reserves and the related cash flows associated with the acquired PP&E as at December 31, 2021:

- We evaluated the competence, capabilities and objectivity of the independent third-party reserve evaluators engaged by the Company
- We compared the forecasted oil and gas commodity prices to those published by other independent third-party reserve evaluators
- We evaluated the appropriateness of forecasted production and forecasted operating costs, royalty costs and future development costs assumptions by comparing to 2021 historical results. We took into account changes in conditions and events affecting the Company to assess the adjustments or lack of adjustments made by the Company in arriving at the assumptions.

We involved valuation professionals with specialized skills and knowledge, who assisted in:

- Evaluating the appropriateness of the Company's acquisition-date discount rates by comparing the discount rates to market and other external data
- Assessing the reasonableness of the Company's estimate of the acquisition-date fair value of PP&E and E&E assets by comparing the Company's estimated reserve value and the sales value of undeveloped lands to market metrics and other external data.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this auditors' report is Gregory Ronald Caldwell.

Chartered Professional Accountants

KPMG LLP

Calgary, Canada
March 9, 2022

RUBELLITE ENERGY INC.
Statement of Financial Position

As at	December 31, 2021
<i>(Cdn\$ thousands)</i>	
Assets	
Current assets	
Cash and cash equivalents	\$ 15,287
Accounts receivable	6,845
Prepaid expenses and deposits	247
Fair value of derivatives (note 15)	62
	<u>22,441</u>
Property, plant and equipment (note 4,5)	72,661
Exploration and evaluation (note 4,6)	11,614
Deferred tax asset (note 4, 12)	9,146
Total assets	<u>\$ 115,862</u>
Liabilities	
Current liabilities	
Accounts payable and accrued liabilities	\$ 17,004
Fair value of derivatives (note 15)	1,313
	<u>18,317</u>
Decommissioning obligations (note 4, 7)	1,976
Fair value of derivatives (note 15)	86
Total liabilities	<u>20,379</u>
Equity	
Share capital (note 4,8)	85,474
Share purchase warrants (note 4,8)	2,000
Contributed surplus (note 9)	307
Retained earnings	7,702
Total equity	<u>95,483</u>
Total liabilities and equity	<u>\$ 115,862</u>

See accompanying notes to the financial statements.



Holly Benson
 Director



Bruce Shultz
 Director

RUBELLITE ENERGY INC.
Statement of Income and Comprehensive Income

For the period ended
December 31, 2021⁽¹⁾

(Cdn\$ thousands, except per share amounts)

Revenue	
Oil and natural gas (note 10)	\$ 4,923
Royalties	(491)
Realized gain on derivatives (note 15)	101
Change in fair value of derivatives (note 15)	(1,337)
	<u>3,196</u>
Expenses	
Production and operating	802
Transportation	410
General and administrative (note 4)	675
Transaction costs (note 4)	1,071
Share based payments (note 9)	307
Depletion (note 5)	1,389
Gain related to deferred tax on acquisition (note 4)	(9,146)
	<u>7,688</u>
Finance income (note 13)	(14)
	<u>7,702</u>
Income before income tax	7,702
Taxes	
Deferred income tax expense (note 12)	-
Net income and comprehensive income	<u>7,702</u>
Net income per share (note 8)	
Basic	\$ 0.34
Diluted	\$ 0.33

⁽¹⁾ Reflects activity from incorporation on July 12, 2021 and operating results from September 3, 2021, the effective date of the completion of the Arrangement, to December 31, 2021

See accompanying notes to the financial statements.

RUBELLITE ENERGY INC.
Statement of Changes in Equity

	<i>Share Capital</i>		Share	Contributed	Retained	Total
	<i>(thousands)</i>	<i>(\$thousands)</i>	purchase	surplus	earnings	Equity
			warrants			
<i>(Cdn\$ thousands, except share amounts)</i>						
Net income	–	\$ –	\$ –	\$ –	\$ 7,702	\$ 7,702
Issued pursuant to plan of arrangement (note 4, 8)	2,128	4,141	2,000	–	–	6,141
Common shares issued, net of issue costs (note 8)	41,681	81,333	–	–	–	81,333
Share-based payments (note 9)	–	–	–	307	–	307
Balance at December 31, 2021	43,809	\$ 85,474	\$ 2,000	\$ 307	\$ 7,702	\$ 95,483

⁽¹⁾ Reflects activity from incorporation on July 12, 2021 and operating results from September 3, 2021, the effective date of the completion of the Arrangement, to December 31, 2021.

See accompanying notes to the financial statements.

RUBELLITE ENERGY INC.
Statement of Cash Flows

For the period ended
December 31, 2021⁽¹⁾

(Cdn\$ thousands)

Cash flows from operating activities

Net income	\$	7,702
Adjustments to add (deduct) non-cash items:		
Depletion (note 5)		1,389
Share-based payments (note 9)		307
Gain related to deferred tax on acquisition (note 4)		(9,146)
Change in fair value of derivatives		1,337
Finance - accretion on decommissioning obligations (note 7)		6
Change in non-cash working capital (note 14)		(480)
Net cash flows from operating activities		1,115

Cash flows from financing activities

Common shares issued		83,470
Share issue costs		(2,137)
Net cash flows from financing activities		81,333

Cash flows used in investing activities

Capital expenditures (note 5, 6)		(17,358)
Acquisitions, net of cash received (note 4)		(55,322)
Change in non-cash working capital (note 14)		5,519
Net cash flows used in investing activities		(67,161)

Change in cash and cash equivalents		15,287
Cash and cash equivalents, beginning of period		-
Cash and cash equivalents, end of period	\$	15,287

⁽¹⁾ Reflects activity from incorporation on July 12, 2021 and operating results from September 3, 2021, the effective date of the completion of the Arrangement, to December 31, 2021.

See accompanying notes to the financial statements.

RUBELLITE ENERGY INC.

Notes to the Financial Statements

Reflects activity from incorporation on July 12, 2021 and operating results from September 3, 2021, the effective date of the completion of the Arrangement, to December 31, 2021

(All tabular amounts are in Cdn\$ thousands, except where otherwise noted)

1. REPORTING ENTITY

Rubellite Energy Inc. ("Rubellite" or the "Company") is an oil exploration and production company headquartered in Calgary, Alberta that was incorporated on July 12, 2021 under the Business Corporation's Act (Alberta).

The address of the Company's registered office is 3200, 605 – 5 Avenue S.W., Calgary, Alberta, T2P 3H5.

The financial statements of the Company as at December 31, 2021, reflect activity from incorporation on July 12, 2021 and operating results for the period from September 3, 2021, the effective date of the completion of the Plan of Arrangement involving Perpetual Energy Inc. ("Perpetual"), the shareholders of Perpetual and Rubellite, to December 31, 2021.

Material transactions

On September 3, 2021, the Plan of Arrangement involving Perpetual Energy Inc ("Perpetual"), the shareholders of Perpetual, and Rubellite (the "Arrangement") was completed following approval of the plan by the shareholders of Perpetual at its special shareholder meeting held on August 31, 2021 and the receipt of the final order of the Court of Queen's Bench of Alberta approving the Plan of Arrangement on September 3, 2021. At this time, Rubellite exchanged 2.1 million Rubellite common shares and 16.7 million arrangement warrants with Perpetual shareholders for 8.2 million Perpetual common shares valued at \$2.8 million. These 8.2 million Perpetual common shares held by Rubellite were delivered to Perpetual as part of the purchase consideration (Note 4). The trading of Rubellite shares held by Rubellite shareholders commenced on September 9, 2021.

All of Perpetual's Clearwater lands, wells, roads and facilities in northeast Alberta (the "Clearwater Assets") were acquired by Rubellite. Operating results reflect the period from September 3, 2021, the effective date of the completion of the Arrangement, to December 31, 2021. The Clearwater assets were acquired for aggregate consideration of \$65.5 million. The consideration consisted of promissory notes totaling \$59.4 million, which were paid in cash on October 5, 2021, the issuance of 680,485 Rubellite common shares valued at \$1.3 million, the return of 8.2 million Perpetual common shares exchanged in the Arrangement valued at \$2.8 million and issuance of warrants to purchase 4.0 million Rubellite common shares at a price of \$3.00 per share for a period of five years, valued at \$2.0 million (refer to Note 4).

Rubellite also completed a series of financings (the "Rubellite Financings") at \$2.00 per Rubellite common share equivalent as follows:

- (i) a backstopped Arrangement Warrant financing, which closed on October 5, 2021 and resulted in the issuance of 16.7 million Rubellite common shares for total proceeds of \$33.5 million;
- (ii) a non-brokered \$20.0 million private placement financing that closed on October 5, 2021, resulting in the issuance of 10.0 million Rubellite common shares; and
- (iii) a brokered \$30.0 million subscription receipt financing (15.0 million subscription receipts) that closed on July 13, 2021 with cash held in escrow by a third-party trustee that was released on October 5, 2021. On October 5, 2021, each subscription receipt issued was exchanged on a one-to-one basis for 15.0 million common shares of Rubellite.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements of the Company were approved and authorized for issue by the Board of Directors on March 9, 2022.

a) Basis of measurement

These financial statements have been prepared on a historical cost basis, except as otherwise allowed for in accordance with IFRS. These financial statements are presented in Canadian dollars which is also the Company's functional currency.

b) Critical accounting judgments and significant estimates

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. These judgments, estimates, and assumptions are continuously evaluated and are based on management's experience and all relevant information available to the Company at the time of financial statement preparation. As the effect of future events cannot be determined with certainty, the actual results may differ from estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about the critical judgments and significant estimates made by management are described below and in the relevant notes to the financial statements.

c) Critical accounting judgments:

The following are the critical judgments that management has made in the process of applying the Company's accounting policies. These judgments have the most significant effect on the amounts reported in the financial statements.

Cash-generating units ("CGUs")

The Company allocates its oil and gas properties to CGUs, identified as the smallest group of assets that generate cash inflows independent of the cash inflows of other assets or groups of assets. Determination of the CGUs is subject to management's judgement and is based on geographical proximity, shared infrastructure, and similar exposure to market risk.

Identification of impairment indicators

Significant judgment is required to assess when internal or external indicators of impairment or impairment reversal exist, and impairment testing is required. Management considers internal and external sources of information including oil and gas commodity prices, expected production volumes, anticipated recoverable quantities of proved and probable oil and gas reserves and rates used to discount the related future cash flow estimates. Judgement is required to assess these factors when determining if the carrying amount of an asset or CGU is impaired, or in the case of a previously impaired asset or CGU, whether the carrying amount of the asset or CGU has been restored.

Componentization

For the purposes of depletion, the Company allocates its oil and gas assets to components with similar useful lives and depletion methods. The grouping of assets is subject to management's judgment and is performed on the basis of geographical proximity and similar reserve life. The Company's oil and gas assets are depleted on a unit-of-production basis.

Exploration and evaluation ("E&E") expenditures

Costs associated with acquiring oil and gas licenses and exploratory drilling are accumulated as exploration and evaluation assets pending determination of technical feasibility and commercial viability. Establishment of technical feasibility and commercial viability is subject to judgment and involves management's review of project economics, resource quantities, expected production techniques, production costs and required capital expenditures to develop and extract the underlying resources. Management uses the establishment of commercial reserves within the exploration area as the basis for determining technical feasibility and commercial viability. Upon determination of commercial reserves, E&E assets attributable to those reserves are tested for impairment and reclassified from E&E assets to a separate category within property, plant and equipment referred to as oil and gas properties.

Joint arrangements

Judgment is required to determine when the Company has joint control over an arrangement. In establishing joint control, the Company considers whether unanimous consent is required to direct the activities that significantly affect the returns of the arrangement, such as the capital and operating activities of the arrangement.

Once joint control has been established, judgment is also required to classify a joint arrangement. The type of joint arrangement is determined through analysis of the rights and obligations arising from the arrangement by considering its structure, legal form, and terms agreed upon by the parties sharing control. An arrangement where the controlling parties have rights to the assets and revenues, and obligations for the liabilities and expenses, is classified as a joint operation. Arrangements where the controlling parties have rights to the net assets of the arrangement are classified as joint ventures.

Deferred taxes

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 and judgment as to whether there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent 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.

Revenue – principal versus agent

When determining if the Company acted as a principal or as an agent in transactions, management determines if the Company obtains control of the product. As part of this assessment, management considered if the Company obtained control of the goods or services more than momentarily, in advance of transferring those goods or services to the customer. In this assessment, the Company considered indicators that it controlled the goods or services, including whether the Company was primarily responsible for the goods and services, whether the Company had inventory risk and whether the Company had discretion in establishing prices for the goods or services. Where control was indicated, the Company has been determined to be the principal and has recorded revenue and the associated expenses on a gross basis. In other cases, the Company has been determined to be the agent and has recorded revenue net of associated expenses.

Business Combinations

Judgement is required to determine whether an acquisition constitutes a business for purposes of IFRS and in determining the acquisition date.

d) Significant estimates:

The following assumptions represent the key sources of estimation uncertainty at the end of the reporting period. As future confirming events occur, the actual results may differ from estimated amounts.

i) Reserves

The Company uses estimates of proved and probable oil and gas reserves and the related cash flows in the calculation of depletion, value in use ("VIU") and fair value less costs of disposal ("FVLCD"), calculations of non-financial assets, in addition to determining the fair value of oil and gas properties in a business combination and for the purposes of determining taxable profits in the determination of deferred tax assets. Estimates of proved and probable oil and gas reserves and their related cash flows are based upon a number of significant assumptions, such as forecasted production, oil and gas commodity prices, operating costs, royalty costs, and future development costs. Additional estimates are made in relation to the marketability of oil and gas, and the assumed effects of regulation by government agencies. The geological, economic and technical factors used to estimate reserves may change from period to period. Changes in the reported reserves could have a material impact on the carrying values of the Company's oil and gas properties, the calculation of depletion and depreciation, and the timing of decommissioning expenditures.

Independent third-party reserve evaluators are engaged at least annually to estimate proved and probable oil and gas reserves and the related cash flows from the Company's interest in oil and gas properties. This evaluation of proved and proved plus probable oil and gas reserves is prepared in accordance with the reserve definitions contained in National Instrument 51-101 and the COGE Handbook.

The Company is also required to estimate the recoverable amount of exploration and evaluation assets, which consists of undeveloped lands, for impairment testing and the fair value in a business combination. The recoverable amount and fair value is based on relevant industry sales value data. The Company may also engage independent third-party land evaluators to estimate the fair value of undeveloped lands.

ii) Business combinations

The determination of the acquisition-date fair value of oil and natural gas interests and exploration and evaluation assets acquired through a business combination involves significant estimates, including the cash flows associated with the proved and probable oil and gas reserves, the discount rates and the sales value of undeveloped lands.

iii) Provisions for decommissioning obligations

Decommissioning, abandonment, and site reclamation expenditures for production facilities, wells, and pipelines are expected to be incurred by the Company over many years into the future. Amounts recorded for decommissioning obligations and the associated accretion are calculated based on estimates of the extent and timing of decommissioning activities, future site remediation regulations and technologies, inflation, liability specific discount rates and related cash flows. The provision represents management's best estimate of the present value of the future abandonment and reclamation costs required. Actual abandonment and reclamation costs could be materially different from estimated amounts.

iv) Derivative financial instruments

Derivatives are measured at fair value on each reporting date. Fair value is the price that would be received or paid to exit the position as of the measurement date. The Company uses estimated external forecasted market price curves available at period end and the contracted volumes over the contracted term to determine the fair value of each contract. Changes in market pricing between period end and settlement of the derivative contracts could have a material impact on financial results related to the derivatives.

v) Share-based payments

Share options and other share based compensation issued by the Company are recorded at fair value using the Black Scholes option pricing model. In assessing the fair value of share options, 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.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently in these financial statements.

a) Business combinations

The purchase method of accounting is used to account for acquisitions of businesses and assets that meet the definition of a business under IFRS. The cost of an acquisition is measured as the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their acquisition date fair values. If the consideration of acquisition given up is less than the fair value of the net assets received, the difference is recognized immediately in the income statement. If the consideration of acquisition is greater than the fair value of the net assets received, the difference is recognized as goodwill on the statement of financial position. Acquisition costs incurred are expensed. There is an option to apply a concentration test that permits a simplified assessment of whether an acquired set of activities and assets is in fact a business. The optional concentration test is met if substantially all of the fair value of the assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. An entity may make such an election separately for each transaction or other event. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

b) Financial instruments

Financial instruments comprise cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities, subscription receipt and non-brokered placement payable and promissory notes. These financial instruments are recognized initially at fair value, net of any directly attributable transaction costs.

i) Classification and measurement of financial assets

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at fair value through profit or loss ("FVTPL"):

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets:

a) Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

b) Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

ii) Classification and measurement of financial liabilities

Financial liabilities are classified and measured at amortized cost or FVTPL. A financial liability is classified at FVTPL if it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

The Company has classified cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities as amortized cost.

iii) Share capital and warrants

Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

iv) Derivative assets and liabilities

The Company has entered into certain financial derivative contracts to manage the exposure to market risks from fluctuations in commodity prices. The Company has not designated its financial derivative contracts as effective accounting hedges, and thus has not applied hedge accounting. All financial derivative contracts are designated as FVTPL and recorded as derivatives on the statement of financial position at fair value. Changes in the fair value of the derivatives are recognized in net income (loss).

c) Jointly owned assets

Many of the Company's oil and gas activities involve jointly owned assets which are not conducted through a separate entity. The financial statements include the Company's proportionate share of these jointly owned assets, liabilities, revenues and expenses.

d) Property, plant and equipment ("PP&E")

i) Production and development costs

Items of property, plant and equipment, which include oil and gas development and production assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. The initial cost of property, plant and equipment includes the purchase price or construction costs, costs that are directly attributable to bringing the asset into commercial operations, the initial estimate of decommissioning costs, and borrowing costs for qualifying assets.

Significant parts of an item of property, plant and equipment, including oil and gas properties, that have different useful lives from the life of the area or facility in general, are accounted for as separate items.

Gains and losses on disposition of an item of property, plant and equipment, including oil and gas properties, are determined by comparing the proceeds from disposition with the carrying amount of property, plant and equipment and are recognized in net profit or loss. Proceeds may include cash, or other non-cash consideration such as retained drilling rights which are fair valued at the time of disposition. The carrying amount of any replaced or disposed item of property, plant and equipment is derecognized.

ii) Subsequent costs

Costs incurred after the determination of technical feasibility and commercial viability and the costs of replacing parts of property, plant and equipment are recognized as property, plant and equipment only when they increase the future economic benefits embodied in the specific asset to which they relate. Such capitalized property, plant and equipment generally represent costs incurred in developing proved and/or probable oil and gas reserves and bringing on or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. All other expenditures including the costs of the day-to-day servicing of property, plant and equipment are recognized as production and operating expense in net profit or loss as incurred.

iii) Depletion and depreciation

The net carrying amount of development or production assets is depleted using the unit-of-production method by reference to the ratio of production in the period to the related proved and probable oil and gas reserves, considering estimated forecasted future development costs necessary to bring those reserves into production and future decommissioning costs. The forecasted future development cost estimates are reviewed by independent third-party reserve evaluators at least annually.

Depreciation methods, useful lives and residual values are reviewed at each period end date for all classes of property, plant, and equipment.

e) Exploration and evaluation expenditures

Pre-license costs, geological and geophysical costs, and lease rentals of undeveloped properties are recognized in net profit or loss as incurred.

E&E costs, consisting of the costs of acquiring oil and gas licenses, are capitalized initially as E&E assets according to the nature of the assets acquired. Costs associated with drilling exploratory wells in an undeveloped area are capitalized as E&E costs. The costs are accumulated in cost centers by well, field or exploration area pending determination of technical feasibility and commercial viability. When technical feasibility and commercial viability are determined, the relevant expenditure is transferred to property, plant and equipment as oil and gas properties, after impairment is assessed and any applicable impairment loss is recognized in net profit or loss.

The Company's E&E assets consist of undeveloped lands. Gains and losses on disposition of E&E assets are determined by comparing the proceeds from disposition with the carrying amount and are recognized in net profit or loss.

f) Impairment

i) Financial assets

The Company has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime expected credit losses ("ECLs"). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets are deducted from the gross carrying amount of the assets. Impairment losses on financial assets are presented under "other expenses" in the statements of income and comprehensive income.

ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than E&E assets, are reviewed at each period end date to determine whether there are any internal or external indicators of impairment or impairment reversal. If any such indicator exists, then the recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together at a CGU level. The estimated recoverable amount of an asset or a CGU is determined based on the higher of its FVLCD and its VIU. FVLCD is determined as the amount that would be obtained from the sale of a CGU in an arm's length transaction between knowledgeable and willing parties. The FVLCD of oil and gas properties is generally determined as the net present value of estimated future cash flows expected to arise from the continued use of the CGU and its eventual disposition, using assumptions that an independent market participant may take into account. These cash flows are discounted by an appropriate discount rate which would be applied by such a market participant to arrive at a net present value of the CGU. In determining VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. VIU is generally the future cash flows expected to be derived from production of proved and probable oil and gas reserves estimated by the Company's independent third-party reserve evaluators.

An impairment is recognized if the carrying amount of a CGU exceeds the estimated recoverable amount for that CGU. The Company determines the estimated recoverable amount by using the greater of FVLCD and the VIU. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amount of assets in the unit (group of units) on a pro rata basis. Impairment losses are recognized in net income or loss. The Company has one CGU, the Clearwater CGU.

E&E assets are assessed for impairment within the related CGU at the time that any triggering facts and circumstances suggest that the carrying amount exceeds the estimated recoverable amount as well as upon their eventual reclassification to oil and gas properties in property, plant and equipment.

In respect of other assets, impairment losses recognized in prior years are assessed at each period end date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation, if no impairment loss had been recognized.

g) Share-based payments

Fixed equity awards granted under the equity-settled share-based payment plans and agreements are measured at grant-date fair value. Fair values are determined by means of an option pricing model using the exercise price of the equity instrument granted, the share price at the grant date, the expected life of the grant based on the vesting date and expiry date, estimates of share price volatility, and interest rates over the expected contractual life of the equity award. A forfeiture rate is estimated on the grant date and is subsequently adjusted to reflect the actual number of options that vest.

The costs of the equity-settled share-based payments are recognized within the statement of income and comprehensive income, with a corresponding increase in contributed surplus over the vesting period. Upon exercise or settlement of an equity-based instrument, consideration received, and associated amounts previously recorded in contributed surplus are recorded to share capital.

h) Decommissioning obligations

The Company's activities give rise to dismantling, decommissioning, and site disturbance remediation activities. A provision is recorded for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning obligations are measured at the present value of management's estimate of the extent and timing of expenditures required to settle the obligation at the statement of financial position date, using a risk-free interest rate not adjusted for credit risk. Subsequent to the initial measurement, the obligation is adjusted at the end of each reporting period to reflect the passage of time, changes in the timing and estimate of future cash flows underlying the obligation, and changes in the risk-free rate. The accretion of the provision due to the passage of time is recognized in net loss whereas changes in the provision arising from changes in estimated cash flows or changes in the risk-free rate are capitalized. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established.

i) Revenue

Revenue from the sale of heavy crude oil is recognized based on the consideration specified in contracts with customers. The Company recognizes revenue when control of the product transfers to the buyer and collection is reasonably assured. This is generally at the point in time when the customer obtains legal title to the product which is when it is physically transferred to the transportation method agreed upon.

j) Income tax

Income tax expense comprises current and deferred components. Income tax expense is recognized in net income or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the period end date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the period end date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each period end date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

k) Income or loss per share amounts

Basic income or loss per share is calculated by dividing the net income or loss by the weighted average number of common shares outstanding during the period. For the dilutive net income per share calculation, the weighted average number of shares outstanding is adjusted for the potential number of shares which may have a dilutive effect on net income.

Diluted income per share is calculated giving effect to the potential dilution that would occur if outstanding warrants, share options, restricted share units or performance share units were exercised or converted into common shares. The weighted average number of diluted shares is calculated in accordance with the treasury stock method for warrants, share options, restricted rights and performance share rights. The treasury stock method assumes that the proceeds received from the exercise of all potentially dilutive instruments are used to repurchase common shares at the average market price.

l) Changing Regulation

Emissions, carbon and other regulations impacting climate and climate-related matters are constantly evolving. With respect to environmental, social and governance ("ESG") and climate reporting, the IASB has issued an IFRS Disclosure Standard with the aim to develop sustainability disclosure standards that are globally consistent, comparable and reliable. In addition, the Canadian Securities Administrators have issued a proposed National Instrument 51-107 Disclosure of Climate-related Matters. The cost to complete with these standards and others that may be developed over time has not yet been quantified.

4. ACQUISITION OF CLEARWATER ASSETS AND COMMENCEMENT OF OIL AND GAS OPERATIONS

On September 3, 2021, the effective date of the completion of the Arrangement, Rubellite became a standalone public entity and began trading on the Toronto Stock Exchange on September 9, 2021. The Clearwater Assets were acquired for aggregate consideration of \$65.5 million. The consideration consisted of promissory notes totalling \$59.4 million, which were paid in cash on October 5, 2021, the issuance of 680,485 Rubellite common shares valued at \$1.3 million, the return of 8.2 million Perpetual common shares exchanged in the Arrangement valued at \$2.8 million and issuance of warrants to purchase 4.0 million Rubellite common shares at a price of \$3.00 per share for a period of five years, valued at \$2.0 million.

The acquisition has been accounted for as a business combination using the acquisition method of accounting, whereby the assets acquired and the liabilities assumed are recorded at the estimated fair value on September 3, 2021. There were \$1.1 million of transaction costs incurred by the Company and expensed through earnings. In conjunction with the Arrangement, Rubellite entered into a Management Services Agreement and Operating Agreement ("MSA") with Perpetual whereby Perpetual receives payment for certain technical and administrative services provided to Rubellite on a cost recovery basis. For the year ended December 31, 2021, the amount of general and administrative costs charged to Rubellite through the MSA was \$0.4 million. As a result of various other transactions between the parties, the Company recorded an accounts receivable of \$3.9 million owing from Perpetual and an accounts payable of \$3.8 million owing to Perpetual.

The determination of the purchase price, based on management's estimate of fair values is as follows:

	Total
Net assets acquired:	
Oil and natural gas interests (note 5)	\$ 56,489
Exploration and evaluation assets (note 6)	10,067
Cash	4,051
Net working capital, excluding cash	(4,873)
Decommissioning provisions (note 7)	(220)
Net assets acquired	\$ 65,514

With the recognition of a \$9.1 million deferred tax asset at September 3, 2021, a gain of \$9.1 million was recognized in net income.

Purchase consideration:

Promissory note – Perpetual⁽¹⁾	53,600
Promissory note - 197Co ⁽²⁾	5,773
Consideration to be paid in cash	59,373
Rubellite common shares ⁽³⁾	1,361
Perpetual common shares returned ⁽⁴⁾	2,780
Share purchase warrants ⁽⁵⁾	2,000
Total purchase consideration	\$ 65,514

⁽¹⁾ Promissory notes owed to Perpetual, secured by certain Clearwater properties, and due on demand, which were settled in cash on October 5, 2021.

⁽²⁾ Promissory notes assumed by Rubellite from Perpetual and owing to 1974918 Alberta Ltd. ("197Co"), a company controlled by Perpetual's President and Chief Executive Officer. These promissory notes are secured by certain Clearwater properties, and due on demand, and were settled in cash on October 5, 2021.

⁽³⁾ Rubellite issued to Perpetual 680,485 Rubellite Shares valued at \$1.3 million.

⁽⁴⁾ Rubellite returned to Perpetual 8.2 million Perpetual common shares valued at \$2.8 million received on the initial capitalization of the Company.

⁽⁵⁾ Represents the estimated value of 4.0 million Rubellite common share purchase warrants at \$3.00 per share exercise price and valued at \$2.0 million. Share purchase warrants have been valued using the Black Scholes model using the following assumptions: Expected volatility of 40%, risk-free interest rate of 1.2%, dividend yield of nil, contractual life of 5-years, share price at grant date of \$2.00 and exercise price of \$3.00.

The above amounts to determine the net assets acquired are estimates, which were made by management at the time of preparation of these financial statements based on information then available. For purposes of estimating the acquisition-date fair value of oil and natural gas interests, the Company's internal reserve evaluator provided an estimate of proved and probable oil and gas reserves and the related cash flows. Exploration and evaluation assets were fair valued based on an independent third party report reflecting the estimated sales value of undeveloped land. The estimated proved and probable oil and natural gas reserves and related cash flows were discounted at a rate based on what a market participant would have paid as well as estimated by market metrics in the prevailing areas at the time. The fair value of decommissioning obligations was initially estimated using a credit adjusted risk-free rate of 7.0% and an implied inflation rate of 1.73%.

5. PROPERTY, PLANT AND EQUIPMENT

	Oil and Natural Gas Interests
Cost	
Acquisitions (note 4)	\$ 56,489
Change in decommissioning obligations related to PP&E (note 7)	1,750
Additions	15,811
December 31, 2021	\$ 74,050
Accumulated depletion	
Depletion	\$ 1,389
December 31, 2021	\$ 1,389
Carrying amount	
December 31, 2021	\$ 72,661

As at December 31, 2021, forecasted future development costs of \$46.5 million associated with proved and probable oil and gas reserves were included in the depletion calculation and an estimated \$0.4 million of salvage value for production equipment was excluded.

a) Cash-generating units and impairment

In accordance with IFRS, the Company is required to assess when internal or external indicators of impairment exist, and impairment testing is required. At December 31, 2021, the Company conducted an assessment of indicators of impairment for the Company's cash-generating unit ("CGU"). In performing the assessment, management determined there were no indicators of impairment.

6. EXPLORATION AND EVALUATION

	December 31, 2021
Acquisitions (note 4)	\$ 10,067
Additions	1,547
Balance, end of period	\$ 11,614

Impairment of E&E assets

E&E assets are tested for impairment when internal or external indicators of impairment exist as well as upon their eventual reclassification to oil and natural gas interests in PP&E. At December 31, 2021, the Company conducted an assessment of indicators of impairment for the Company's E&E assets. In performing the assessment, management determined there were no indicators of impairment.

7. Decommissioning obligations

The following table summarizes changes in decommissioning obligations:

	December 31, 2021
Obligations incurred	\$ 894
Obligations acquired (note 4)	220
Change in rate on acquisition	496
Revisions to estimates	360
Accretion	6
Total decommissioning obligations	\$ 1,976

Decommissioning obligations are estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities, and the estimated timing of the costs to be incurred in future periods.

The increase in the provision due to the passage of time, which is referred to as accretion, is recognized as non-cash finance expense in the statements of income or loss and comprehensive income or loss. Decommissioning obligations are further adjusted at each period end date for changes in the risk-free interest rate, after considering additions and dispositions of PP&E. Decommissioning obligations are also adjusted for revisions to future cost estimates and the estimated timing of costs to be incurred in future periods.

The change in rate on acquisition reflects the impact of discounting the decommissioning obligation at the credit adjusted discount rate of 7% at the time of acquisition and then adjusting to the risk-free rate thereafter.

The following significant assumptions were used to estimate the Company's decommissioning obligations:

	December 31, 2021
Undiscounted obligations	\$ 1,913
Average risk-free rate	1.68%
Inflation rate	1.82%
Expected timing of settling obligations	25 years

8. SHARE CAPITAL

a) Authorized

Authorized capital consists of an unlimited number of common shares.

b) Issued and outstanding

	Shares	December 31, 2021
	(thousands)	Amount
		(\$thousands)
Balance, July 12, 2021	–	\$ –
Issued pursuant to plan of arrangement	2,128	4,141
Issued pursuant to warrant exercise	16,681	33,470
Issued pursuant to private placement	10,000	20,000
Issued pursuant to subscription receipt financing	15,000	30,000
Share issue costs	–	(2,137)
Balance, December 31, 2021	43,809	\$ 85,474

As of December 31, 2021 there were 4.0 million Rubellite common share purchase warrants exercisable at \$3.00 per share with an expiry date of September 3, 2026.

As described in note 4, as part of the purchase consideration for the acquisition of the Clearwater Assets, Rubellite issued Perpetual 680,485 Rubellite Shares valued at \$1.3 million, and Rubellite returned to Perpetual 8.2 million Perpetual common shares valued at \$2.8 million received on the initial capitalization of the Company.

Rubellite completed a series of financings (the "Rubellite Financings") at \$2.00 per Rubellite common share equivalent as follows:

- (i) a backstopped Arrangement Warrant financing, which closed on October 5, 2021 and resulted in the issuance of 16.7 million Rubellite common shares for total proceeds of \$33.5 million;
- (ii) a non-brokered \$20.0 million private placement financing that closed on October 5, 2021, resulting in the issuance of 10.0 million Rubellite common shares; and
- (iii) a brokered \$30.0 million subscription receipt financing (15.0 million subscription receipts) that closed on July 13, 2021 with cash held in escrow by a third-party trustee that was released on October 5, 2021. On October 5, 2021, each subscription receipt issued was exchanged on a one-to-one basis for 15.0 million common shares of Rubellite.

c) Per share information

	For the period ended December 31, 2021
<i>(thousands, except per share amounts)</i>	
Net income	\$ 7,702
Weighted average common shares outstanding – basic	22,702
Weighted average common shares outstanding – diluted	23,228
Net income per share – basic	\$ 0.34
Net income per share – diluted	\$ 0.33

Per share amounts have been calculated using the weighted average number of common shares outstanding. For the period ended December 31, 2021, 5.1 million common shares issuable upon the exercise and/or settlement of warrants, share options, restricted share units and performance share units were included in the diluted weighted average number of common shares outstanding.

9. SHARE-BASED PAYMENTS

The following tables summarize information about options and performance and restricted share awards outstanding:

Compensation awards

<i>(thousands)</i>	Share options	Performance share units	Restricted share units	Total
Granted – September 8, 2021	731	185	187	1,103
Granted – October 12, 2021	13	-	8	21
Granted – October 15, 2021	13	-	8	21
December 31, 2021	757	185	203	1,145

During the period ended December 31, 2021, the Company granted 1.1 million share-based payment awards, comprised of share options, performance share units and restricted share units.

The components of share-based payment expense are as follows:

	December 31, 2021
Share options	\$ 126
Restricted share units	64
Performance share units	117
Share-based payment expense	\$ 307

a) Share options

Rubellite's share option plan provides a long-term incentive to any director, executive officer, employee or consultant associated with the Company's long-term performance. The Board of Directors administers the share option plan and determines participants, number of share options and terms of vesting. The exercise price of the share options granted shall not be less than the value of the weighted average trading price for the Company's common shares for the five trading days immediately preceding the date of grant. Share options granted vest evenly over four years, commencing on the first anniversary, with expiry occurring five years after issuance.

The Company used the Black Scholes pricing model to calculate the estimated fair value of the share options at the date of grant. The following assumptions were used to arrive at the estimate of fair value as at the date of grant:

	2021
Dividend yield (%)	0.0
Forfeiture rate (%)	5.0
Expected volatility (%)	60.0
Risk-free interest rate (%)	1.12
Contractual life (years)	5.0
Weighted average share price at grant date	\$ 2.02
Weighted average fair value at grant date	\$ 1.04

b) Performance share units

The Company has an equity-settled performance share units plan for the Company's executive officers. Performance share units granted under the performance share units plan vest two years after the date upon which the performance units were granted. The performance units that vest and become redeemable for equivalent common shares are a multiple of the performance units granted, dependent upon the achievement of certain performance metrics over the vesting period. Vested performance units can be settled in cash or in common shares of the Company at the discretion of the Board of Directors. Performance units are forfeited if participants of the performance share units plan leave the organization other than through retirement or termination without cause prior to the vesting date.

The fair value of a performance share units award is determined at the date of grant by using the closing price of common shares multiplied by the estimated performance multiplier. As at December 31, 2021, performance multipliers of 2.0 have been assumed. Fluctuations in share-based payments may occur due to changes in estimates of performance outcomes. The amount of share-based payment expense is reduced by an estimated forfeiture rate of 5% for outstanding awards. The fair value of performance share rights granted during the period ended December 31, 2021 was \$2.00 per award.

c) Restricted share units

The Company has a restricted share unit plan for any director, officer, employee or consultant. The restricted share units vest evenly over a two year period after the date upon which the restricted share units were granted. The restricted share units that vest can be settled in cash or in common shares of the Company.

This fair value is recognized as share-based payment expense with a corresponding increase to contributed surplus. The weighted average fair value of performance share rights granted during the period ended December 31, 2021 was \$2.05 per award.

10. REVENUE

The Company sells its production pursuant to fixed or variable price contracts. The transaction price for variable priced contracts is based on the commodity price, adjusted for quality, location or other factors, whereby each component of the pricing formula can be either fixed or variable, depending on the contract terms. Under the contracts, the Company is required to deliver fixed or variable volumes of crude oil as may be applicable to the contract counterparty. Revenue is recognized when a unit of production is delivered to the contract counterparty. The amount of revenue recognized is based on the agreed transaction price, whereby any variability in revenue relates specifically to the Company's efforts to transfer production, and therefore the resulting revenue is allocated to the production delivered in the period during which the variability occurs. As a result, none of the variable revenue is considered constrained.

The Company's properties currently produce heavy crude oil and volumes are mostly sold under floating contracts of varying price and volume terms of up to one year. Revenues are typically collected on the 25th day of the month following production. Included in accounts receivable at December 31, 2021 is \$1.6 million of oil revenue related to December 2021 production.

11. BANK DEBT

During the fourth quarter of 2021, the Company entered into a first lien credit facility with a syndicate of lenders to establish a \$3.0 million revolving credit facility with an initial term to May 31, 2022 and which may be extended for a further twelve months to May 31, 2023 subject to lender approval. The Credit Facility is secured by general first lien security agreements covering all present and future property of the Company, and is not subject to any financial covenants. As at December 31, 2021, nil was drawn against the credit facility.

Subsequent to December 31, 2021, the Company's credit facility borrowing limit was increased to \$25.0 million with an initial term to May 31, 2023 and which may be extended for a further twelve months to May 31, 2024 subject to lender approval. If not extended by May 31, 2023, all outstanding advances would be repayable on May 31, 2024. The next semi-annual borrowing base redetermination is scheduled on or before November 30, 2022.

12. DEFERRED INCOME TAXES

The provision for income taxes in the financial statements differs from the result that would have been obtained by applying the combined federal and provincial tax rate to the Company's net income before income tax. This difference results from the following items:

	December 31, 2021
Income before income tax	\$ 7,702
Combined federal and provincial tax rate	23%
Computed income tax expense	1,771
Increase (decrease) in income taxes resulting from:	
Non-deductible expenses	71
Income earned prior to Plan of Arrangement	149
Gain related to deferred tax on acquisition	(2,103)
Other	(460)
Change in unrecognized deferred tax assets	572
Deferred income tax expense	\$ -

The following table summarizes the deferred income tax assets of the Company:

	December 31, 2021
Assets (liabilities):	
Property, plant and equipment	6,399
Decommissioning obligations	454
Fair value of derivatives	307
Share purchase warrants	460
Share and debt issue costs	46
Non-capital losses	1,480
Total deferred income tax assets	9,146

As at December 31, 2021, the Company had approximately \$6.5 million of non-capital losses available for future use. The unused non-capital losses expire in 2041. The oil and gas properties and facilities owned by the Company have an approximate tax basis of \$234.0 million available for future use as deductions from taxable income.

Deferred income tax assets have not been recognized in relation to \$122.0 million of temporary differences under property, plant and equipment because it is not probable that future taxable profit will be available against which the Company can utilize the benefits.

13. FINANCE INCOME AND EXPENSE

	December 31, 2021
Interest income	\$ (20)
Accretion (note 7)	6
Finance (income) expense	\$ (14)

14. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital are comprised of the following:

	December 31, 2021
Accounts receivable	\$ (6,845)
Prepaid expenses and deposits	(247)
Accounts payable and accrued liabilities	17,004
Working capital acquired (note 4)	(4,873)
	\$ 5,039
Related to operating activities	(480)
Related to investing activities	5,519
	\$ 5,039

15. FINANCIAL RISK MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and has implemented and monitors compliance with risk management policies.

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.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from joint venture partners, oil and natural gas marketers and derivative contract counterparties.

Receivables from oil and natural gas marketers are normally collected on the 25th day of the month following sales. The Company's policy to mitigate credit risk associated with these balances is to establish marketing relationships with large, well established purchasers. The Company has not experienced any significant collection issues with its oil and gas marketing receivables.

The Company manages the credit exposure related to derivatives by engaging in risk management transactions with credit worthy counterparties.

The combined carrying amount of cash and cash equivalents, accounts receivable and fair value of derivative assets at December 31, 2021 was \$22.1 million, representing the Company's maximum credit exposure. The total amount of accounts receivable 90 days past due is nominal at December 31, 2021.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure that it will have sufficient sources of liquidity available, under both normal and stressed conditions.

c) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, commodity prices, and interest rates will affect the Company's net loss or 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.

The Company utilizes financial derivatives to manage market risks related to commodity prices. All such transactions are conducted in accordance with the Company's Risk Management Policy, which has been approved by the Board of Directors.

As at December 31, 2021, the Company had the following crude oil risk management contracts, with a short-term mark-to-market asset of \$0.1 million, a short-term mark-to-market liability of \$1.3 million, and a long-term mark-to-market liability of \$0.1 million.

Remaining Period	Type of Contract	Quantity (bbls/d)	Pricing Point	Contract Price (\$/bbl)	Mark-to-Market Asset (Liability) (\$000's)
Jan 2022 – Mar 2022	Fixed swap	200	WTI	USD 75.00	6
Jan 2022 – Jun 2022	Fixed swap	200	WTI	CAD 95.46	68
Jan 2022 – Jun 2022	Fixed swap	300	WTI	CAD 90.07	(190)
Feb 2022 – Dec 2022	Fixed swap	300	WTI	CAD 88.64	(250)
Apr 2022 – Dec 2022	Fixed swap	300	WTI	CAD 87.45	(246)
Jul 2022 – Dec 2022	Fixed swap	300	WTI	CAD 87.25	(117)
Jan 2022 – Dec 2022	Fixed swap	200	WCS	CAD 76.15	126
Jan 2023 – Dec 2023	Fixed swap	100	WTI	USD 64.50	(86)
Feb 2022	Fixed swap	100	WCS	CAD 69.50	(22)
Mar 2022	Fixed swap	100	WCS	CAD 70.40	(42)
Jan 2022 – Jun 2022	Fixed Differential swap	200	WCS	CAD 20.16	(87)
Jan 2022 – Jun 2022	Fixed Differential swap	300	WCS	CAD 21.70	(215)
Feb 2022 – Dec 2022	Fixed Differential swap	300	WCS	CAD 18.30	(141)
Apr 2022 – Dec 2022	Fixed Differential swap	300	WCS	CAD 18.05	(106)
Jul 2022 – Dec 2022	Fixed Differential swap	300	WCS	CAD 17.55	(35)

As at December 31, 2021, if future WTI and WCS oil prices changed by CAD \$5.00 per bbl with all other variables held constant, the fair value of derivatives for the period would change by \$4.0 million.

Subsequent to December 31, 2021, the Company entered into the following crude oil risk management contracts:

Period	Type of Contract	Quantity (bbls/d)	Pricing Point	Contract Price (\$/bbl)
Apr 2022 – Jun 2022	Fixed swap	200	WTI	CAD 104.61
Jul 2022 – Dec 2022	Fixed swap	200	WTI	CAD 103.30
Mar 2022 – Dec 2022	Fixed Differential swap	200	WCS	CAD 17.25
Jan 2023 – Dec 2023	Fixed Differential swap	200	WCS	CAD 17.75

Fair value of financial assets and liabilities

The Company's fair value measurements are classified into one of the following levels of the fair value hierarchy:

Level 1 – inputs represent unadjusted quoted prices in active markets for identical assets and liabilities. An active market is characterized by a high volume of transactions that provides pricing information on an ongoing basis.

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These valuations are based on inputs that can be observed or corroborated in the marketplace, such as market interest rates or forecasted commodity prices.

Level 3 – inputs for the asset or liability are not based on observable market data.

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, deposits, and accounts payable and accrued liabilities approximate their carrying amounts due to their short terms to maturity. They are classified as amortized cost, level 1.

The fair value of derivative financial instruments are classified as FTPL, level 2.

The fair value of financial assets and liabilities, excluding working capital, is attributable to the following fair value hierarchy levels:

As at December 31, 2021	Gross	Netting ⁽¹⁾	Carrying Amount	Fair value		
				Level 1	Level 2	Level 3
Financial assets						
Fair value through profit and loss						
Fair value of derivatives	200	(138)	62	–	62	–
Financial liabilities						
Fair value through profit and loss						
Fair value of derivatives	(1,537)	138	(1,399)	–	(1,399)	–

⁽¹⁾ Derivative assets and liabilities presented in the statement of financial position are shown net of offsetting assets or liabilities where the arrangement provides for the legal right and intention for net settlement exists.

d) Capital risk

The Company's policy is to maintain a strong but flexible capital structure so as to maintain investor, creditor and market confidence and to sustain its future development. The Company manages its capital structure and adjusts it in light of changes in economic conditions. The Company's capital structure consists of shareholders' equity and working capital. The Company also has access to its \$3.0 million first lien credit facility with a syndicate of lenders, which remains undrawn at December 31, 2021. Subsequent to December 31, 2021, the Company's borrowing base was increased to \$25.0 million.

16. KEY MANAGEMENT PERSONNEL

The Company has defined key management personnel as executive officers, as well as the Board of Directors, as they have the collective authority and responsibility for planning, directing and controlling the activities of the Company.

	December 31, 2021
Short-term compensation	\$ 58
Share-based payments	103
Total	\$ 161

The short-term compensation for key management personnel is recognized through the Management Service Agreement with Perpetual and is recognized in general and administrative expense.

DIRECTORS

Holly Benson

Independent Director⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾

Tamara MacDonald

Independent Director⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾

Susan L. Riddell Rose

President, Chief Executive Officer and Director

Ryan A. Shay

Vice President, Finance and Chief Financial Officer and Director

Bruce Shultz

Independent Director⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾

⁽¹⁾ Member of Audit Committee

⁽²⁾ Member of Reserves Committee

⁽³⁾ Member of Compensation and Corporate Governance Committee

⁽⁴⁾ Member of Environmental, Health & Safety Committee

OFFICERS

Susan L. Riddell Rose

President, Chief Executive Officer and Director

Ryan A. Shay

Vice President, Finance and Chief Financial Officer

Ryan M. Goosen

Vice President, Business Development and Land

Jeffrey R. Green

Vice President, Corporate and Engineering Services

Linda L. McKean

Vice President, Exploration and Development

Marcello M. Rapini

Vice President, Marketing

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AUDITORS

KPMG LLP

BANKERS

ATB Financial

Bank of Montreal

RESERVE EVALUATION CONSULTANTS

McDaniel & Associates Consultants Ltd.

REGISTRAR AND TRANSFER AGENT

Odyssey Trust Company