RUBELLITE ENERGY

ANNUAL INFORMATION FORM

For the Year Ended December 31, 2022

March 9, 2023

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ABOUT RUBELLITE

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

PRESENTATION OF INFORMATION

Throughout this Annual Information Form, the terms "**Rubellite**", the "**Corporation**", the "**Company**", "**we**" or "**our**" refer to Rubellite Energy Inc.

Certain terms used but not defined herein are defined in National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* ("**NI 51-101**"), CSA Notice 51-324 – *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* ("CSA 51-324") and in the Canadian Oil and Gas Evaluation Handbook Volume I (the "**COGE Handbook**"). Unless otherwise specified, information in this Annual Information Form is as at the end of the Corporation's most recently completed financial year, being December 31, 2022.

All dollar amounts herein are in Canadian dollars, unless otherwise stated. Words importing the singular also include the plural, and *vice versa*, and words importing one gender include all genders.

Certain portions of Rubellite's audited financial statements ("**Financial Statements**") and Management's Discussion and Analysis ("**MD&A**") for the year ended December 31, 2022 are incorporated by reference into this Annual Information Form as indicated herein. The Financial Statements and MD&A are available on SEDAR at www.sedar.com.

All references in this Annual Information Form to management are to the persons who are identified in this Annual Information Form as the executive officers of the Company. See "*Directors and Officers*". All statements in this Annual Information Form made by or on behalf of management are made in such persons' capacities as executive officers of the Company and not in their personal capacities.

This Annual Information Form contains information relating to Rubellite's business as well as historical and projected future performance, Rubellite expectations, forecasts and guidance and other market data. When considering this data, investors should bear in mind that historical results and market data may not be indicative of the future results that investors should expect from Rubellite.

The information found on, or accessible through, Rubellite's website does not form part of this Annual Information Form.

A reference to an agreement means the agreement, as it may be amended, supplemented or restated from time to time.

Figures, columns and rows presented in tables provided in this Annual Information Form may not add due to rounding.

This Annual Information Form includes a summary description of material agreements of the Company. See "*Material Contracts*". The summary description discloses attributes that the Company considers material to an investor in the Common Shares (as defined herein) but is not complete and is qualified in its entirety by reference to the terms of the material agreements, which have been filed with the applicable Canadian securities regulatory authorities and are available on SEDAR. Investors are encouraged to read the full text of such material agreements.

Certain market, independent third-party and industry data contained in this Annual Information Form is based upon information from government or other independent industry publications and reports or based on estimates derived from such publications and reports. Government and industry publications and reports generally indicate that they have obtained their information from sources believed to be reliable, but the Company has not conducted its own independent verification of such information. This Annual Information Form also includes certain data, including production, well count estimates, capital expenditures and other operational results, derived from public filings made by independent third parties. While the Company believes this data to be reliable, market and industry data is subject to variations and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. The Company has not independently verified any of the data from independent third-party sources referred to in this Annual Information Form or ascertained the underlying assumptions relied upon by such sources.

This Annual Information Form contains a number of references to industry specific terminology that is commonly used in the oil and gas business and is also used by the Company in this Annual Information Form.

Certain financial terms and measures contained in, or referred to in the documents incorporated by reference into, this Annual Information Form are "specified financial measures" (as such term is defined in National Instrument 52-112 - *Non-GAAP and Other Financial Measures Disclosure* ("**NI 52-112**")). The specified financial measures contained in, or referred to in the documents incorporated by reference into, this Annual Information Form are comprised of "non-GAAP financial measures", "non-GAAP ratios", "capital management measures" and "supplementary financial measures" (as such terms are defined in NI 52-112). These measures are defined, qualified, and where required, reconciled with the nearest GAAP measure in the MD&A under the heading "Non-GAAP and Other Financial Measures" in the MD&A, which section is incorporated by reference herein.

See also "*Abbreviations*", "*Volume Conversions*" and "*Forward-Looking Information and Statements*".

CORPORATE STRUCTURE

Rubellite was incorporated under the *Business Corporations Act* (Alberta) (the "**ABCA**") on July 12, 2021. Rubellite does not have any subsidiaries. Rubellite's head and registered office is located at Suite 3200, 605 – 5th Avenue S.W., Calgary, Alberta, T2P 3H5.

GENERAL DEVELOPMENT OF THE BUSINESS

The general development of Rubellite's business since its incorporation in 2021 is described below.

2021

On July 12, 2021, Rubellite was incorporated as a wholly-owned subsidiary of Perpetual Energy Inc. (**"Perpetual**").

On July 15, 2021, Rubellite acquired all of Perpetual's Clearwater lands, wells, roads and related facilities in northeast Alberta (the "Clearwater Assets") for aggregate consideration of $65.5 million (the **"Acquisition**"). 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 (**"Common Shares**" or "**Rubellite Shares**") valued at $1.4 million, the return of 8.2 million Perpetual common shares exchanged in the Arrangement (as defined herein) and valued at $2.8 million, and issuance to Perpetual of warrants to purchase 4.0 million Rubellite Shares at a price of $3.00 per share which are exercisable for a period of five years ("**Rubellite Share Purchase Warrants**").

On July 15, 2021, Rubellite sold a 3.0% to 5.0% gross overriding royalty on certain lands at Figure Lake to Freehold Royalties Ltd. for gross proceeds of up to $7.9 million (the"**Figure Lake GORR**").

On September 3, 2021, Rubellite completed a plan of arrangement under the ABCA involving Perpetual, the shareholders of Perpetual and Rubellite (the "**Arrangement**"). Pursuant to the Arrangement, among other things, each shareholder of Perpetual received Common Shares and warrants to purchase Common Shares at an exercise price of $2.00 per Common Share ("**Arrangement Warrants**"). Upon completion of the Arrangement the Common Shares and Arrangement Warrants were listed for trading on the Toronto Stock Exchange (the "**TSX**").

On October 5, 2021, Rubellite issued $83.5 million in Common Shares, all priced at $2.00 per Common Share, through a combination of: (i) $33.5 million received upon the exercise of the Arrangement Warrants; (ii) the issuance of Common Shares in exchange for subscription receipts previously issued under a $30 million brokered private placement to a number of arm's length investors, which funds were held in escrow since closing on July 13, 2021; and (iii) a $20 million non-brokered private placement of Common Shares.

The Clearwater Assets comprised six (6.0 net) wells producing approximately 350 bbl/d of heavy crude oil and included 100 net sections of undeveloped land. Based on the McDaniel Report (as defined herein) dated June 30, 2021, the Clearwater Assets had booked proved and probable heavy crude oil reserves of 6.0 MMbbls with 40 (36.0 net) booked undeveloped drilling locations.

During 2021, Rubellite invested a total of $17.4 million to drill, complete, equip and tie-in 15 gross (14.0 net) multi-lateral wells penetrating the Clearwater formation and to grow its undeveloped land base to gain access to up to 131.8 gross (115.6 net) sections of prospective Clearwater acreage.

2022

On March 30, 2022, Rubellite completed a bought deal public offering and a concurrent non-brokered private placement, raising gross proceeds of $38.7 million through the issuance of approximately 10.9 million Common Shares at $3.55 per share.

In 2022, Rubellite invested a total of $94.2 million to drill, complete, equip and tie-in forty one (35.5 net) horizontal multi-lateral Clearwater wells, two (2.0 net) vertical exploration wells, and two (2.0 net) salt water disposal wells and to grow its undeveloped land base and gain access to up to 372.5 gross (323.9 net) sections of prospective Clearwater acreage.

DESCRIPTION OF THE BUSINESS

General

Rubellite is a Canadian energy company engaged in the exploration, development and production of conventional heavy crude oil from the Clearwater formation in Eastern Alberta, utilizing multi-lateral horizontal drilling technology. Rubellite has a pure play Clearwater asset base and is pursuing a robust organic growth plan focused on superior corporate returns and adjusted funds flow generation while maintaining a conservative capital structure and prioritizing ESG excellence. The Company actively manages its portfolio of assets to capture and capitalize on opportunities, manage commodity price risk, and crystallize value as appropriate.

Employees

At December 31, 2022, Rubellite had no employees and 5 hourly field consultants. In connection with the Acquisition, on July 15, 2021, Rubellite and Perpetual entered into a management and operating services agreement (the "**MSA**") pursuant to which Perpetual is providing management, operating and administrative services (the "**Services**") to Rubellite in respect of all of its assets. The Services include, but are not limited to, regulatory reporting and submissions, administering land records, geological and geophysical support, executing drilling operations, marketing (arranging transport and hedging), accounting and tax filing, office administration, investor relations and business development support.

The Company's strategic priorities for 2023 are as follows:

1. Deliver Robust Organic Production Growth Profile to Unlock Free Funds Flow;
2. Drive Top Quartile Capital Efficiencies;
3. Increase Reserve-Based Net Asset Value, De-Risk Inventory and Advance Secondary Recovery;
4. Grow Clearwater Land Base and Prospect Inventory;
5. Maintain Pristine Balance Sheet and Manage Risk; and
6. Record Positive Performance Metrics to Validate ESG Excellence.

Clearwater Assets

Rubellite owns assets in the Clearwater play of Northern Alberta. A description of the properties comprising these assets is below. Based on the McDaniel Report, these assets have booked proved and probable heavy crude oil reserves of 10.3 MMbbls with 59 (55.5 net) booked undeveloped drilling locations. Incorporating the results from its drilling programs, competitor activities and land acquisition activities, Rubellite has refined the characterization of its prospect inventory and updated the scope of opportunities captured on its growing land base.

The following property descriptions are as at December 31, 2022 unless otherwise noted and reserves quoted are as reported in the McDaniel Report.

Figure Lake

The Figure Lake area is located approximately 65km southwest of Lac La Biche, Alberta in Township 63 Range 17W4 and produces conventional heavy oil from the Wabiskaw Member of the Clearwater Formation. At year end 2022, the Corporation had acquired 41,600 net acres (87% undeveloped) under leasing agreements, an increase of 78% over year end 2021. At the time of the Acquisition, there was one (1.0 net) producing well making 25 bbl/d. The well was drilled in 2019 by a previous operator and is a 3 leg open hole multi-lateral well and is interpreted to have been drilled with as much as 50% of the well out of the zone. As such, the well proved the reservoir is capable of production and indicative of the potential productivity for the area. In connection with the Acquisition, Rubellite entered into an agreement with Freehold Royalties whereby it sold a 3% to 5% gross overriding royalty on certain Clearwater assets at Figure Lake for gross proceeds of up to $7.9 million to be paid upon the terms of a drilling commitment agreement. Approximately $5.4 million of Rubellite's costs for the drilling of four commitment wells and approximately $0.2 million per well for twelve additional wells on the Figure Lake royalty lands were funded by the Figure Lake GORR financing with all commitments completed during 2022.

A total of twenty-two (22.0 net) wells contributed 562 boe/d to sales volumes average for 2022, representing 33% of Rubellite's annual production. Production ramped up through 2022 with fifteen (15.0 net) wells being drilled and rig released: two in Q1, six in Q3, seven during Q4, and one spud in 2022 and rig released in 2023. Additionally, one (1.0 net) exploratory well was drilled in Q3 approximately six miles to the west and placed on production. December sales production was 1,078 bbl/d representing 46% of Rubellite's sales. Production continues to be added as new wells are drilled and recover drilling fluid. Rubellite additionally drilled one (1.0) net vertical service well that provided useful stratigraphic information for the drilling program and was subsequently converted to a water disposal well. Approvals for disposal are in place and the disposal well began disposing on February 24, 2023 and will reduce area operating costs. The McDaniel Report identifies forty-five (43.6 net) development wells, 30 (29.3 net) of which are in the proven undeveloped category and 15 (14.3 net) in the probable undeveloped category in this area.

*On December 15, 2022, Rubellite signed a Land Acquisition and Drilling Commitment Agreement with the Buffalo Lake Métis Settlement (the "**BLMS**") to acquire 20 sections (12,800 acres) of prospective mineral rights on settlement with an obligation to drill a minimum of four (4.0 net) horizontal wells. These lands are not included in the total acres at year end 2022.*

Marten Hills

The Marten Hills area is located approximately 60km northeast of Slave Lake in the Athabasca Oil Sands Area and produces conventional heavy oil from the Clearwater Formation. Nine wells gross (3.5 net BPO working interest) were drilled in 2022. Rubellite has completed its contractual earning and management estimates that project payout will occur in February 2023 and a notice of payout to the farmor will immediately be issued, at which time an election by the farmor to convert to a working interest may occur. There are eleven gross (4.5 net BPO, 3.3 net APO) Marten Hills wells which produced approximately 279 bbl/d of heavy crude oil in 2022 representing 17% of Rubellite's production and 479 bbl/d in December 2022, representing 20% of Rubellite's production all on a before payout basis for the first six test wells. The McDaniel Report identifies three (0.9 net) development wells in the proven plus probable undeveloped category to be drilled lower within the Clearwater formation consistent with other operators. These locations will likely be drilled in anticipation of future waterflood activities and converted to injection after a period of production.

Ukalta

The Ukalta area is located approximately 110km northeast of Edmonton, Alberta, in Township 57 Range 18W4 and produces conventional heavy oil from the Clearwater Formation. At year end 2022, Ukalta was comprised of twenty-five (25.0 net) producing wells and 22,400 acres (67% undeveloped) of Clearwater rights. The twenty-five wells are a mix of 6-leg and 8-leg open hole multi-lateral horizontal wells. Sixteen (16.0 net) were drilled and placed on production in 2022. The Ukalta property average production of 829 bbl/d of heavy crude oil through 2022, represented 50% of Rubellite's sales production. Production was 793 bbl/d in December 2022 down to 34% of total production as the Corporation switched focus to the Figure Lake and Northern areas. Rubellite additionally drilled one (1.0) net vertical service well for water disposal, the well was online at low volumes in late Q2 2022 with a capacity expansion in late Q4 2022 that now handles all area water and will reduce operating costs in 2023. The McDaniel Report identifies six (6.0 net) Proven Undeveloped and eleven (11.0 net) Proven plus Probable Undeveloped locations in this area.

Northern Exploration Properties

Rubellite entered into multiple farm-in arrangements with a third party and purchased additional acreage through Crown land sales and acquisitions from third parties to gain access to a total of 159.2 gross sections (113.7 net) sections of Clearwater rights for Clearwater exploration in Northern Alberta. The Northern Exploration properties comprise various parcels of lands in the Peavine, Dawson, Cadotte and Cranberry Lake areas. As at December 31, 2022, there is no production associated with the Northern Alberta exploration properties.

Environmental, Health and Safety Policies

Rubellite has established environmental, health and safety policies consistent with Perpetual's policies which are in line with industry best practices.

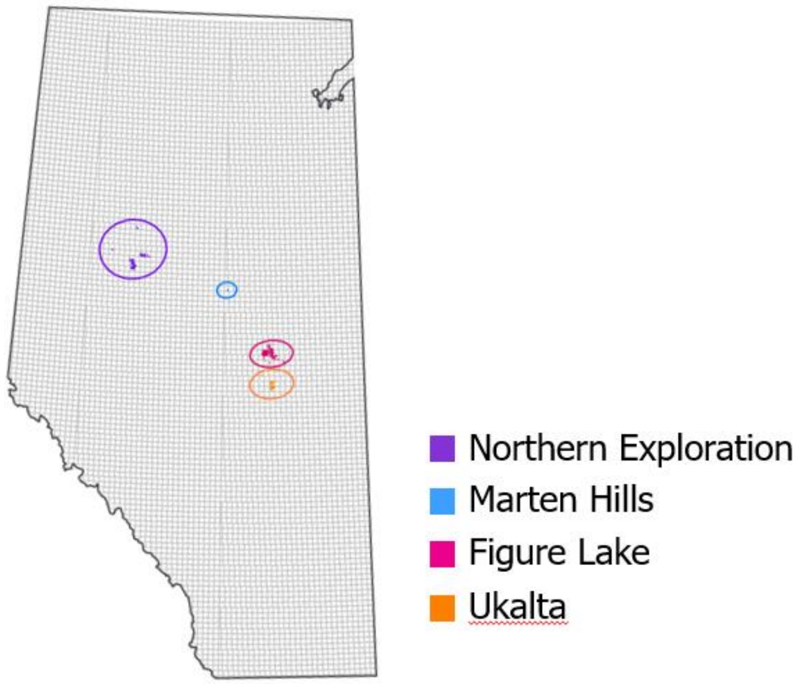
Specialized Skill, Knowledge and Personnel

The skills and knowledge required to advance Rubellite’s business plan is provided by Perpetual under the parameters set out in the MSA. More specifically, Rubellite relies on the specialized skills and knowledge of the personnel of Perpetual and services provided under the MSA to gather, interpret and process geological and geophysical data; drill and complete wells; design and operate production facilities; pursue business development opportunities; and numerous additional activities required to explore for, acquire and produce crude oil.

Perpetual manages Rubellite cost-effectively through the MSA, sharing people, office and information technology related general and administrative costs on a relative production split basis. Unique professional fees and expenses, such as public company and legal costs, are borne separately by each of Perpetual and Rubellite. The MSA provides for optimization of Perpetual's technical, administrative and management capacity which, in conjunction with interest cost savings, serves to establish a more sustainable cost structure. See "***Material Contracts-MSA***".

Oil and Natural Gas Properties

The following is a description of our principal natural gas and oil properties as at December 31, 2022.



Major Areas	Current Production[1] (*Boe/d*)	Developed and Undeveloped Land (net acres)	Gross Proved plus Probable Reserves[3] (*MMboe*)	2022 Drilling Program[3] (# of gross locations)
Ukalta	853	22,476	2.2	16
Figure Lake	577	95,280	7.4	15
Marten Hills	286	576	0.7	9
Exploration[2]	—	94,113	—	3
Service Wells	—	—	—	2
Total	1,716	212,445	10.3	45

(1) Average December 2022 production was comprised of nil MMcf/d of conventional natural gas production, nil bbl/d of natural gas liquids and 1,716 bbl/d of heavy crude oil. Refer to "Volume Conversions" on page 50 of this Annual Information Form. Excludes base-oil load fluid recoveries.
(2) "**Exploration**" includes 52,000 gross (28,000 net) acres that require fulfillment of additional drilling commitments as a condition of earning.
(3) The reserves data set forth is based upon the figures contained in the report of McDaniel & Associates Consultants Ltd. ("**McDaniel**") dated effective December 31, 2022, with a preparation date of March 9, 2023 (the "**McDaniel Report**") evaluating substantially all of Rubellite's heavy crude oil reserves

Environmental, Social and Governance ("ESG")

Rubellite is committed to strong ESG performance. Key factors of the Corporation's ESG program includes emissions management. minimal water usage and multi-well pad development. The Corporation remains committed to ensuring that its governance structure is appropriate and having regard to best practices and Rubellite's size and stage of development.

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

MARCH 9, 2023

The reserves data set forth below is based upon the figures contained in the report of McDaniel & Associates Consultants Ltd. ("McDaniel") dated effective December 31, 2022, with a preparation date of March 9, 2023 (the "McDaniel Report") evaluating substantially all of Rubellite's heavy crude oil reserves.

Disclosure of Reserves Data

The Report on Reserves Data by McDaniel in Form 51-101F2 is attached as Appendix B to this Annual Information Form and the Report of Management and Directors on Oil and Gas Disclosure in Form 51-101F3 is attached as Appendix A to this Annual Information Form.
In the McDaniel Report, McDaniel evaluated 100% of the assigned total proved plus probable reserves. McDaniel prepared the McDaniel Report using their own technical assumptions and interpretations, methodologies and cost assumptions and the equal weighting of the three consultant (McDaniel, GLJ Ltd., Sproule Associates Limited) average price forecasts (the "Consultant Average Price Forecast"). Due to rounding, certain columns set forth below in this section may not add.

The reserves data set forth below summarizes the crude oil reserves associated with the Corporation's assets and the net present values of future net revenue for such reserves using forecast prices and costs. The McDaniel Report has been prepared in accordance with the standards contained in the COGE Handbook and the reserve definitions contained in NI 51-101, CSA 51- 324, and the COGE Handbook. McDaniel was engaged to provide evaluations of proved and proved plus probable reserves and no attempt was made to evaluate possible reserves.

All of the reserves associated with the Corporation's assets are located in Canada and specifically, in the province of Alberta and all of the reserves attributed to the Corporation's assets are heavy crude oil reserves.

There are numerous uncertainties inherent in estimating quantities of crude oil reserves and the future cash flows attributed to such reserves. The reserve and associated cash flow information set forth below are estimates only. In general, estimates of economically recoverable crude oil reserves and the future net revenues therefrom are based upon a number of variable factors and assumptions, such as geological, geophysical, and engineering assessment of hydrocarbons in place on lands, historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital and abandonment and reclamation expenditures, marketability of crude oil, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary materially from actual results. For those reasons, estimates of the economically recoverable crude oil 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 actual production, revenues, royalties, development, abandonment and reclamation, and operating expenditures of the Corporation's assets with respect to their reserves will vary from estimates thereof and such variations could be material.

The information relating to the crude oil reserves with respect to the Corporation's assets contain forward-looking statements relating to anticipated production, future net revenues, forecast capital expenditures, future development plans and costs related thereto, forecast operating costs, anticipated production, and abandonment and reclamation costs. See "*Forward-Looking Information and Statements*" and "***Risk Factors – Reserves Estimates***".

It should not be assumed that the estimates of future net revenues presented in the tables below represent the fair market value of the reserves. There is no assurance that the forecast prices and costs assumptions will be attained, and variances could be material. Actual reserves and value may be greater than or less than the estimates provided in this Statement of Reserves Data and Other Oil and Gas Information.

SUMMARY OF RESERVES
TOTAL RESERVES
as at December 31, 2022
FORECAST PRICES AND COSTS(3)

	Light and Medium Crude Oil		Heavy Crude Oil		Conventional Natural Gas		Natural Gas Liquids		Oil Equivalent	
Reserves Categories	**Gross(1) (*Mbbl*)**	**Net(2) (*Mbbl*)**	**Gross(1) (*Mbbl*)**	**Net(2) (*Mbbl*)**	**Gross(1) (*MMcf*)**	**Net(2) (*MMcf*)**	**Gross(1) (*Mbbl*)**	**Net(2) (*Mbbl*)**	**Gross(1) (*Mboe*)**	**Net(2) (*Mboe*)**
Proved Producing	—	—	2,944	2,636	—	—	—	—	2,944	2,636
Proved Non Producing	—	—	165	148	—	—	—	—	165	148
Proved Undeveloped	—	—	2,971	2,684	—	—	—	—	2,971	2,684
Total Proved	**—**	**—**	**6,079**	**5,468**	**—**	**—**	**—**	**—**	**6,079**	**5,468**
Probable Producing	—	—	941	812	—	—	—	—	941	812
Probable Non Producing	—	—	75	67	—	—	—	—	75	67
Probable Undeveloped	—	—	3,181	2,867	—	—	—	—	3,181	2,867
Total Probable	**—**	**—**	**4,197**	**3,746**	**—**	**—**	**—**	**—**	**4,197**	**3,746**
Proved plus Probable	**—**	**—**	**10,276**	**9,214**	**—**	**—**	**—**	**—**	**10,276**	**9,214**

(1) "Gross" refers to working interest reserves before royalty deductions.
(2) "Net" refers to company interest volumes after royalties.
(3) May not add due to "rounding".

NET PRESENT VALUE OF FUTURE NET REVENUE
BEFORE TAX as at December 31, 2022
FORECAST PRICES AND COSTS (*$ millions*)(1)

	Before Income Taxes Discounted at (%)					Unit Value Before Income Tax Discounted At 10%/Year(3)
Reserves Categories	**0%**	**5%**	**10%**	**15%**	**20%**	**($/boe)**
Proved Producing(2)	121	104	91	82	74	34.62
Proved Non Producing	6	5	4	3	3	26.77
Proved Undeveloped	71	52	38	28	21	14.34
Total Proved	**198**	**161**	**134**	**114**	**99**	**24.45**
Probable Producing	44	30	22	17	14	27.20
Probable Non Producing	4	3	2	2	2	35.10
Probable Undeveloped	118	80	57	42	33	19.89
Total Probable	**166**	**113**	**81**	**62**	**49**	**21.75**
Proved plus Probable	**364**	**274**	**215**	**176**	**147**	**23.35**

(1) January 1,2023 Consultant Average Price Forecast.
(2) Inclusive of all asset retirement obligations of the Corporation.
(3) The unit values are based on net reserve volumes.

NET PRESENT VALUE OF FUTURE NET REVENUE AFTER TAX as at December 31, 2022 FORECAST PRICES AND COSTS (*$ millions*)[1]

Reserves Categories	After Income Taxes Discounted at (%)[4] 0%	5%	10%	15%	20%	Unit Value After Income Tax Discounted At 10%/Year[3] ($/boe)
Proved Producing[2]	121	104	91	82	74	34.62
Proved Non Producing	6	5	4	3	3	26.77
Proved Undeveloped	71	52	38	28	21	14.34
Total Proved	**198**	**161**	**134**	**114**	**99**	**24.45**
Probable Producing	44	30	22	17	14	27.20
Probable Non Producing	4	3	2	2	2	35.10
Probable Undeveloped	93	65	47	36	28	16.55
Total Probable	**140**	**98**	**72**	**56**	**44**	**19.19**
Proved plus Probable	**339**	**259**	**206**	**169**	**143**	**22.31**

(1) January 1, 2023 Consultants' Average Price Forecast.
(2) Inclusive of all asset retirement obligations of the Corporation.
(3) The unit values are based on net reserve volumes.
(4) The after tax net present value of the Corporation's oil properties reflects the tax burden on the properties on a stand-alone basis and utilizes the Corporation's tax pools

FUTURE NET REVENUE
TOTAL RESERVES (UNDISCOUNTED)
as at December 31, 2022
FORECAST PRICES AND COSTS (*$ millions*)

Reserves Categories	Revenue	Royalties	Operating Costs	Development Costs	Abandonment and Reclamation Costs	Future Net Revenue Before Income Taxes	Income Taxes	Future Net Revenue After Income Taxes[1]
Proved Reserves	465	(47)	(142)	(68)	(11)	198	0	198
Proved plus Probable Reserves	813	(85)	(245)	(106)	(14)	364	(25)	339

(1) The after tax net present value of the Corporation's oil properties reflects the tax burden on the properties on a stand-alone basis and utilizes the Corporation's tax pools.

FUTURE NET REVENUE
TOTAL RESERVES
BY PRODUCTION TYPE
as at December 31, 2022

Reserve Categories	Production Type	Future Net Revenue Before Income Taxes (discounted at 10%/year)[2] (*$ millions*)	Unit Value (*$/bbl*)[1]
Proved Reserves	Conventional Natural Gas (including by-products but excluding solution gas and by-products from oil wells)	—	—
Proved Reserves	Light and Medium Crude Oil (including solution gas and other by products)	—	—
Proved Reserves	Heavy Crude Oil (including solution gas and other by products)[2]	133.7	24.45
Proved Reserves – Total		133.7	
Proved plus Probable Reserves	Conventional Natural Gas (including by-products but excluding solution gas and by-products from oil wells)	—	—
Proved plus Probable Reserves	Light and Medium Crude Oil (including solution gas and other by products)	—	—
Proved plus Probable Reserves	Heavy Crude Oil (including solution gas and other by products)[2]	215.2	23.35
Proved plus Probable Reserves – Total		215.2	

(1) Unit values are calculated using the future net revenue discounted at 10% divided by the Major Production Type net reserves for each group.
(2) Inclusive of all asset retirement obligations for the Company.

Forecast Prices and Costs

Pricing Assumptions (Forecast Prices and Costs)

SUMMARY OF PRICING ASSUMPTIONS
AS AT DECEMBER 31, 2022
FORECAST PRICES AND COSTS[(1)]

Year	West Texas Intermediate Crude Oil (*$US/bbl*)	Edmonton Light Crude Oil (*CDN/bbl*)	Alberta Heavy Crude Oil (*CDN/bbl*)	Natural Gas at AECO (*CDN/MMBtu*)	U.S Henry Hub (*$US/MMBtu*)	Foreign Exchange (*$US/CDN*)[(2)]
2023	80.33	103.76	68.44	4.23	4.74	0.745
2024	78.50	97.74	69.36	4.40	4.50	0.765
2025	76.95	95.27	69.92	4.21	4.31	0.768
2026	77.61	95.58	72.42	4.27	4.40	0.772
2027	79.16	97.07	74.29	4.34	4.49	0.775
2028	80.74	99.01	76.43	4.43	4.58	0.775
2029	82.36	100.99	78.01	4.51	4.67	0.775
2030	84.00	103.01	79.57	4.60	4.76	0.775
2031	85.69	105.07	81.17	4.69	4.86	0.775
2032	87.40	106.69	82.97	4.79	4.95	0.775
2033	89.15	108.83	84.63	4.88	5.05	0.775
2034	90.93	111.00	86.32	4.98	5.15	0.775
2035	92.75	113.22	88.05	5.08	5.26	0.775
2036	94.61	115.49	89.81	5.18	5.36	0.775
2037	96.50	117.80	91.60	5.29	5.47	0.775

(1) Source: The Consultant Average Price Forecast.
(2) Exchange rates used to generate the benchmark reference prices in this table.

The weighted average historical price realized from the Corporation's assets for the year-ended December 31, 2022 was $67.82/bbl (2021 - $69.76) for crude oil including $21.56/bbl of realized hedging losses (2021 - $1.44 realized hedging gains).

RECONCILIATION OF COMPANY GROSS RESERVES
BY PRINCIPAL PRODUCT TYPE
FORECAST PRICES AND COSTS[(1)]

	Light and Medium Crude Oil			Heavy Oil			Total Crude Oil		
Factors	**Gross Proved (*Mbbl*)**	**Gross Probable (*Mbbl*)**	**Gross Proved plus Probable (*Mbbl*)**	**Gross Proved (*Mbbl*)**	**Gross Probable (*Mbbl*)**	**Gross Proved plus Probable (*Mbbl*)**	**Gross Proved (*Mbbl*)**	**Gross Probable (*Mbbl*)**	**Gross Proved plus Probable (*Mbbl*)**
December 31, 2021	**—**	**—**	**—**	**3,174**	**2,847**	**6,022**	**3,174**	**2,847**	**6,022**
Extensions & Improved Recoveries	—	—	—	3,324	1,495	4,819	3,324	1,495	4,819
Discoveries	—	—	—	—	—	—	—	—	—
Technical Revisions	—	—	—	(341)	(505)	(846)	(341)	(505)	(846)
Acquisitions	—	—	—	510	355	865	510	355	865
Dispositions	—	—	—	—	—	—	—	—	—
Production	—	—	—	(610)	—	(610)	(610)	—	(610)
Economic Factors	—	—	—	21	5	26	21	5	26
December 31, 2022	**—**	**—**	**—**	**6,079**	**4,197**	**10,276**	**6,079**	**4,197**	**10,276**

(1) May not add due to rounding.

RECONCILIATION OF COMPANY GROSS RESERVES
BY PRINCIPAL PRODUCT TYPE
FORECAST PRICES AND COSTS(1)

	Conventional Natural Gas			Natural Gas Liquids			Oil Equivalent		
Factors	**Gross Proved (*MMcf*)**	**Gross Probable (*MMcf*)**	**Gross Proved plus Probable (*MMcf*)**	**Gross Proved (Mbbl)**	**Gross Probable (*Mbbl*)**	**Gross Proved plus Probable (*Mbbl*)**	**Gross Proved (Mbbl)**	**Gross Probable (*Mboe*)**	**Gross Proved plus Probable (*Mboe*)**
December 31, 2021	**—**	**—**	**—**	**—**	**—**	**—**	**3,174**	**2,847**	**6,022**
Extensions & Improved Recoveries	—	—	—	—	—	—	3,324	1,495	4,819
Discoveries	—	—	—	—	—	—	0	0	0
Technical Revisions	—	—	—	—	—	—	(341)	(505)	(846)
Acquisitions	—	—	—	—	—	—	510	355	865
Dispositions	—	—	—	—	—	—	0	0	0
Production	—	—	—	—	—	—	(610)	0	(610)
Economic Factors	—	—	—	—	—	—	21	5	26
December 31, 2022	**—**	**—**	**—**	**—**	**—**	**—**	**6,079**	**4,197**	**10,276**

(1) May not add due to rounding.

The Clearwater 2022 drilling program resulted in proved producing drilling extensions of 1,769 Mboe attributed to the addition of 27.0 (24.2 net) producing wells and 2.0 (2.0 net) non producing wells as well as 1,556 Mboe associated with drilling extensions for 20.0 (19.3 net) proved undeveloped locations, 6.0 (6.0 net) proved locations with 510 Mboe of reserves were added on land acquired in 2022. Technical revisions of -251 Mboe are due to some drills underperforming, mainly in the Ukalta area. Category transfers of -90 Mboe, which are grouped as technical revisions, are the aggregate of revisions from 12.0 (8.5 net) drills booked as proved undeveloped transferring to proved producing.

In the proved plus probable reserve category, drilling extensions of 2,203 Mboe are attributed to the addition of 24.0 (22.6 net) producing wells and 2.0 (2.0 net) non producing wells as well as 2,617 Mboe associated with drilling extensions for 28.0 (24.5 net) proved plus probable undeveloped locations, 7.0 (7.0 net) proved plus probable locations with 865 Mboe of reserves were added on land acquired in 2022. Technical revisions in the proved plus probable category of -463 Mboe are due to some drills underperforming, mainly in the Ukalta area. Category transfers of -383 Mboe, which are grouped as technical revisions, are the aggregate of revisions from 15.0 (10.1 net) drills booked as proved plus probable undeveloped transferring to proved plus probable producing.

Additional Information Relating to Reserves Data

Proved Undeveloped Reserves

The following table discloses, for each product type, the volumes of proved undeveloped reserves that were first attributed in each of the most recent three financial years and, in the aggregate, before that time.

	Light and Crude Medium Oil (*Mbbl*)		**Heavy Crude Oil (*Mbbl*)**		**Conventional Natural Gas (*MMcf*)**		**Natural Gas Liquids (*Mbbl*)**	
Year	**First Attributed**	**Cumulative at Year End**	**First Attributed**	**Cumulative at Year End**	**First Attributed**	**Cumulative at Year End**	**First Attributed**	**Cumulative at Year End**
Prior thereto	—	—	—	—	—	—	—	—
2020	—	—	—	—	—	—	—	—
2021	—	—	1,809	1,809	—	—	—	—
2022	—	—	2,066	2,971	—	—	—	—

The Corporation has an inventory of proved undeveloped reserves in the Clearwater formation in Eastern Alberta. These reserves are booked as per the COGE Handbook to Company lands immediately adjacent to existing producing wells. McDaniel has forecast the development of these proved undeveloped reserves, consisting of 36 (35.3 net) multi-lateral horizontal crude oil wells, over the next two years as part of larger drilling programs subject to commodity prices.

Probable Undeveloped Reserves

The following table discloses, for each product type, the volumes of probable undeveloped reserves that were first attributed in each of the most recent three financial years and, in the aggregate, before that time.

	Light and Medium Crude Oil (*Mbbl*)		**Heavy Crude Oil (*Mbbl*)**		**Conventional Natural Gas (*MMcf*)**		**Natural Gas Liquids (*Mbbl*)**	
Year	**First Attributed**	**Cumulative at Year End**	**First Attributed**	**Cumulative at Year End**	**First Attributed**	**Cumulative at Year End**	**First Attributed**	**Cumulative at Year End**
Prior thereto	—	—	—	—	—	—	—	—
2020	—	—	—	—	—	—	—	—
2021	—	—	2,421	2,421	—	—	—	—
2022	—	—	1,416	3,181	—	—	—	—

The Corporation has an inventory of probable undeveloped reserves in the Clearwater formation in Eastern Alberta. These reserves are booked as per the COGE Handbook to Company lands. McDaniel has forecast the development of these probable undeveloped reserves, consisting of 23 (20.2 net) multi-lateral horizontal crude oil wells, over the next three years as part of larger drilling programs subject to commodity prices.

Future Development Costs

The following table sets forth development costs deducted in the estimation of Rubellite's future net revenue attributable to the reserve categories noted below.

	FUTURE DEVELOPMENT COSTS FORECAST PRICES AND COSTS (***$ millions***)			
Year	**Proved Reserves**		**Proved plus Probable Reserves**	
Discount Rate	0%	10%	0%	10%
2023	37.3	35.5	37.3	35.5
2024	29.8	25.7	58.3	50.8
2025	0.1	0.1	9.6	7.4
2026	0.1	0.1	0.1	0.1
2027	0.1	0.1	0.1	0.1
Thereafter	0.2	0.1	0.2	0.1
Total	**$67.6**	**$61.5**	**$105.6**	**$93.9**

Rubellite does not expect the future development costs ("**FDC**") to make development of any properties uneconomic. The McDaniel Report estimates that FDC of $105.6 million will be required over the life of the proved plus probable reserves of the Corporation's assets. Proved plus probable reserve forecast FDC have increased by $59.1 million (127%) from $46.5 million at December 31, 2021. On a proved basis, forecast FDC have increased by $42.1 milion (165%) from $25.5 million at December 31, 2021 to $67.6 million at December 31, 2022. The FDC is attributed to locations booked in the Clearwater play, where 59 (55.5 net) multi-lateral horizontal heavy crude oil locations are booked as undeveloped.

As Rubellite continues to invest capital to bring on additional production, development of the undeveloped reserves will systematically be undertaken over the next three years. However, there can be no guarantee that funds will be available or that the Board of Directors of Rubellite (the "**Rubellite Board**") will allocate funding to develop all of the reserves attributable in the McDaniel Report. Failure to develop those reserves could have a negative impact on Rubellite's future cash flow. See "***Risk Factors***".

Abandonment and Reclamation Obligations

McDaniel's reserve assessment includes an estimate of the Corporation's total future decommissioning obligations based on net ownership interest in all wells, facilities and pipelines, including estimated costs to abandon the wells, facilities and pipelines and reclaim the sites, and the estimated timing of the costs to be incurred in future periods as summarized in the following table as at December 31, 2022:

	Undiscounted	**Discounted at**			
(*$ millions*, net to Rubellite)	**Uninflated**	**5%**	**10%**	**15%**	**20%**
Estimated abandonment and reclamation obligations associated with existing wells, pipelines and facilities[(1)]	4.8	2.5	1.1	0.6	0.4
Estimated abandonment and reclamation obligations associated with the future development of reserves	3.2	1.3	0.3	0.1	0.0
Total estimated abandonment and reclamation obligations	8.0	3.8	1.4	0.7	0.5

(1) Estimated internally in accordance with NI 51-101. Includes estimated abandonment and reclamation obligations for wells and related pipelines and facilities with no reserves assigned and for reclamation activities related to abandoned sites.

Significant Factors or Uncertainties

The process of estimating reserves is complex. It requires significant judgments and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserves estimates contained herein are based on current production forecasts, prices and economic conditions.

As circumstances change and additional data becomes available, reserve estimates also change. Estimates made are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices, economic conditions and government restrictions.

Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation is an inferential science. As a result, the subjective decisions, new geological, geophysical or production information and a changing environment may impact these estimates. Revisions to reserve estimates can arise from changes in year end oil and gas prices and reservoir performance. Such revisions can be either positive or negative.

OTHER OIL AND GAS INFORMATION

Oil and Gas Properties

A description of Rubellite's important oil and natural gas properties as at December 31, 2022 is included as part of "***Description of the Business – Clearwater Assets***".

Oil and Gas Wells

The following table sets forth the number and status of wells in which the Corporation had a working interest as at December 31, 2022:

	Producing Gas Wells		Producing Oil Wells		Non Producing Gas Wells(3)		Non Producing Oil Wells(3)	
Property	**Gross(1)**	**Net(2)**	**Gross(1)**	**Net(2)**	**Gross(1)**	**Net(2)**	**Gross(1)**	**Net(2)**
Ukalta	—	—	25	25.0	—	—	4	4.0
Figure Lake	—	—	23	23.0	5	5.0	2	2.0
Marten Hills	—	—	11	4.5	—	—	—	—
Other North	—	—	—	—	—	—	2	1.5
Total Proved	**—**	**—**	**59**	**52.5**	**5**	**5.0**	**8**	**7.5**

(1) "Gross" refers to the number of wells attributed to the Corporation's assets in which Rubellite holds a working interest.
(2) "Net" refers to the aggregate of the numbers obtained by multiplying each gross well by the percentage working interest therein.
(3) "Non-Producing" refers to wells which have recently been rig released and have not yet recovered their full base-oil load fluid and wells which are not currently producing either due to lack of facilities, markets, regulatory approval or operating netbacks.

Acreage Information

The following table sets out Rubellite's developed and undeveloped land holdings as at December 31, 2022:

	Developed Acres		Undeveloped Acres[3]	
Property	**Gross[1]**	**Net[2]**	**Gross[1]**	**Net[2]**
Figure Lake	11,840	11,840	84,160	83,440
Ukalta[5]	7,354	7,354	15,122	15,122
Marten Hills	1,920	576	—	—
Exploration[4]	—	—	121,313	94,113
Total	21,114	19,770	220,595	192,675

(1) "**Gross**" means the total number of acres in which the Corporation has an interest in respect of Rubellite's current assets.
(2) "**Net**" means the aggregate of the numbers obtained by multiplying each gross acre by the actual percentage working interest therein.
(3) "**Undeveloped Acres**" refers to land where there are not any existing wells or where proved plus probable undeveloped reserves have been booked within the rights associated with those lands and includes $31.4 million of undeveloped land assigned value by an independent third party at year-end 2022. No undeveloped land value was assigned where proved or proved plus probable undeveloped reserves have been booked.
(4) "**Exploration**" includes 52,000 gross (28,000 net) acres that require fulfillment of additional drilling commitments as a condition of earning.
(5) Excludes Natural Gas Option Lands 2,757 acres.

A total of 860 net acres expired in 2022 however the Corporation re-acquired 474 net acres of mineral rights. . In addition to those acres that expired, during 2023, 59,992 net acres are set to expire with plans to continue approximately 52% (31,204 net acres) of the expiring lands. The Corporation has assessed all expiring lands and, where appropriate, will seek continuation through mapping, development activity or, in the case of higher risk areas, farm-outs, or other third-party agreements.

Production Estimates

The following table sets out the volume of Rubellite's future production estimated by McDaniel on a proved plus probable basis for the year ended December 31, 2023, which is reflected in the estimate of future net revenue disclosed in the tables.

2023 McDaniel Forecast Production[1]	**Light and Medium Crude Oil (*bbl/d*)**	**Heavy Crude Oil (*bbl/d*)**	**Conventional Natural Gas (*MMcf/d*)**	**Natural Gas Liquids (*bbl/d*)**
Proved	—	2,705	—	—
Probable	—	242	—	—
Total Proved plus Probable	**—**	**2,947**	**—**	**—**

(1) Working interest before royalty deductions plus royalty interest share.

Production History

The following tables summarize certain information in respect of production, product prices received, royalties paid, operating expenses and resulting netback for the periods indicated below:

	2022 Quarter Ended			
Production	**Dec 31**	**Sept 30**	**June 30**	**Mar 31**
Average daily heavy crude oil production (*bbl/d*)	2,181	1,760	1,365	1,251
Total (*boe/d*)	**2,181**	**1,760**	**1,365**	**1,251**
Average realized oil price (*$/bbl*)	$71.42	$84.31	$116.21	$96.61
Average total realized price (*$/boe*)[1]	68.05	65.82	70.09	67.57
Royalties (*$/boe*)	(6.93)	(8.54)	(11.90)	(9.93)
Production and operating costs (*$/boe*)	(6.11)	(4.42)	(9.94)	(9.86)
Transportation costs ($/boe)	(8.42)	(7.45)	(6.28)	(5.80)
Operating netback (*$/boe*)	**$46.59**	**$45.41**	**$41.97**	**$41.98**

(1) Non-GAAP ratio. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained in the MD&A for an explanation of composition-

The following table indicates Rubellite's average daily production from each of the Corporation's core areas for the year ended December 31, 2022:

Property	**Average Annual Daily Production (*boe/d*)**
Ukalta	853
Figure Lake	577
Marten Hills	286
Total	**1,716**

Capital Expenditures

The following tables summarize capital expenditures related to Rubellite's activities for the years ended December 31, 2021: 2022

($ thousands)	**2022**	**2021**
Exploration costs	$26,581	$1,547
Development costs	$67,626	$15,811
Exploration and development costs	$94,207	$17,358
Corporate assets	–	–
Capital expenditures	94,207	17,096
Land acquisitions	—	—
Proved properties	—	5,690
Unproved properties	—	10,067
Acquisition of oil and gas properties	—	50,799
Net capital expenditures	**$94,207**	**$83,914**

Exploration and Development Capital Expenditures

(*$ thousands*)	**2022**	**2021**
Clearwater[1]	$94,207	$17,358
Total	**$94,207**	**$17,358**

1) Exploration costs are primarily land purchases; Exploration and development capital excludes $66.6 million of net acquisition costs in 2021.

Exploration and Development Activities

The following table sets forth the gross and net exploratory and development wells, excluding service wells, in which the Corporation participated during the year ended December 31, 2022:

Exploratory Wells	**Gross**	**Net**
Heavy crude oil	3	3.0
Success Rate (%)	33%	33%
Development Wells		
Heavy crude oil	40	34.5
Success Rate (%)	95.0%	94.2%
Total Exploration & Development Wells	43	37.5

COMMODITY PRICE RISK MANAGEMENT

Rubellite's commodity price risk management strategy is focused on managing downside risk and increasing certainty in adjusted funds flow from operating and acquisition activities to ensure we are earning an adequate return on invested capital by mitigating the effect of commodity price volatility. Physical forward sales and financial derivatives are used to manage the balance sheet, to lock in economics on capital programs and acquisitions, and to take advantage of perceived anomalies in commodity markets. Rubellite also utilizes foreign exchange swaps and physical or financial swaps related to the oil basis differentials between WTI and Western Canadian Select ("WCS") in order to mitigate the effects of fluctuations in foreign exchange rates and basis differentials on the Corporation's realized revenue.

Refer to note 10 "Revenue" and note 15 "Financial Risk Management – Market Risk" in the Financial Statements for further discussion of the Corporation's hedging activities.

DIVIDENDS

The Corporation currently does not pay a dividend. It is not contemplated that any dividends will be paid on any Rubellite Shares in the immediate future, as it is anticipated that all available funds will be invested to finance the growth of Rubellite's business. The Rubellite Board will determine if, and when, dividends will be declared and paid in the future from funds properly applicable to the payment of dividends based on Rubellite's financial position at the relevant time. Any decision to pay dividends on the Rubellite Shares will be made by the directors on the basis of Rubellite's earnings, financial requirements and other factors existing at such future time, including commodity prices, production levels, capital expenditure requirements, debt service requirements, operating costs, royalty burdens, foreign exchange rates and the satisfaction of the liquidity and solvency tests imposed by the ABCA for the declaration and payment of dividends and any restrictive covenants set forth in the Rubellite's credit facility, if applicable. All of the Rubellite Shares will be entitled to an equal share in any dividends declared and paid.

DESCRIPTION OF CAPITAL STRUCTURE

Rubellite's authorized share capital currently consists of an unlimited number of Rubellite Shares and an unlimited number of preferred shares, issuable in series.

Rubellite Shares

The holders of Rubellite Shares ("**Rubellite Shareholders**") will be entitled to receive dividends if, as and when declared by the Rubellite Board. The Rubellite Shareholders will be entitled to receive notice of and to attend all meetings of the Rubellite Shareholders. Holders are entitled to one vote in respect of each Rubellite Common Share held at all meetings of the Rubellite Shareholders, except meetings at which only holders of another specified class or series of shares of Rubellite are entitled to vote separately as a class or series at such meeting. In the event of liquidation, dissolution or winding up of Rubellite or other distributions of assets of Rubellite among its shareholders for the purpose of winding up its affairs, the Rubellite Shareholders will be entitled, subject to preferences accorded to holders of any class or series of preferred shares, to participate rateably in any distribution of the assets of Rubellite.

Preferred Shares

The preferred shares will be issuable in one or more series. The Rubellite Board may determine the designation, rights, privileges, restrictions and conditions attached to each series of preferred shares before the issue of such series. The preferred shares will be entitled to a preference over Rubellite Shares with respect to the payment of dividends and the distribution of assets of Rubellite in the event of the liquidation, dissolution or winding up of Rubellite.

The discretion of the Rubellite Board to determine the number of, and the designation, rights, privileges, restrictions and conditions attaching to the preferred shares, including the voting rights (if any), may cause the preferred shares to be considered "blank cheque" preferred shares. Rubellite will not use the issuance of preferred shares for any defensive or anti-takeover purposes.

Constraints

There are currently no constraints imposed on the ownership of securities of the Corporation.

Ratings

There are currently no credit ratings outstanding with respect to the Corporation or any of its issued securities.

MARKET FOR SECURITIES

Trading Price and Volume

The outstanding Common Shares are listed and posted for trading on the TSX under the trading symbols "RBY". The following table sets forth the closing price range and trading volume of the Common Shares as reported by the TSX for the periods indicated:

Common Shares

	Price Range		
2022	**High ($)**	**Low ($)**	**Volume**
January	3.00	2.23	3,887,319
February	3.30	2.78	3,886,540
March	4.10	3.21	5,238,960
April	5.05	3.69	3,745,855
May	4.93	3.86	2,925,728
June	5.14	3.25	2,993,351
July	3.58	2.62	2,030,779
August	3.65	2.57	4,787,745
September	2.90	2.15	2,373,416
October	2.83	2.34	971,818
November	2.87	2.29	1,252,857
December	2.41	1.58	3,089,498

Prior Sales

Other than Rubellite Share Purchase Warrants, Share Options and Share Units to acquire Common Shares, there is no class of securities of Rubellite that is outstanding and not listed or quoted on a marketplace.

4,000,000 Rubellite Share Purchase Warrants were issued on July 15, 2021 to Perpetual. The Rubellite Share Purchase Warrants are exercisable into 4,000,000 Common Shares at a price of $3.00 per share for a period of five years.

Set forth below are the issue dates, number issued and exercise prices at which Share Options and Share Units were issued during the most recently completed financial year by Rubellite.

Share Options Granted 2022

Month of Issuance	Number of Share Options	Exercise Price of Share Options
March	7,500	$3.61
June	78,500	$3.65
August	819,000	$2.92
October	15,500	$2.27
November	6,500	$2.45

Share Units Granted in 2022

Month of Issuance	Number of Shares Units	Exercise Price of Restricted Share Units
March	146,000	N/A
April	5,000	N/A
June	42,500	N/A
August	229,500	N/A
September	4,000	N/A
October	15,500	N/A
November	5,000	N/A

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

To the knowledge of the Corporation, none of Rubellite's securities are held in escrow or subject to a contractual restriction on transfer.

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

The names, province or state, and country of residence, positions and offices held with the Corporation, and principal occupation of the directors and executive officers of the Corporation are set out below and, in the case of directors, the period each has served as a director of the Corporation.

Name, Province or State and Country of Residence	Position Held	Principal Occupation for the Last Five Years	Director Since
Susan L. Riddell Rose(5) Alberta, Canada	Director, President and Chief Executive Officer	President and Chief Executive Officer of Rubellite since its inception and of Perpetual (and its predecessor) since June 2002	July 12, 2021
Holly Benson(1)(2)(3)(4)(5)(6) Alberta, Canada	Director	Independent Businessperson	August 30, 2021
Tamara MacDonald(1)(2)(3)(4)(5)(6) Alberta, Canada	Director	Independent Businessperson	August 30, 2021
Ryan A. Shay(5) Alberta, Canada	Director, Vice President, Finance and Chief Financial Officer	Vice President Finance and Chief Financial Officer of Rubellite since its inception and of Perpetual since May 4, 2021. Prior thereto, independent businessperson since 2016. Director of Perpetual since October 2017.	July 12, 2021
Bruce Shultz(1)(2)(3)(4)(5)(6) Alberta, Canada	Director	Independent Businessperson	August 30, 2021
Ryan M. Goosen Alberta, Canada	Vice President, Business Development and Land	Vice President, Business Development and Land of Perpetual since 2019	N/A
Jeffrey R. Green Alberta, Canada	Vice President, Corporate and Engineering Services	Vice President, Corporate and Engineering Services of Perpetual since 2009	N/A
Linda L. McKean Alberta, Canada	Vice President, Production and Development	Vice President, Production and Development of Perpetual since 2012	N/A
Marcello M. Rapini Alberta, Canada	Vice President, Marketing	Vice President, Marketing of Perpetual since 2007	N/A
Karl H. Rumpf Alberta, Canada	Vice President, Exploration and New Ventures	Vice President, Exploration and New Ventures of Perpetual since 2022	N/A

(1) Member of the Audit Committee.
(2) Member of the Reserves Committee.
(3) Member of the Compensation and Corporate Governance Committee.
(4) Member of the Environmental, Health and Safety Committee.
(5) The terms of office of all directors of the Company will expire on the date of the next annual shareholders' meeting.
(6) Ms. Benson, Ms. MacDonald and Mr. Shultz were independent, non-employee directors as at December 31, 2022.

The directors and officers of Rubellite, as a group, beneficially own or control or direct, directly or indirectly, an aggregate of 18,687,717 voting securities as of March 9, 2023, representing approximately 34.1% of the outstanding Common Shares. In addition, 296,546 Common Shares (0.54% of the outstanding Common Shares) are held by an associated entity for which Ms. Riddell Rose has joint authority.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Cease Trade Orders

To the knowledge of the Corporation, no director or executive officer of the Corporation (nor any personal holding company of any of such persons) is, as of the date of this Annual Information Form, or was within 10 years before the date of this Annual Information Form, a director, chief executive officer or chief financial officer of any company (including the Corporation), that: (a) was subject to a cease trade order (including a management cease trade order), an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days (collectively, an "Order"), that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Bankruptcies

To the knowledge of the Corporation, except as disclosed below, no director or executive officer of the Corporation (nor any personal holding company of any of such persons), or shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation: (a) is, as of the date of this Annual Information Form, or has been within the 10 years before the date of this Annual Information Form, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Penalties or Sanctions

To the knowledge of the Corporation, no director or executive officer of the Corporation (nor any personal holding company of any of such persons), or shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Certain conflicts of interest could arise as a result of the relationship between Perpetual and Rubellite. Two directors of Rubellite, including the Chairman, are directors of Perpetual, and all of the officers of Rubellite are officers of Perpetual. In addition, Rubellite will be dependent on Perpetual for administrative, operating and other services pursuant to the MSA. The directors and officers of Perpetual and Rubellite have fiduciary duties to manage Perpetual and Rubellite, respectively, in a manner beneficial to Perpetual and Rubellite, respectively.

In addition, Dreamworks, a corporation controlled by Sue Riddell Rose, Perpetual's and Rubellite's President and Chief Executive Officer is a significant shareholder of each of Perpetual and Rubellite.

As a result of the above, the duties of the directors and officers of Perpetual and Rubellite may come into conflict. Such conflicts will be resolved in accordance with the ABCA, where applicable. For more information regarding Perpetual's relationship to Rubellite see "*Material Contracts – MSA*". Also see "*Risk Factors – Conflicts of Interest*" in this Annual Information Form.

In addition, certain officers and directors of the Corporation are also officers and/or directors of other entities engaged in the oil and gas business generally. As a result, situations may arise where the interest of such directors and officers conflict with their interests as directors and officers of other companies. The resolution of such conflicts is governed by applicable corporate laws, which require that directors act honestly, in good faith and with a view to the best interests of the Corporation. Conflicts, if any, will be handled in a manner consistent with the procedures and remedies set forth in the ABCA. The ABCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the ABCA.

AUDIT COMMITTEE INFORMATION

Audit Committee Charter

The mandate and responsibilities of Rubellite's audit committee (the "Audit Committee") are set out in the Audit Committee Charter which is part of the Corporation's Corporate Governance Directors' Manual. The Audit Committee Charter is set out in Appendix "C" to this Annual Information Form.

Audit Committee

The Audit Committee reviews and recommends to the Board the approval of the annual and interim financial statements, the associated management's discussion and analysis and related financial disclosure to the public and regulatory authorities. It is responsible for the engagement of Rubellite's external auditors, upon approval by shareholders, including fees paid for the annual audit and interim financial reviews, and pre-approves non-audit services. The Audit Committee communicates directly with the auditors and reviews programs and policies regarding the effectiveness of internal controls over the Corporation's accounting and financial reporting systems. It also reviews insurance coverage and directors' and officers' liability insurance. The Audit Committee must liaise with the Reserves Committee on matters relating to reserves valuations which impact Rubellite's financial statements.

Composition of the Audit Committee

The Audit Committee consists of three members: Holly Benson, Tamara MacDonald and Bruce Shultz. Ms. Benson is Chair of the Audit Committee. Each of the members of the Audit Committee is independent and financially literate in accordance with the meanings set out in National Instrument 52-110 Audit Committees.

Pre-Approval of Policies and Procedures

Rubellite has adopted policies and procedures with respect to the pre-approval of audit and permitted non-audit services to be provided by KPMG LLP. The Audit Committee establishes a budget for the provision of a specified list of audit and permitted non-audit services that the audit committee believes to be typical, recurring or otherwise likely to be provided by KPMG LLP. The budget generally covers the period between the adoption of the budget and the next meeting of the Audit Committee, but at the option of the Audit Committee it may cover a longer or shorter period. The list of services is sufficiently detailed as to the particular services to be provided to ensure that (i) the Audit Committee knows precisely what services it is being asked to pre-approve and (ii) it is not necessary for any member of management to make a judgment as to whether a proposed service fits within the pre-approved services.

The Audit Committee must pre-approve the provision of permitted services by KPMG LLP which are not otherwise pre-approved by the Audit Committee, including the fees and terms of the proposed services. Prohibited services may not be pre-approved by the Audit Committee.

External Auditor Service Fees

The following table summarizes the fees paid by Rubellite to its auditors, KPMG LLP, for external audit and other services during the periods indicated.

Year	Audit Fees(1) ($)	Audit-Related Fees(2) ($)	Tax Fees(3) ($)	All Other Fees(4) ($)
2021	105,395	nil	nil	nil
2022	205,440	nil	nil	nil

(1) Represents fees billed by our external auditor for audit services that are reasonably related to the performance of the audit or review of the Company's financial statements.
(2) Represents fees billed for assurance related services by our external auditor that are reasonably related to the performance of the audit or review of our financial statements that are not reported under Audit Fees.
(3) Represents fees billed for professional services rendered by our external auditor for tax compliance, tax advice and tax planning.
(4) Represents fees billed for products and services provided by our auditors other than the other services reported.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

There are no legal proceedings Rubellite is or was a party to, or that any of its property is or was the subject of, during Rubellite's financial year, nor are any such legal proceedings known to Rubellite to be contemplated, that involves a claim for damages, exclusive of interest and costs, exceeding 10% of the current assets of Rubellite.

Regulatory Actions

There are no penalties or sanctions imposed against Rubellite by a court relating to securities legislation or by a securities regulatory authority during Rubellite's financial year; other penalties or sanctions imposed by a court or regulatory body against Rubellite that would likely be considered important to a reasonable investor in making an investment decision; and settlement agreements Rubellite entered into before a court relating to securities legislation or with a securities regulatory authority during Rubellite's financial year.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed herein or in connection with the Acquisition, the Arrangement or the MSA whereby Perpetual provides administrative and operating services to Rubellite, there is no material interest, direct or indirect, of any: (a) director or executive officer of Rubellite; (b) person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of Rubellite's voting securities; and (c) associate or affiliate of any of the persons or companies referred to in (a) or (b) above in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect Rubellite.

TRANSFER AGENT AND REGISTRAR

Odyssey Trust Company, at its offices in Calgary, Alberta, acts as the transfer agent and registrar for the Common Shares.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only material contract that Rubellite has entered into within the last financial year, or before the last financial year which are still in effect, which can reasonably be regarded as presently material, is the MSA.

MSA

In connection with the disposition of the Clearwater Assets to Rubellite, on July 15, 2021, Perpetual and Rubellite entered into a management and operating services agreement, as amended (the "**MSA**") pursuant to which Perpetual is providing management, operating and administrative services (the "**Services**") to Rubellite in respect of its assets, including the Clearwater Assets. The Services include, but are not limited to, regulatory reporting and submissions, administering land records, geological and geophysical support, executing drilling operations, marketing (arranging transport and risk management contracts), accounting and tax filing, office administration and investor relations.

In consideration for Perpetual's provision of the Services, Rubellite on a monthly basis: (i) reimburses Perpetual for all actual documented out-of-pocket costs and expenses paid to any third party by Perpetual on behalf of Rubellite in relation to the provision of the Services; (ii) reimburses Perpetual the portion of the operating and capital expenses allocated to and relating to Rubellite's assets where incurred by Perpetual; and (iii) pays Perpetual a service fee calculated as the product of (A) shared general and administrative expenses less shared overhead recoveries, multiplied by (B) the proportion that Rubellite's petroleum and natural gas production bears to Perpetual's petroleum and natural gas production for the same month ((iii) defined as the "**Services Fees**"), provided that in no month will the Services Fees exceed the amount resulting from a predetermined annual cap, divided by 12. The current annual cap is set at $3.5 million. Each year the Rubellite board of directors and the board of directors of Perpetual will review and approve the annual budgets for general and administrative expenses and overhead and the annual allocation of production between Rubellite and Perpetual for each calendar quarter. The MSA provides for quarterly and thirteenth month reconciliations to actuals. In addition, in the event that Rubellite undergoes a Change of Control (as such term is defined in the MSA), Rubellite must pay a break fee to Perpetual equal to the Annual Cap (as such term is defined in the MSA).

Pursuant to the MSA, where and to the extent possible, Rubellite will enter into its own contracts and agreements directly with third parties and, upon providing reasonable notice to Perpetual, Rubellite may assume responsibility for some or all of the Services and the MSA will be deemed to be terminated in respect of such assumed Services.

The MSA is in effect for an initial term of two years and thereafter, shall be automatically renewed for successive two year terms unless terminated on notice not less than 12 months prior to the expiration of the initial or renewal term (provided that the MSA may be terminated by a party without the aforementioned notice periods in certain other circumstances, including upon a continuing breach of a material obligation, an insolvency event or a change of control event of either Perpetual or Rubellite). Termination on a change of control event in respect of Rubellite triggers a termination payment by Rubellite to Perpetual in an amount equal to the current annual cap.

The board of directors of each of Perpetual and Rubellite set out how business opportunities will be allocated between the two entities and will annually review and approve such business opportunities policy to determine any required amendments, as mutually agreed between the parties.

A copy of the MSA has been filed on SEDAR at www.sedar.com.

Copies of these agreements and the Financial Statements have been filed on SEDAR at www.sedar.com.

INTERESTS OF EXPERTS

Names of Experts

The only persons or companies who are named as having prepared or certified a report, valuation, statement or opinion described or included in a filing, or referred to in a filing, made under National Instrument 51-102 by the Corporation during, or relating to, the Corporation's most recently completed financial year, and whose profession or business gives authority to the report, valuation, statement or opinion made by the person or company, are KPMG LLP, the Corporation's independent auditors, and McDaniel, the Corporation's independent reserve evaluators.

Interests of Experts

To the Corporation's knowledge, no registered or beneficial interests, direct or indirect, in any securities or other property of the Corporation or of one of the Corporation's associates or affiliates (i) were held by the McDaniel or by the "designated professionals" (as defined in Form 51-102F2) of McDaniel, when McDaniel prepared its reports, valuations, statements or opinions referred to herein as having been prepared by McDaniel, (ii) were received by McDaniel or the designated professionals of McDaniel after McDaniel prepared the reports, valuations, statements or opinions in question, or (iii) is to be received by McDaniel or the designated professionals of McDaniel.

Neither McDaniel nor any director, officer or employee of McDaniel is or is expected to be elected, appointed or employed as a director, officer or employee of the Corporation or of any associate or affiliate of the Corporation.

KPMG LLP are the auditors of the Company and have confirmed that they are independent with respect to the Company within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

OTHER BUSINESS INFORMATION

Specialized Skill and Knowledge

Rubellite does not have any direct employees except as provided by the MSA. These individuals possess various professional skills to assist the Corporation in the course of pursuing its business plan. These professional skills include, but are not limited to, geology, geophysics, engineering, marketing, legal, capital markets, business development, finance and other business skills. Drawing on significant experience in the oil and gas business, Rubellite believes its management team has a demonstrated track record of bringing together all of the key components to a successful exploration and production company: strong technical and leadership skills; operational and capital project execution expertise; commodity market risk management and optimization excellence; strong exploration and business development initiation, evaluation and negotiating skills; an entrepreneurial spirit that allows Rubellite to effectively identify, evaluate and execute on value added initiatives; expertise in planning and financial controls; and capital markets expertise.

Competitive Conditions

The oil and natural gas industry is intensely competitive, and Rubellite competes with a substantial number of other entities, many of which have greater technical, operational and/or financial resources. With the maturing nature of the Western Canadian Sedimentary Basin, the access to new prospects is becoming more competitive and complex.

Rubellite attempts to enhance its competitive position by operating in areas where it believes its technical personnel are able to reduce some of the risks associated with exploration, production and marketing because the Company has established core competencies in these areas of operation. Management believes that Rubellite will be able to explore for and develop new production and reserves with the objective of increasing its funds flow and reserve base. See "*Risk Factors – Competition*".

Commodity Price Cycles

The Company's operational results and financial condition are dependent on commodity prices, specifically the prices of oil, natural gas, NGL and seasonal and regional market price spreads. Commodity prices have fluctuated widely during recent years and are determined by supply and demand factors including general economic conditions, weather, environmental regulations and policies, geopolitical risks, oil and gas resource extraction technologies, oil fields equipment and services, local and regional access to markets, refining capacity, as well as operating results and conditions in other oil and natural gas producing regions. See "*Risk Factors – Seasonality*".

Environmental Protection

The oil and natural gas industry is currently subject to environmental regulations pursuant to a variety of provincial and federal legislation. Compliance with such legislation may require significant expenditures or result in operational restrictions. Breach of such requirements may result in suspension or revocation of necessary licences and authorizations, civil liability for pollution damage and the imposition of material fines and penalties, all of which might have a significant negative impact on earnings and overall competitiveness of the Corporation. For a description of the financial and operational effects of environmental protection requirements on the capital expenditures, earnings and competitive position of Rubellite see "*Industry Conditions – Environmental Regulation*" and "*Risk Factors – Environmental*".

Reorganizations

Other than as disclosed under "General Development of the Business", Rubellite has not completed any material reorganization within the three most recently completed financial years or during the current financial year. No material reorganization is currently proposed for the current financial year.

Environmental, Health and Safety Policies

The Corporation supports environmental protection and worker health and safety through the implementation and communication of the Corporation's environmental management and health and safety policies, practices and procedures. Committees focused on environment, health and safety ("**EH&S**") issues are established in the Corporation's operations which are designed to drive continuous improvement in policies and practices which drive accountability for EH&S by the Corporation and its employees. Practices for continuous improvement of EH&S performance management includes providing employees with job orientation, training, instruction, systems and supervision to build competency, skill and accountability in conducting daily activities in a healthy, environmentally responsible and safe manner.

The Corporation develops emergency response practices, procedures and readiness plans in conjunction with local authorities, emergency services and the communities in which it operates in order to effectively respond to an environmental or safety incident should it arise. The effectiveness of these plans is evaluated on a regular basis to ensure preparedness for emergency situations. Environmental and risk assessments are undertaken for new projects, or when acquiring new properties or facilities in order to identify, assess and minimize environmental risks, loss and operational exposures. The Corporation conducts reviews of operations to measure compliance with internal and industry standards, and for continuous improvement in practices and procedures. Documentation is maintained to support internal accountability and measure operational performance against recognized industry and proactive leading indicators to assist in achieving the objectives of the described policies and programs.

The Corporation also faces environmental, health and safety risks in the normal course of its operations due to the handling and storage of hazardous substances. The Corporation's environmental and health and safety management systems are designed to manage such risks in the Corporation's business and allow action to be taken to control the risk of environmental, health or safety impacts from such operations. A key aspect of these systems is the conducting of internal and external inspection and audits of worksites and offices. See "***Risk Factors – Environmental***".

Elements of our Environmental, Health and Safety Management System

System Monitoring

The Corporation defines EH&S performance and identifies action for improvement through measurement and analysis. Rubellite had zero reportable spills, zero employee injuries, 1 contractor injury and zero vehicle incidents in 2022.

Training and Competency

Rubellite relies on the specialized skills and knowledge of the personnel of Perpetual and services provided under the MSA including Perpetual's EH&S program.

Hazard Assessment

The Corporation identifies items and tasks that have the potential to cause loss or injury and encourages employees to actively identify hazards they recognize and put forth recommendations to reduce risks and eliminate hazards. Hazard reporting is a valuable leading indicator, as it identifies hazards, levels of risk and controls required to do a job safely and efficiently. All hazards are followed up for proper corrective actions.

Risk Management

The Corporation has an inspection and audit program to provide feedback and action items to ensure success, identify hazards and controls, and continuous improvement. Risk assessments are critical, as a hazard by itself cannot hurt you without the risk of exposure.

Incident Reporting and Investigation

The Corporation has an incident reporting and tracking program which helps to identify training needs and work practice/procedure issues, identifies gaps in the safety management system, and provides information for statistical analysis. It is through the identification and correction of root cause that real change can occur to prevent further loss. Analysis is the crucial step if the "plan-do-check-act" system. What's measured gets done, and, with rigor applied to follow-up, improves performance.

Policy and Management Involvement

The Corporation's EH&S policies clearly articulate the EH&S Vision of Rubellite and provides the tools to promote and enforce an incident free workplace and demonstrates management's leadership in the safety program. They establish responsibilities at each level. Company Policies are senior management's way to endorse and communicate their desire and commitment to being a safety leader thus encouraging positive behavior. The Guiding Principles give employees the framework to develop their behavior around what the Company expects for safety. These responsibilities are critical for creating accountabilities and reaching company goals.

Emergency Response Management

The Corporation develops, maintains and tests emergency response plans to ensure a safe, prompt and effective response to emergencies, in order to minimize any adverse environmental and other impacts.

Air

The Corporation tracks direct and indirect greenhouse gas ("**GHG**") emissions, flared and vented gas volumes and fugitive emissions and continuously works to reduce air emissions in conjunction with industry best practices and regulations. Rubellite actively monitors fugitive emissions at all operated wells, pipelines, and facilities in accordance with provincial regulations. Rubellite actively monitors fugitive emissions at all operated wells, pipelines, and facilities in accordance with provincial regulations.

Water

The Corporation strives to minimize fresh water usage in all of its operations. Clearwater drilling operations use minimal fresh water and no fracture stimulation required in Clearwater play with multi-lateral drilling technology.

Land and Reclamation

The Corporation employs environmental management best practices along with proactive strategies that minimize our impact associated with full cycle environmental alteration and reclamation. Understanding as a tenant of the land, we consciously comply to regulations and employ efficient and proactive strategies to conserve and protect from adverse environmental impact or loss including reducing freshwater use through innovative technologies to recycle and reuse where possible. The Corporation promotes proper waste management, safe handling, use and disposal of chemicals and lubricants, as well as the handling, storage and transportation of our products.

INDUSTRY CONDITIONS

Companies operating in the Canadian oil and gas industry are subject to extensive regulation and control of operations (including with respect to land tenure, exploration, development, production, refining and upgrading, transportation, and marketing) as a result of legislation enacted by various levels of government as well as with respect to the pricing and taxation of petroleum and natural gas through legislation enacted by, and agreements among, the federal and provincial governments of Canada, all of which should be carefully considered by investors in the Western Canadian oil and gas industry. All current legislation is a matter of public record and the Corporation is unable to predict what additional legislation or amendments governments may enact in the future.

The Corporation's assets and operations are regulated by administrative agencies that derive their authority from legislation enacted by the applicable level of government. Regulated aspects of the Corporation's upstream oil and natural gas business include all manner of activities associated with the exploration for and production of oil and natural gas, including, among other matters: (i) permits for the drilling of wells and construction of related infrastructure; (ii) technical drilling and well requirements; (iii) permitted locations and access to operation sites; (iv) operating standards regarding conservation of produced substances and avoidance of waste, such as restricting flaring and venting; (v) minimizing environmental impacts, including by reducing emissions; (vi) storage, injection and disposal of substances associated with production operations; and (vii) the abandonment and reclamation of impacted sites. In order to conduct oil and natural gas operations and remain in good standing with the applicable federal or provincial regulatory scheme, producers must comply with applicable legislation, regulations, orders, directives and other directions (all of which are subject to governmental oversight, review and revision, from time to time). Compliance in this regard can be costly and a breach of the same may result in fines or other sanctions.

The discussion below outlines some of the principal aspects of the legislation, regulations, agreements, orders, directives and a summary of other pertinent conditions that impact the oil and gas industry in the Province of Alberta where the Corporation's assets are located. While these matters do not affect the Corporation's operations in any manner that is materially different than the manner in which they affect other similarly-sized industry participants with similar assets and operations, investors should consider such matters carefully.

Pricing and Marketing in Canada

Crude Oil

Oil producers are entitled to negotiate sales contracts directly with purchasers. As a result, macroeconomic and microeconomic market forces determine the price of oil. Worldwide supply and demand factors are the primary determinant of oil prices, but regional market and transportation issues also influence prices. The specific price that a producer receives will depend, in part, on oil quality, prices of competing products, distance to market, availability of transportation, value of refined products, supply/demand balance and contractual terms of sale.

Global oil markets have recovered significantly from price drops resulting from the COVID-19 pandemic. In 2022, oil prices rose to the highest levels since 2014 due to tight supply and a resurgence in demand. The Organization of Petroleum Exporting Countries ("OPEC") forecasts robust growth in world oil demand in 2023, spurred by the relaxation of China's zero-COVID policy. OPEC predicts global oil demand to rise by 2.25 million barrels per day in 2023, despite newly emerging COVID-19 variants, interest rate increases in major economies and other uncertainties with respect to the world economy.

In February 2022, Russian military forces invaded Ukraine. The war between Russia and Ukraine has significantly impacted the supply of oil and gas from the region. In addition, certain countries including Canada and the United States have imposed strict financial and trade sanctions against Russia, which sanctions may have far reaching effects on the global economy in addition to the near term effects on Russia. The long-term impacts of the conflict remain uncertain.

Natural Gas

Negotiations between buyers and sellers determine the price of natural gas sold in intra-provincial, interprovincial and international trade. The price received by a natural gas producer depends, in part, on the price of competing natural gas supplies and other fuels, natural gas quality, distance to market, availability of transportation, length of contract term, weather conditions, supply/demand balance and other contractual terms of sale. Spot and future prices can also be influenced by supply and demand fundamentals on various trading platforms.

Natural Gas Liquids ("NGL")

The pricing of condensates and other NGL such as ethane, butane and propane sold in intra-provincial, interprovincial and international trade is determined by negotiation between buyers and sellers. The profitability of NGL extracted from natural gas is based on the products extracted being of greater economic value as separate commodities than as components of natural gas and therefore commanding higher prices. Such prices depend, in part, on the quality of the NGL, price of competing chemical stock, distance to market, access to downstream transportation, length of contract term, supply/demand balance and other contractual terms of sale.

Exports from Canada

The Canada Energy Regulator (the "**CER**") regulates the export of oil, natural gas and NGLs from Canada through the issuance of short-term orders and longer-term licences pursuant to its authority under the *Canadian Energy Regulator Act* (the "**CERA**"). Exporters are free to negotiate prices and other terms with purchasers, provided that the export contracts continue to meet certain criteria prescribed by the CER and the federal government. The Corporation does not directly enter into contracts to export its production outside of Canada.

Transportation Constraints and Market Access

Capacity to transport production from Western Canada to Eastern Canada, the United States and other international markets has been, and continues to be, a major constraint on the exportation of crude oil, natural gas and NGLs. Although certain pipeline and other transportation projects have been announced or are underway, many proposed projects have been cancelled or delayed due to regulatory hurdles, court challenges and economic and sociopolitical factors. Due in part to growing production and a lack of new and expanded pipeline and rail infrastructure capacity, producers in Western Canada have experienced low commodity pricing relative to other markets in the last several years.

Oil Pipelines

Under the Canadian Constitution, the development and operation of interprovincial and international pipelines fall within the federal government's jurisdiction and, under the CERA, new interprovincial and international pipelines require a federal regulatory review and Cabinet approval before they can proceed. However, recent years have seen a perceived lack of policy and regulatory certainty in this regard such that, even when projects are approved, they often face delays due to actions taken by provincial and municipal governments and legal opposition related to issues such as Indigenous rights and title, the government's duty to consult and accommodate Indigenous peoples and the sufficiency of all relevant environmental review processes. Export pipelines from Canada to the United States face additional unpredictability as such pipelines also require approvals from several levels of government in the United States.

Producers negotiate with pipeline operators to transport their products to market on a firm, spot or interruptible basis depending on the specific pipeline and the specific substance. Transportation availability is highly variable across different jurisdictions and regions. This variability can determine the nature of transportation commitments available, the number of potential customers and the price received.

Specific Pipeline Updates

The Trans Mountain Pipeline expansion received Cabinet approval in November 2016. Following a period of political opposition in British Columbia, the federal government acquired the Trans Mountain Pipeline in August 2018. Following the resolution of a number of legal challenges and a second regulatory hearing, construction on the Trans Mountain Pipeline expansion commenced in late 2019. Earlier estimated at $12.6 billion,Trans Mountain increase the project budget to $21.4 billion in February 2022. The pipeline is expected to be in service in the third quarter of 2023, an extension from Trans Mountain's initial December 2022 estimate. The budget increase and in-service date delay have been attributed to, among other things, the ongoing effects of the COVID-19 pandemic and the widespread flooding in British Columbia in late 2021.

In November 2020, the Attorney General of Michigan filed a lawsuit to terminate an easement that allows the Enbridge Line 5 pipeline system to operate below the Straits of Mackinac, attempting to force the lines comprising this segment of the pipeline system to be shut down. Enbridge Inc. stated in January 2021 that it intends to defy the shut down order, as the dual pipelines are in full compliance with U.S. federal safety standards. The Government of Canada invoked a 1977 treaty with the United States on October 4, 2021, triggering bilateral negotiations over the pipeline. In August 2022, the United States District court for Western Michigan rejected the Attorney General of Michigan's efforts to move the dispute to Michigan state court, citing important federal interests at stake in having the dispute heard in federal court. Michigan's Attorney General intends to appeal the decision.

In September 2022, the District of Wisconsin ruled in favour of the Bad River Band in its dispute with Enbridge Inc. over the Enbridge Line 5 pipeline system in the state. Stopping short of ordering the system to be shut down, the Court ruled that the Bad River Band is entitled to financial compensation, and ordered Enbridge Inc. to reroute the pipeline around Bad River territory within five years.

The *Oil Tanker Moratorium Act*, which was enacted in June 2019, imposes a ban on tanker traffic transporting crude oil or persistent crude oil products in excess of 12,500 metric tonnes to and from ports located along British Columbia's north coast. The ban may prevent pipelines being built to, and export terminals being located on, the portion of the British Columbia coast subject to the moratorium.

Natural Gas and Liquefied Natural Gas ("LNG")

Natural gas prices in Western Canada have been constrained in recent years due to increasing North American supply, limited access to markets and limited storage capacity. Companies that secure firm access to infrastructure to transport their natural gas production out of Western Canada may be able to access more markets and obtain better pricing. Companies without firm access may be forced to accept spot pricing in Western Canada for their natural gas, which is generally lower than the prices received in other North American markets.

Required repairs or upgrades to existing pipeline systems in Western Canada have also led to reduced capacity and apportionment of access, the effects of which have been exacerbated by storage limitations. In October 2020, TC Energy Corporation received federal approval to expand the Nova Gas Transmission Line system (the "**NGTL System**") and the expanded NGTL System was complete April 2022.

Specific Pipeline and Proposed LNG Export Terminal Updates

While a number of LNG export plants have been proposed in Canada, regulatory and legal uncertainty, social and political opposition and changing market conditions have resulted in the cancellation or delay of many of these projects. Nonetheless, in October 2018, the joint venture partners of the LNG Canada LNG export terminal announced a positive final investment decision. Once complete, the project will allow producers in northeastern British Columbia to transport natural gas to the LNG Canada liquefaction facility and export terminal in Kitimat, British Columbia via the Coastal GasLink pipeline (the "**CGL Pipeline**"). With more Alberta and northeastern British Columbia gas egressing through the CGL Pipeline, the NGTL System will have more capacity, which may result in a closer link between AECO and NYMEX gas prices. The Corporation anticipates it will see higher AECO pricing, more in line with the United States market, and generally, higher gas prices overall. Phase 1 of the LNG project reached 70% completion in October 2022, with a completion target of 2025.

In May 2020, TC Energy Corporation sold a 65% equity interest in the CGL Pipeline to investment companies KKR & Co Inc. and Alberta Investment Management Corporation while remaining the pipeline operator. Despite its regulatory approval, the CGL Pipeline has faced legal and social opposition. For example, protests involving the Hereditary Chiefs of the Wet'suwet'en First Nation and their supporters have delayed construction activities on the CGL Pipeline, although construction is proceeding. As of November 2022, construction of the CGL Pipeline was approximately 80% complete.

Woodfibre LNG Limited issued a notice to proceed with construction of the Woodfibre LNG project to its prime contractor in April 2022. The Woodfibre LNG project is located near Squamish, British Columbia, and upon completion will produce approximately 2.1 million tonnes of LNG per year. Major construction is set to commence in 2023, with substantial completion of the project expected in late 2027. In November 2022, Enbridge Inc. completed a transaction with Pacific Energy Corporation Limited, the owner of Woodfibre LNG Limited, to retain a 30% ownership stake in the project.

In addition to LNG Canada, the CGL Pipeline and the Woodfibre LNG project, a number of other LNG projects are underway at varying stages of progress, though none have reached a positive final investment decision.

International Trade Agreements

Canada is party to a number of international trade agreements with other countries around the world that generally provide for, among other things, preferential access to various international markets for certain Canadian export products. Examples of such trade agreements include the Comprehensive Economic and Trade Agreement, ("**CETA**") the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and, most prominently, the United States Mexico Canada Agreement (the "**USMCA**"), which replaced the former North American Free Trade Agreement ("NAFTA") on July 1, 2020. Because the United States remains Canada's primary trading partner and the largest international market for the export of oil, natural gas and NGLs from Canada, the implementation of the USMCA could impact Western Canada's oil and gas industry as a whole, including the Corporation's business.

While the proportionality rules in Article 605 of NAFTA previously prevented Canada from implementing policies that limit exports to the United States and Mexico relative to the total supply produced in Canada, the USMCA does not contain the same proportionality requirements. This may allow Canadian producers to develop a more diversified export portfolio than was possible under NAFTA, subject to the construction of infrastructure allowing more Canadian production to reach Eastern Canada, Asia and Europe.

Canada is also party to the CETA, which provides for duty-free, quota-free market access for Canadian crude oil and natural gas products to the European Union. Following the United Kingdom's departure from the European Union on January 31, 2020, the United Kingdom and Canada entered into the Canada-United Kingdom Trade Continuity Agreement ("**CUKTCA**"), which replicates CETA on a bilateral basis to maintain the status quo of the Canada-United Kingdom trade relationship. While it is uncertain what effect CETA, CUKTCA or any other trade agreements will have on the petroleum and natural gas industry in Canada, the lack of available infrastructure for the offshore export of crude oil and natural gas may limit the ability of Canadian crude oil and natural gas producers to benefit from such trade agreements.

Marine Tankers

The Oil Tanker Moratorium Act (Canada), which was enacted in June 2019, imposes a ban on tanker traffic transporting crude oil or persistent crude oil products in excess of 12,500 metric tonnes to and from ports located along British Columbia's north coast. The ban may prevent pipelines from being built to, and export terminals from being located on, the portion of the British Columbia coast subject to the moratorium.

Land Tenure

Mineral rights

With the exception of Manitoba, each provincial government in Western Canada owns most of the mineral rights to the oil and natural gas located within their respective provincial borders. Provincial governments grant rights to explore for and produce oil and natural gas pursuant to leases, licences and permits (collectively, "**leases**") for varying terms, and on conditions set forth in provincial legislation, including requirements to perform specific work or make payments in lieu thereof. The provincial governments in Western Canada conduct regular land sales where oil and natural gas companies bid for the leases necessary to explore for and produce oil and natural gas owned by the respective provincial governments. These leases generally have fixed terms, but they can be continued beyond their initial terms if the necessary conditions are satisfied.

In response to COVID-19, the Government of Alberta, among others, announced measures to extend or continue Crown leases and permits that may have otherwise expired in the months following the implementation of pandemic response measures.

All of the provinces of Western Canada have implemented legislation providing for the reversion to the Crown of mineral rights to deep, non-productive geological formations at the conclusion of the primary term of a disposition. In addition, Alberta has a policy of "shallow rights reversion" which provides for the reversion to the Crown of mineral rights to shallow, non-productive geological formations for new leases and licences. British Columbia has a policy of "zone specific retention" that allows a lessee to continue a lease for zones in which they can demonstrate the presence of oil or natural gas, with the remainder reverting to the Crown.

In addition to Crown ownership of the rights to oil and natural gas, private ownership of oil and natural gas (i.e. freehold mineral lands) also exists in Western Canada. Rights to explore for and produce privately owned oil and natural gas are granted by a lease or other contract on such terms and conditions as may be negotiated between the owner of such mineral rights and companies seeking to explore for and/or develop oil and natural gas reserves.

An additional category of mineral rights ownership includes ownership by the Canadian federal government of some legacy mineral lands and within Indigenous reservations designated under the *Indian Act* (Canada). Indian Oil and Gas Canada manages subsurface and surface leases in consultation with applicable Indigenous peoples, for the exploration and production of oil and natural gas on Indigenous reservations through *An Act to Amend the Indian Oil and Gas Act* and the accompanying regulations. The Corporation has operations on Indigenous reserve lands.

Surface rights

To develop oil and natural gas resources, producers must also have access rights to the surface lands required to conduct operations. For Crown lands, surface access rights can be obtained directly from the government. For private lands, access rights can be negotiated with the landowner. Where an agreement cannot be reached, however, each province has developed its own process that producers can follow to obtain and maintain the surface access necessary to conduct operations throughout the lifespan of a well, including notification requirements and providing compensation to affected persons for lost land use and surface damage. Similar rules apply to facility and pipeline operators.

Royalties and Incentives

General

Each province has legislation and regulations in place to govern Crown royalties and establish the royalty rates that producers must pay in respect of the production of Crown resources. The royalty regime in a given province is in addition to applicable federal and provincial taxes and is a significant factor in the profitability of oil sands projects and oil, natural gas and NGL production. Royalties payable on production from lands where the Crown does not hold the mineral rights are negotiated between the mineral freehold owner and the lessee, though certain provincial taxes and other charges on production or revenues may be payable. Royalties from production on Crown lands are determined by provincial regulation and are generally calculated as a percentage of the value of production.

Producers and working interest owners of oil and natural gas rights may create additional royalties or royalty-like interests, such as overriding royalties, net profits interests and net carried interests, through private transactions, the terms of which are subject to negotiation.

Occasionally, both the federal and provincial governments in Western Canada create incentive programs for the oil and gas industry. These programs often provide for volume-based incentives, royalty rate reductions, royalty holidays or royalty tax credits and may be introduced when commodity prices are low to encourage exploration and development activity. Governments may also introduce incentive programs to encourage producers to prioritize certain kinds of development or utilize technologies that may enhance or improve recovery of oil, natural gas and NGLs, or improve environmental performance. In addition, from time-to-time, including during the COVID-19 pandemic, the federal government creates incentives and other financial aid programs intended to assist businesses operating in the oil and gas industry as well as other industries in Canada.

Alberta

Crown royalties

In Alberta, oil and natural gas producers are responsible for calculating their royalty rate on an ongoing basis. The Crown's royalty share of production is payable monthly and producers must submit their records showing the royalty calculation.

In 2016, the Government of Alberta adopted a modernized Crown royalty framework (the "**Modernized Framework**") that applies to all conventional oil (i.e., not oil sands) and natural gas wells drilled after December 31, 2016 that produce Crown-owned resources. The previous royalty framework (the "**Old Framework**") will continue to apply to wells producing Crown-owned resources that were drilled prior to January 1, 2017 until December 31, 2026, following which time they will become subject to the Modernized Framework. The *Royalty Guarantee Act* (Alberta), came into effect on July 18, 2019, and provides that no major changes will be made to the current oil and natural gas royalty structure for a period of at least 10 years.

Royalties on production from wells subject to the Modernized Framework are determined on a "revenue-minus-costs" basis. The cost component is based on a Drilling and Completion Cost Allowance formula that relies, in part, on the industry's average drilling and completion costs, determined annually by the Alberta Energy Regulator (the "**AER**"), and incorporates information specific to each well such as vertical depth and lateral length.

Under the Modernized Framework, producers initially pay a flat royalty of 5% on production revenue from each producing well until payout, which is the point at which cumulative gross revenues from the well equals the applicable Drilling and Completion Cost Allowance. After payout, producers pay an increased royalty of up to 40% that will vary depending on the nature of the resource and market prices. Once the rate of production from a well is too low to sustain the full royalty burden, its royalty rate is gradually adjusted downward as production declines, eventually reaching a floor of 5%.

Under the Old Framework, royalty rates for conventional oil production can be as high as 40% and royalty rates for natural gas production can be as high as 36%. Similar to the Modernized Framework, these rates vary based on the nature of the resource and market prices. The natural gas royalty formula also provides for a reduction based on the measured depth of the well, as well as the acid gas content of the produced gas.

Oil sands production in Alberta is also subject to a royalty regime. Prior to payout of an oil sands project, the royalty is payable on gross revenues and, depending on market prices, the applicable rates are capped at 9%. After payout, the royalty payable is the greater of the gross revenue royalty (described above) and a net revenue royalty based on rates that range from 25% - 40%.

In addition to royalties, producers of oil and natural gas from Crown lands in Alberta are also required to pay annual rentals to the Government of Alberta.

Freehold royalties and taxes

Royalty rates for the production of privately owned oil and natural gas are negotiated between the producer and the resource owner. Producers and working interest participants may also pay additional royalties to parties other than the freehold mineral owner where such royalties are negotiated through private transactions.

The Government of Alberta levies annual freehold mineral taxes for production from freehold mineral lands. On average, the tax levied in Alberta is 4% of revenues reported from freehold mineral title properties and is payable by the registered owner of the mineral rights.

Incentives

The Government of Alberta has from time to time implemented drilling credits, incentives or transitional royalty programs to encourage crude oil and natural gas development and new drilling. In addition, the Government of Alberta has implemented certain initiatives intended to accelerate technological development and facilitate the development of unconventional resources, including coalbed methane wells, shale gas wells and horizontal crude oil and natural gas wells.

Regulatory Authorities and Environmental Regulation

General

The Canadian oil and gas industry is subject to environmental regulation under a variety of Canadian federal, provincial, territorial, and municipal laws and regulations, all of which are subject to governmental review and revision from time to time. Such regulations provide for, among other things, restrictions and prohibitions on the spill, release or emission of various substances produced in association with certain oil and gas industry operations, such as sulphur dioxide and nitrous oxide. The regulatory regimes set out the requirements with respect to oilfield waste handling and storage, habitat protection and the satisfactory operation, maintenance, abandonment and reclamation of well, facility and pipeline sites. Compliance with such regulations can require significant expenditures and a breach of such requirements may result in suspension or revocation of necessary licences and authorizations, civil liability, and the imposition of material fines and penalties. In addition, future changes to environmental legislation, including legislation related to air pollution and greenhouse gas ("**GHG**") emissions (typically measured in terms of their global warming potential and expressed in terms of carbon dioxide equivalent ("**CO2e**")), may impose further requirements on operators and other companies in the oil and gas industry.

Federal

Canadian environmental regulation is the responsibility of both the federal and provincial governments. While provincial governments and their delegates are responsible for most environmental regulation, the federal government can regulate environmental matters where they impact matters of federal jurisdiction or when they arise from projects that are subject to federal jurisdiction, such as interprovincial transportation undertakings, including pipelines and railways, and activities carried out on federal lands. Where there is a direct conflict between federal and provincial environmental legislation in relation to the same matter, the federal law prevails.

The CERA and the *Impact Assessment Act* (the **"IAA**") provide a number of important elements to the regulation of federally regulated major projects and their associated environmental assessments. The CERA separates the CER's administrative and adjudicative functions. The CER has jurisdiction over matters such as the environmental and economic regulation of pipelines, transmission infrastructure and certain offshore renewable energy projects. In its adjudicative role, the CERA tasks the CER with reviewing applications for the development, construction and operation of many of these projects, culminating in their eventual abandonment.

The IAA relies on a designated project list as a trigger for a federal assessment. Designated projects that may have effects on matters within federal jurisdiction will generally require an impact assessment administered by the Impact Assessment Agency (the "**IA Agency**") or, in the case of certain pipelines, a joint review panel comprised of members from the CER and the IA Agency. The impact assessment requires consideration of the project's potential adverse effects and the overall societal impact that a project may have, both of which may include a consideration of, among other items, environmental, biophysical and socio-economic factors, climate change, and impacts to Indigenous rights. It also requires an expanded public interest assessment. Designated projects specific to the oil and gas industry include pipelines that require more than 75 kilometers of new rights of way and pipelines located in national parks, large scale *in situ* oil sands projects not regulated by provincial GHG emissions caps and certain refining, processing and storage facilities.

The federal government has stated that an objective of the legislative changes was to improve decision certainty and turnaround times. Once a review or assessment is commenced under either the CERA or IAA, there are limits on the amount of time the relevant regulatory authority will have to issue its report and recommendation. Designated projects will go through a planning phase to determine the scope of the impact assessment, which the federal government has stated should provide more certainty as to the length of the full review process.

In May 2022, the Alberta Court of Appeal released its decision in response to the Government of Alberta's submission of a reference question regarding the constitutionality of the IAA. The Court found the IAA to be unconstitutional in its entirety, stating that the legislation effectively granted the federal government a veto over projects that were wholly within provincial jurisdiction. Shortly after the decision was released, the Government of Canada announced its intention to appeal the decision to the Supreme Court of Canada.

Alberta

The AER is the principal regulator responsible for all energy resource development in Alberta. It derives its authority from the *Responsible Energy Development Act* and a number of related statutes including the *Oil and Gas Conservation Act* (the "**OGCA**"), the *Oil Sands Conservation Act*, the *Pipeline Act*, and the *Environmental Protection and Enhancement Act*. The AER is responsible for ensuring the safe, efficient, orderly and environmentally responsible development of hydrocarbon resources, including allocating and conserving water resources, managing public lands, and protecting the environment. The AER's responsibilities exclude the functions of the Alberta Utilities Commission and the Land and Property Rights Tribunal as well as the Alberta Ministry of Energy's responsibility for mineral tenure.

The Government of Alberta relies on regional planning to accomplish its resource development goals. Its approach to natural resource management provides for engagement and consultation with stakeholders and the public and examines the cumulative impacts of development on the environment and communities. While the AER is the primary regulator for energy development, several other governmental departments and agencies may be involved in land use issues, including the Alberta Ministry of Environment and Parks, the Alberta Ministry of Energy, the Aboriginal Consultation Office and the Land Use Secretariat.

The Government of Alberta's land-use policy sets out an approach to manage public and private land use and natural resource development in a manner that is consistent with the long-term economic, environmental and social goals of the province. It calls for the development of seven region-specific land-use plans in order to manage the combined impacts of existing and future land use within a specific region and the incorporation of a cumulative effects management approach into such plans.

The AER monitors seismic activity across Alberta to assess the risks associated with, and instances of, earthquakes induced by hydraulic fracturing. Hydraulic fracturing involves the injection of water, sand or other proppants and additives under pressure into targeted subsurface formations to fracture the surrounding rock and stimulate oil and natural gas production. The Corporation may in the future perform hydraulic fracturing in its drilling and completion programs. In recent years, hydraulic fracturing has been linked to increased seismicity in the areas in which hydraulic fracturing takes place, prompting regulatory authorities to investigate the practice further.

The AER has developed monitoring and reporting requirements that apply to all oil and natural gas producers working in certain areas where the likelihood of an earthquake is higher, and implemented the requirements in *Subsurface Order Nos. 2*, *6*, and *7*. The regions with seismic protocols in place are Fox Creek, Red Deer, and Brazeau. The Corporation does not have operations in Fox Creek, Red Deer and Brazeau.

Liability Management

Alberta

The AER administers the Liability Management Framework (the "**AB LM Framework**") and the Liability Management Rating Program (the "**AB LMR Program**") to manage liability for most conventional upstream oil and natural gas wells, facilities and pipelines in Alberta. The AER is in the process of replacing the AB LMR Program with the AB LM Framework. This change was effected under key new AER directives in 2021, and further updates released in 2022. Broadly, the AB LM Framework is intended to provide a more holistic approach to liability management in Alberta, as the AER found that the more formulaic approach under the AB LMR Program did not necessarily indicate whether a company could meet its liability obligations. New developments under the AB LM Framework include a new Licensee Capability Assessment System (the "**AB LCA**"), a new Inventory Reduction Program (the "**AB IR Program**"), and a new Licensee Management Program ("**AB LM Program**"). Meanwhile, some programs under the AB LMR Program remain in effect, including the Oilfield Waste Liability Program (the "**AB OWL Program**"), the Large Facility Liability Management Program (the "**AB LF Program**") and elements of the Licensee Liability Rating Program (the "**AB LLR Program**"). The mix between active programs under the AB LM Framework and the AB LMR Program highlights the transitional and dynamic nature of liability management in Alberta. While the province is moving towards the AB LM Framework and a more holistic approach to liability management, the AER has noted that this will be a gradual process that will take time to complete. In the meantime, the AB LMR Program continues to play an important role in Alberta's liability management scheme.

Complementing the AB LM Framework and the AB LMR Program, Alberta's OGCA establishes an orphan fund (the "**Orphan Fund**") to help pay the costs to suspend, abandon, remediate and reclaim a well, facility or pipeline included in the AB LLR Program and the AB OWL Program if a licensee or working interest participant becomes insolvent or is unable to meet its obligations. Licensees in the AB LLR Program and the AB OWL Program fund the Orphan Fund through a levy administered by the AER. However, given the increase in orphaned oil and natural gas assets, the Government of Alberta has loaned the Orphan Fund approximately $335 million to carry out abandonment and reclamation work. In response to the COVID-19 pandemic, the Government of Alberta also covered $113 million in levy payments that licensees would otherwise have owed to the Orphan Fund, corresponding to the levy payments due for the first six months of the AER's fiscal year. A separate orphan levy applies to persons holding licences subject to the AB LF Program. Collectively, these programs are designed to minimize the risk to the Orphan Fund posed by the unfunded liabilities of licensees and to prevent the taxpayers of Alberta from incurring costs to suspend, abandon, remediate and reclaim wells, facilities or pipelines.

The Supreme Court of Canada's decision in *Orphan Well Association v Grant Thornton* (also known as the "**Redwater**" decision), provides the backdrop for Alberta's approach to liability management. As a result of the Redwater decision, receivers and trustees can no longer avoid the AER's legislated authority to impose abandonment orders against licensees or to require a licensee to pay a security deposit before approving a licence transfer when any such licensee is subject to formal insolvency proceedings. This means that insolvent estates can no longer disclaim assets that have reached the end of their productive lives (and therefore represent a net liability) in order to deal primarily with the remaining productive and valuable assets without first satisfying any abandonment and reclamation obligations associated with the insolvent estate's assets. In April 2020, the Government of Alberta passed the *Liabilities Management Statutes Amendment Act*, which places the burden of a defunct licensee's abandonment and reclamation obligations first on the defunct licensee's working interest partners, and second, the AER may order the Orphan Fund to assume care and custody and accelerate the clean-up of wells or sites which do not have a responsible owner. These changes came into force in June 2020.

One important step in the shift to the AB LM Framework has been amendments to *Directive 067: Eligibility Requirements for Acquiring and Holding Energy Licences and Approvals* ("**Directive 067**"), which deals with licensee eligibility to operate wells and facilities. All licence transfers and the granting of new well, facility and pipeline licences in Alberta are subject to AER approval. Previously under the AB LMR Program, as a condition of transferring existing AER licences, approvals and permits, all transfers required transferees to demonstrate that they had a liability management rating of 2.0 or higher immediately following the transfer. If transferees did not have the required rating, they would have to otherwise prove to the satisfaction of the AER that they could meet their abandonment and reclamation obligations, through means such as posting security or reducing their existing obligations. However, amendments from April 2021 to Directive 067 expanded the criteria for assessing licensee eligibility. Notably, the recent amendments increase requirements for financial disclosure, detail new requirements for when a licensee poses an "unreasonable risk" of orphaning assets, and adds additional general requirements for maintaining eligibility. In particular, the Corporation’s Directive 067 licensee eligibility application with the AER is fully approved.

Alongside changes to Directive 067, the AER introduced *Directive 088: Licensee Life-Cycle Management* ("**Directive 088**") in December 2021 under the AB LM Framework. Directive 088 replaces, to an extent, the AB LLR Program with the AB LCA. Whereas the AB LLR Program previously assessed a licensee based on a liability rating determined by the ratio of a licensee's deemed asset value relative to the deemed liability value of its oil and gas wells and facilities, the AB LCA now considers a wider variety of factors and is intended to be a more comprehensive assessment of corporate health. Such factors are wide reaching and include: (i) a licensee's financial health; (ii) its established total magnitude of liabilities, (iii) the remaining lifespan of its mineral resources and infrastructure; (iv) the management of its operations; (v) the rate of closure activities and spending, and pace of inactive liability growth; and (vi) its compliance with administrative and regulatory requirements. These various factors feed into a broader holistic assessment of a licensee under the AB LM Framework. In turn, that holistic assessment provides the basis for assessing risk posed by licence transfers, as well as any security deposit that the AER may require from a licensee in the event that the regulator deems a licensee at risk of not being able to meet its liability obligations. However, the liability management rating under the AB LLR Program is still in effect for other liability management programs such as the AB OWL Program and the AB LF Program, and will remain in effect until a broadened scope of Directive 088 is phased in over time.

In addition to the AB LCA, Directive 088 also implemented other new liability management programs under the AB LM Framework. These include the AB LM Program and the AB IR Program. Under the AB LM Program the AER will continuously monitor licensees over the life-cycle of a project. If, under the AB LM Program, the AER identifies a licensee as high risk, the regulator may employ various tools to ensure that a licensee meets its regulatory and liability obligations. In addition, under the AB IR Program the AER sets industry wide spending targets for abandonment and reclamation activities. Licensees are then assigned a mandatory licensee specific target based on the licensee's proportion of provincial inactive liabilities and the licensee's level of financial distress. Certain licensees may also elect to provide the AER with a security deposit in place of their closure spend target. The AER has also indicated that it will implement a closure nomination program (the "**CN Program**") in 2023. Under the program, those who qualify may nominate certain oil and gas sites for closure. Details regarding the CN Program and the mechanism through which nominated sites will be abandoned and reclaimed are forthcoming.

The Government of Alberta followed the announcement of the AB LM Framework with amendments to the *Oil and Gas Conservation Rules* and the *Pipeline Rules* in late 2020. The changes to these rules fall into three principal categories: (i) they introduce "closure" as a defined term, which captures both abandonment and reclamation; (ii) they expand the AER's authority to initiate and supervise closure; and (iii) they permit qualifying third parties on whose property wells or facilities are located to request that licensees prepare a closure plan.

To address abandonment and reclamation liabilities in Alberta, the AER also implements, from time to time, programs intended to encourage the decommissioning, remediation and reclamation of inactive or marginal oil and natural gas infrastructure. In 2018, for example, the AER announced a voluntary area-based closure ("**ABC**") program. The ABC program is designed to reduce the cost of abandonment and reclamation operations through industry collaboration and economies of scale. Parties seeking to participate in the program must commit to an inactive liability reduction target to be met through closure work performed on inactive assets. The Corporation is participating in the voluntary ABC program.

Federal and Provincial Support for Liability Management

As part of an announcement of federal relief for Canada's oil and gas industry in response to COVID-19, in May 2020 the federal government pledged $1.72 billion to clean up orphan and inactive wells in Alberta, Saskatchewan and British Columbia. These funds were administered by regulatory authorities in each province and disbursed through various provincial programs. The majority of these funds have now been allocated and disbursed.

Climate Change Regulation

Climate change regulation at each of the international, federal and provincial levels has the potential to significantly affect the future of the oil and gas industry in Canada. These impacts are uncertain and it is not possible to predict what future policies, laws and regulations will entail. Any new laws and regulations (or additional requirements to existing laws and regulations) could have a material impact on the Corporation's operations and cash flow.

Federal

Canada has been a signatory to the United Nations Framework Convention on Climate Change (the "**UNFCCC**") since 1992. Since its inception, the UNFCCC has instigated numerous policy changes with respect to climate governance. On April 22, 2016, 197 countries, including Canada, signed the Paris Agreement, committing to prevent global temperatures from rising more than 2° Celsius above pre-industrial levels and to pursue efforts to limit this rise to no more than 1.5° Celsius. To date, 189 of the 197 parties to the UNFCCC have ratified the Paris Agreement, including Canada. In 2016, Canada committed to reducing its emissions by 30% below 2005 levels by 2030. In 2021, Canada updated its original commitment by pledging to reduce emissions by 40-45% below 2005 levels by 2030, and to net-zero by 2050.

During the course of the 2021 United Nations Climate Change Conference in Glasgow, Scotland, Canada's Prime Minister Justin Trudeau made several pledges aimed at reducing Canada's GHG emissions and environmental impact, including: (i) reducing methane emissions in the oil and gas sector to 75% of 2012 levels by 2030; (ii) ceasing the export of thermal coal by 2030; (iii) imposing a cap on emissions from the oil and gas sector; (iv) halting direct public funding to the global fossil fuel sector by the end of 2022; and (v) committing that all new vehicles sold in the country will be zero-emission on or before 2040.

In line with the Prime Minister's pledge to impose a cap on emissions from the oil and gas sector, the federal government published a discussion paper on July 18, 2022 that outlines two potential regulatory options for such a cap. Those proposed options are either to: (i) implement a new cap-and-trade system that would set a limit on emissions from the sector; or (ii) modify the existing pollution pricing benchmark (as discussed below) to limit emissions from the sector. These options are currently under review and interested parties had the opportunity to make submissions regarding the proposed cap, ending in September 2022. The form of emissions cap on the oil and gas sector and the overall effect of such a cap remain uncertain.

The Government of Canada released the Pan-Canadian Framework on Clean Growth and Climate Change in 2016, setting out a plan to meet the federal government's 2030 emissions reduction targets. On June 21, 2018, the federal government enacted the *Greenhouse Gas Pollution Pricing Act* (the "**GGPPA**"), which came into force on January 1, 2019. This regime has two parts: an output-based pricing system ("**OBPS**") for large industry (enabled by the *Output-Based Pricing System Regulations*) and a fuel charge (enabled by the *Fuel Charge Regulations*), both of which impose a price on CO2e emissions. This system applies in provinces and territories that request it and in those that do not have their own equivalent emissions pricing systems in place that meet the federal standards and ensure that there is a uniform price on emissions across the country. Originally under the federal plans, the price was set to escalate by $10 per year until it reached a maximum price of $50/tonne of CO2e in 2022; however, on December 11, 2020, the federal government announced its intention to continue the annual price increases beyond 2022. Commencing in 2023, the benchmark price per tonne of CO2e will increase by $15 per year until it reaches $170/tonne of CO2e in 2030. Effective January 1, 2023, the minimum price permissible under the GGPPA rose to $65/tonne of CO2e.

While several provinces challenged the constitutionality of the GGPPA following its enactment, the Supreme Court of Canada confirmed its constitutional validity in a judgment released on March 25, 2021.

On April 26, 2018, the federal government passed the *Regulations Respecting Reduction in the Release of Methane and Certain Volatile Organic Compounds (Upstream Oil and Gas Sector)* (the "**Federal Methane Regulations**"). The Federal Methane Regulations seek to reduce emissions of methane from the oil and natural gas sector, and came into force on January 1, 2020. By introducing a number of new control measures, the Federal Methane Regulations aim to reduce unintentional leaks and the intentional venting of methane and ensure that oil and natural gas operations use low-emission equipment and processes. Among other things, the Federal Methane Regulations limit how much methane upstream oil and natural gas facilities are permitted to vent. The federal government anticipates that these actions will reduce annual GHG emissions by about 20 megatonnes by 2030.

The federal government has enacted the *Multi-Sector Air Pollutants Regulation* under the authority of the *Canadian Environmental Protection Act, 1999*, which regulates certain industrial facilities and equipment types, including boilers and heaters used in the upstream oil and gas industry, to limit the emission of air pollutants such as nitrogen oxides and sulphur dioxide.

In the November 23, 2021 Speech from the Throne, the federal government restated its commitment to achieve net-zero emission by 2050. In pursuit of this objective, the government's proposed actions include: (i) moving to cap and cut oil and gas sector emissions; (ii) investing in public transit and mandating the sale of zero-emission vehicles; (iii) increasing the federally imposed price on pollution; (iv) investing in the production of cleaner steel, aluminum, building products, cars, and planes; (v) addressing the loss of biodiversity by continuing to strengthen partnerships with First Nations, Inuit, and Métis, to protect nature and the traditional knowledge of those groups; (vi) creating a Canada Water Agency to safeguard water as a natural resource and support Canadian farmers; (vii) strengthening action to prevent and prepare for floods, wildfires, droughts, coastline erosion, and other extreme weather worsened by climate change; and (viii) helping build back communities impacted by extreme weather events through the development of Canada's first-ever National Adaptation Strategy.

The *Canadian Net-Zero Emissions Accountability Act* (the "**CNEAA**") received royal assent on June 29, 2021, and came into force on the same day. The CNEAA binds the Government of Canada to a process intended to help Canada achieve net-zero emissions by 2050. It establishes rolling five-year emissions-reduction targets and requires the government to develop plans to reach each target and support these efforts by creating a Net-Zero Advisory Body. The CNEAA also requires the federal government to publish annual reports that describe how departments and Crown corporations are considering the financial risks and opportunities of climate change in their decision-making. A comprehensive review of the CNEAA is required every five years from the date the CNEAA came into force.

The Government of Canada introduced its 2030 Emissions Reduction Plan (the "2030 ERP") on March 29, 2022. In the 2030 ERP, the Government of Canada proposes a roadmap for Canada's reduction of GHG emissions to 40-45% below 2005 levels by 2030. As the first emissions reduction plan issued under the CNEAA, the 2030 ERP aims to reduce emissions by incentivizing electric vehicles and renewable electricity, and capping emissions from the oil and gas sector, among other measures.

On June 8, 2022 the Canadian Greenhouse Gas Offset Credit System Regulations were published in the Canada Gazette. The regulations establish a regulatory framework to allow certain kinds of projects to generate and sell offset credits for use in the federal OBPS through Canada's Greenhouse Gas Offset Credit System. The system enables project proponents to generate federal offset credits through projects that reduce GHG emissions under a published federal GHG offset protocol. Offset credits can then be sold to those seeking to meet limits imposed under the OBPS or those seeking to meet voluntary targets.

On June 20, 2022, the Clean Fuel Regulations came into force, establishing Canada's Clean Fuel Standard. The Clean Fuel Standard will replace the former Renewable Fuels Regulation, and aims to discourage the use of fossil fuels by increasing the price of those fuels when compared to lower-carbon alternatives. Coming into force in 2023, the Clean Fuel Standard will impose obligations on primary suppliers of transportation fuels in Canada and require fuels to contain a minimum percentage of renewable fuel content and meet emissions caps calculated over the life cycle of the fuel. The Clean Fuel Regulations also establish a market for compliance credits. Compliance credits can be generated by primary suppliers, among others, through carbon capture and storage, producing or importing low-emission fuel, or through end-use fuel switching (for example, operating an electric vehicle charging network).

The Government of Canada is also in the midst of developing a carbon capture utilization and storage ("**CCUS**") strategy. CCUS is a technology that captures carbon dioxide from facilities, including industrial or power applications, or directly from the atmosphere. The captured carbon dioxide is then compressed and transported for permanent storage in underground geological formations or used to make new products such as concrete. Beginning in 2022, the federal government plans to spend $319 million over seven years to ramp up CCUS in Canada, as this is expected to be a critical element of the plan to reach net-zero by 2050.

Alberta

In December 2016, the *Oil Sands Emissions Limit Act* came into force, establishing an annual 100 megatonne limit for GHG emissions from all oil sands sites, but the regulations necessary to enforce the limit have not yet been developed. The delay in drafting these regulations has been inconsequential thus far, as Alberta's oil sands emit roughly 70 megatonnes of GHG emissions per year, well below the 100 megatonne limit.

In June 2019, the fuel charge element of the federal backstop program took effect in Alberta. On January 1, 2023 , the carbon tax payable in Alberta increased from $50 to $65 per tonne of CO_2e, and will continue to increase at a rate of $15 per year until it reaches $170 per tonne in 2030. In December 2019, the federal government approved Alberta's *Technology Innovation and Emissions Reduction* ("**TIER**") regulation, which applies to large emitters. The TIER regulation came into effect on January 1, 2020 (as amended on January 1 2023) and replaced the previous *Carbon Competitiveness Incentives Regulation*. The TIER regulation meets the federal benchmark stringency requirements for emissions sources covered in the regulation, but the federal backstop continues to apply to emissions sources not covered by the regulation.

The TIER regulation applies to emitters that emit more than 100,000 tonnes of CO2e per year in 2016 or any subsequent year. The initial target for most TIER-regulated facilities is to reduce emissions intensity by 10% as measured against that facility's individual benchmark, with a further 2% reduction in each subsequent year. The facility-specific benchmark does not apply to all facilities, such as those in the electricity sector, which are compared against the good-as-best-gas standard. Similarly, for facilities that have already made substantial headway in reducing their emissions, a different "high-performance" benchmark is available. Under the TIER regulation, certain facilities in high-emitting or trade exposed sectors can opt-in to the program in specified circumstances if they do not meet the 100,000 tonne threshold. To encourage compliance with the emissions intensity reduction targets, TIER-regulated facilities must provide annual compliance reports. Facilities that are unable to achieve their targets may either purchase credits from other facilities, purchase carbon offsets, or pay a levy to the Government of Alberta.

The Government of Alberta aims to lower annual methane emissions by 45% by 2025. The Government of Alberta enacted the *Methane Emission Reduction Regulation* on January 1, 2020, and in November 2020, the Government of Canada and the Government of Alberta announced an equivalency agreement regarding the reduction of methane emissions such that the Federal Methane Regulations will not apply in Alberta.

Indigenous Rights

Constitutionally mandated government-led consultation with and, if applicable, accommodation of, the rights of Indigenous groups impacted by regulated industrial activity, as well as proponent-led consultation and accommodation or benefit sharing initiatives, play an increasingly important role in the Western Canadian oil and gas industry. In addition, Canada is a signatory to the *United Nations Declaration of the Rights of Indigenous Peoples* ("**UNDRIP**") and the principles set forth therein may continue to influence the role of Indigenous engagement in the development of the oil and gas industry in Western Canada. For example, in November 2019, the *Declaration on the Rights of Indigenous Peoples Act* ("**DRIPA**") became law in British Columbia. The DRIPA aims to align British Columbia's laws with UNDRIP. In June 2021, the *United Nations Declaration on the Rights of Indigenous Peoples Act* ("**UNDRIP Act**") came into force in Canada. Similar to British Columbia's DRIPA, the UNDRIP Act requires the Government of Canada to take all measures necessary to ensure the laws of Canada are consistent with the principles of UNDRIP and to implement an action plan to address UNDRIP's objectives. On June 21, 2022, the Minister of Justice and Attorney General issued the First Annual Progress Report on the implementation of the UNDRIP Act (the "Progress Report"). The Progress Report provides that, as of June 2022, the federal government has sought to implement the UNDRIP Act by, among other things, creating a Secretariat within the Department of Justice to support Indigenous participation in the implementation of UNDRIP, consulting with Indigenous peoples to identify their priorities, drafting an action plan to align federal laws with UNDRIP, and implementing efforts to educate federal departments on UNDRIP's principles.

Continued development of common law precedent regarding existing laws relating to Indigenous consultation and accommodation as well as the adoption of new laws such as DRIPA and UNDRIP Act are expected to continue to add uncertainty to the ability of entities operating in the Canadian oil and gas industry to execute on major resource development and infrastructure projects, including, among other projects, pipelines. The Government of Canada has expressed that implementation of the UNDRIP Act has the potential to make meaningful change in how Indigenous peoples collaborate in impact assessment moving forward, but has confirmed that the current IAA already establishes a framework that aligns with UNDRIP and does not need to be changed in light of the UNDRIP Act.

On June 29, 2021, the British Columbia Supreme Court issued a judgement in *Yahey v British Columbia* (the "**Blueberry Decision**"), in which it determined that the cumulative impacts of industrial development on the traditional territory of the Blueberry River First Nation ("**BRFN**") in northeast British Columbia had breached the BRFN's rights guaranteed under Treaty 8. The Blueberry Decision may have significant impacts on the regulation of industrial activities in northeast British Columbia and may lead to similar claims of cumulative effects across Canada in other areas covered by numbered treaties, as has been seen in Alberta.

On January 28, 2023 the Government of British Columbia and the BRFN signed the Blueberry River First Nations Implementation Agreement (the "**BRFN Agreement**"). The BRFN Agreement aims to address the cumulative effects of development on BRFN's claim area through restoration work, establishment of areas protected from industrial development, and a constraint on development activities. Such measures will remain in place while a long-term cumulative effects management regime is implemented. Specifically, the BRFN Agreement includes, among other measures, the establishment of a $200-million restoration fund by June 2025, an ecosystem-based management approach for future land-use planning in culturally important areas, limits on new petroleum and natural gas development and a new planning regime for future oil and gas activities. The BRFN will receive $87.5 million over three years, with an opportunity for increased benefits based on petroleum and natural gas revenue sharing and provincial royalty revenue sharing in the next two fiscal years.

The BRFN Agreement has acted as a blueprint for other agreements between the Government of British Columbia and Indigenous groups in Treaty 8 territory. In late January 2023, the Government of British Columbia and four Treaty 8 First Nations – Fort Nelson, Salteau, Halfway River and Doig River First Nations – reached consensus on a collaborative approach to land and resource planning (the "Consensus Agreement"). The Consensus Agreement implements various initiatives including a "cumulative effects" management system linked to natural resource landscape planning and restoration initiatives, new land-use plans and protection measures, and a new revenue-sharing approach to support the priorities of Treaty 8 First Nations communities. In July 2022, Duncan's First Nation filed a lawsuit against the Government of Alberta relying on similar arguments to those advanced successfully by the BRFN. Duncan's First Nation claims in its lawsuit that Alberta has failed to uphold its treaty obligations by authorizing development without considering the cumulative impacts on the First Nation's treaty rights. The long-term impacts of the Blueberry Decision and the Duncan’s First Nation lawsuit on the Canadian oil and gas industry remain uncertain.

RISK FACTORS

The Corporation is subject to risks that directly affect its business and operations, as well as indirect risks that impact third parties or industry generally.

Investors should carefully consider the risk factors set out below and consider all other information contained herein and in the Corporation's other public filings before making an investment decision. The risks set out below should be read in conjunction with the "**Industry Conditions**" section above. These risks are not an exhaustive list and should not be taken as a complete summary or description of all the risks associated with the Corporation's business and the oil and natural gas business generally.

While some exposures may be reduced by the Corporation's risk management strategies, many risks are driven by external factors beyond its control or are of a nature which cannot be eliminated. Additional risks and uncertainties not currently known to management or that may currently not be considered material by management, could nevertheless also have an adverse effect on the Corporation's business.

Exploration, Development and Production Risks

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of the Corporation depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, the Corporation's existing reserves, and the production from them, will decline over time as the Corporation produces from such reserves. A future increase in the Corporation's reserves will depend on both the ability of the Corporation to explore and develop its existing properties and its ability to select and acquire suitable producing properties or prospects. There is no assurance that the Corporation will be able to continue to find satisfactory properties to acquire or participate in. Moreover, management of the Corporation may determine that current markets, terms of acquisition, participation or pricing conditions make potential acquisitions or participation uneconomic. There is also no assurance that the Corporation will discover or acquire further commercial quantities of oil and natural gas.

Future oil and natural gas exploration may involve unprofitable efforts from dry wells or from wells that are productive but do not produce sufficient petroleum substances to return a profit after drilling, completing (including hydraulic fracturing), operating and other costs. Completion of a well does not ensure a profit on the investment or recovery of drilling, completion and operating costs.

Drilling hazards, environmental damage and various field operating conditions could greatly increase the cost of operations and adversely affect the production from successful wells. Field operating conditions include, but are not limited to, delays in obtaining governmental approvals or consents, shut-ins of wells resulting from extreme weather conditions, insufficient storage or transportation capacity or geological and mechanical conditions. While diligent well supervision, effective maintenance operations and the development of enhanced oil recovery technologies can contribute to maximizing production rates over time, it is not possible to eliminate production delays and declines from normal field operating conditions, which can negatively affect revenue and cash flow levels to varying degrees.

Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including, but not limited to, fire, explosion, blowouts, cratering, sour gas releases, spills and other environmental hazards. These typical risks and hazards could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment and cause personal injury or threaten wildlife. Particularly, the Corporation may explore for and produce sour gas in certain areas. An unintentional leak of sour gas could result in personal injury, loss of life or damage to property and may necessitate an evacuation of populated areas, all of which could result in liability to the Corporation.

Oil and natural gas production operations are also subject to geological and seismic risks, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

As is standard industry practice, the Corporation is not fully insured against all risks, nor are all risks insurable. Although the Corporation maintains liability insurance and business interruption insurance in an amount that it considers consistent with industry practice, liabilities associated with certain risks could exceed policy limits or not be covered. See "*Risk Factors – Insurance*". In either event, the Corporation could incur significant costs

Prices, Markets and Marketing

The Corporation's ability to market its oil and natural gas may depend upon its ability to acquire capacity in pipelines that deliver oil, NGLs and natural gas to commercial markets or contract for the delivery of oil and NGLs by rail. Numerous factors beyond the Corporation's control do, and will continue to, affect the marketability and price of oil and natural gas acquired, produced, or discovered by the Corporation, including:

- deliverability uncertainties related to the distance the Corporation's reserves are from pipelines, railway lines and processing and storage facilities;
- operational problems affecting pipelines, railway lines and processing and storage facilities; and
- government regulation relating to prices, taxes, royalties, land tenure, allowable production and the export of oil and natural gas.

Oil and natural gas prices may be volatile for a variety of reasons including market uncertainties over the supply and demand of these commodities due to the current state of the world economies, COVID-19, OPEC actions, political uncertainties, geopolitical instability, sanctions imposed on certain oil producing nations by other countries and other conflicts. Prices for oil and natural gas are also subject to the availability of foreign markets and the Corporation's ability to access such markets. A material decline in prices could result in a reduction of the Corporation's net production revenue. The economics of producing from some wells may change because of lower prices, which could result in reduced production of oil or natural gas and a reduction in the volumes and the value of the Corporation's reserves. The Corporation might also elect not to produce from certain wells at lower prices. Any substantial and extended decline in the price of oil and natural gas would have an adverse effect on the Corporation's carrying value of its reserves, borrowing capacity, revenues, profitability and cash flows from operations and may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Volatile oil and natural gas prices make it difficult to estimate the value of producing properties for acquisitions and often cause disruption in the market for oil and natural gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for, and project the return on, acquisitions and development and exploitation projects. See "**Industry Conditions - Transportation Constraints and Marketing**".

Market Price

The trading price of the securities of oil and natural gas issuers is subject to substantial volatility often based on factors related and unrelated to the financial performance or prospects of the issuers involved. Factors unrelated to the Corporation's performance could include macroeconomic developments nationally, within North America or globally, domestic and global commodity prices, and/or current perceptions of the oil and natural gas market. In recent years, the volatility of commodities has increased due, in part, to the implementation of computerized trading and the decrease of discretionary commodity trading. In addition, the volatility, trading volume and share price of issuers have been impacted by increasing investment levels in passive funds that track major indices, as such funds only purchase securities included in such indices. In addition, in certain jurisdictions, institutions, including government sponsored entities, have determined to decrease their ownership in oil and natural gas entities which may impact the liquidity of certain securities and put downward pressure on the trading price of those securities. Similarly, the market price of the Common Shares of the Corporation could be subject to significant fluctuations in response to variations in the Corporation's operating results, financial condition, liquidity and other internal factors. Accordingly, the price at which the Common Shares of the Corporation will trade cannot be accurately predicted.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

The anticipated benefits of acquisitions may not be achieved and the Corporation may dispose of non-core assets for less than their carrying value on the financial statements as a result of weak market conditions.

The Corporation considers acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner and the Corporation's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Corporation. The integration of acquired businesses and assets may require substantial management effort, time and resources diverting management's focus from other strategic opportunities and operational matters. Management continually assesses the value and contribution of services provided by third parties and the resources required to provide such services. In this regard, non-core assets may be periodically disposed of so the Corporation can focus its efforts and resources more efficiently. Depending on the market conditions for such non-core assets, certain non-core assets of the Corporation may realize less on disposition than their carrying value on the financial statements of the Corporation.

Political Uncertainty

The Corporation's results can be adversely impacted by political, legal, or regulatory developments in Canada and elsewhere that affect local operations and local and international markets. Changes in government, government policy or regulations, changes in law or interpretation of settled law, third-party opposition to industrial activity generally or projects specifically, and duration of regulatory reviews could impact the Corporation's existing operations and planned projects. This includes actions by regulators or other political actors to delay or deny necessary licenses and permits for the Corporation's activities or restrict the operation of third-party infrastructure that the Corporation relies on. Additionally, changes in environmental regulations, assessment processes or other laws, and increasing and expanding stakeholder consultation (including Indigenous stakeholders), may increase the cost of compliance or reduce or delay available business opportunities and adversely impact the Corporation's results.

Other government and political factors that could adversely affect the Corporation's financial results include increases in taxes or government royalty rates (including retroactive claims) and changes in trade policies and agreements. Further, the adoption of regulations mandating efficiency standards, and the use of alternative fuels or uncompetitive fuel components could affect the Corporation's operations. Many governments are providing tax advantages and other subsidies to support alternative energy sources or are mandating the use of specific fuels or technologies. Governments and others are also promoting research into new technologies to reduce the cost and increase the scalability of alternative energy sources, and the success of these initiatives may decrease demand for the Corporation's products.

A change in federal, provincial or municipal governments in Canada may have an impact on the directions taken by such governments on matters that may impact the oil and natural gas industry including the balance between economic development and environmental policy. The oil and natural gas industry has become an increasingly politically polarizing topic in Canada, which has resulted in a rise in civil disobedience surrounding oil and natural gas development—particularly with respect to infrastructure projects. Protests, blockades and demonstrations have the potential to delay and disrupt the Corporation's activities.

Following former Alberta Premier Jason Kenney's resignation on May 18, 2022, Danielle Smith was elected as Premier on October 11, 2022. Shortly after her appointment, Premier Smith introduced Bill1: The Alberta Sovereignty Within a United Canada Act (the "**Sovereignty Act**"). The Sovereignty Act was passed on December 8, 2022 and received Royal Assent on December 15, 2022. The Sovereignty Act, amongst other things, enables the Alberta Government to choose which federal legislation, policies or programs it will enforce in Alberta, providing an overriding right to not enforce those which the Alberta Government deems to be "harmful" to Alberta's interests or infringe on the Federal Constitution and its division of powers. The Sovereignty Act has been opposed by many, including the National Democratic Party and various Indigenous groups who have expressed concern as to how the Sovereignty Act will affect Indigenous rights and consultation obligations in Alberta. It is unclear what the effect the Sovereignty Act will have on Alberta, including the petroleum and natural gas industry, Alberta businesses and its federal and interprovincial relationships, including the application of certain federal legislation in Alberta, such as the GGPPA and the IAA and the way in which the Alberta Government may address any legislative and policy gaps created. Although the Sovereignty Act has not yet been challenged in court, it is possible the Sovereignty Act's constitutionality will be challenged.

The federal government was re-elected in 2019, but in a minority position. Another federal election was held on September 20, 2021 and the federal government was re-elected again in a minority position. The ability of the minority federal government to pass legislation will be subject to whether it is able to come to agreement with, and garner the support of, the other elected parties, most of whom are opposed to the development of the petroleum and natural gas industry. The minority federal government will also be required to rely on the support of the other elected parties to remain in power, which provides less stability and may lead to an earlier subsequent federal election. Lack of political consensus, at both the federal and provincial government level, continues to create regulatory uncertainty, the effects of which become apparent on an ongoing basis, particularly with respect to carbon pricing regimes, curtailment of crude oil production and transportation and export capacity, and may affect the business of participants in the petroleum and natural gas industry, which effect could prove to be material over time. See **"Industry Conditions – Regulatory Authorities and Environmental Regulation" and "Industry Conditions – Transportation Constraints and Market Access".**

Infectious Diseases (including COVID-19)

Pandemics, epidemics or outbreaks of an infectious disease in Canada or worldwide could have an adverse impact on the Corporation's business, including changes to the way the Corporation and its counterparties operate, and on the Corporation's financial results and condition. The spread of the COVID-19 pandemic continues to pose risks to the global economy and the petroleum and natural gas industry more broadly. While the duration and full impact of the COVID-19 pandemic is not yet known, effects of COVID-19 may also include disruptions to production operations, reduced access to materials and services, increased employee absenteeism from illness, and temporary closures of the Corporation's facilities.

At the onset of the COVID-19 pandemic in March 2020, governments and regulatory bodies in affected areas imposed a number of measures designed to contain the COVID-19 pandemic, including widespread business closures, social distancing protocols, travel restrictions, quarantines, curfews and restrictions on gatherings and events. While substantially all containment measures in Canada have been lifted, additional safety precautions and operating protocols aimed at containing the spread of COVID-19 may be instituted in line with guidance of public health authorities. Additional waves of the COVID-19 pandemic, together with the emergence of new COVID-19 variant strains, may lead to the imposition of containment measures to varying degrees in many regions within Canada and globally. These containment measures have the potential to impact global economic activity, and such measures may also contribute to the decreased demand for hydrocarbons, increased market volatility and continued changes to the macroeconomic environment. The prolonged effects of any disruption may have adverse impacts on the Corporation's business strategies and initiatives, resulting in ongoing effects to its financial results, including the increase of counterparty, market and operational risks. While the duration and full impact of the COVID-19 pandemic is not yet known, the effects of COVID-19 may also include disruptions to production operations, access to materials and services, increased employee absenteeism from illness and temporary closures of the Corporation's facilities. Uncertainty remains as to the full impacts of the COVID-19 pandemic on the global economy, commodity and financial markets, crude oil and natural gas capital investment levels in the Western Canadian Sedimentary Basin and the energy business more broadly. The ultimate impacts will depend on future developments that are highly uncertain and cannot be predicted, including the scope, severity, duration and additional subsequent waves of the COVID-19 pandemic, including the introduction of new variants, as well as the effectiveness of actions and measures taken by the various levels of government. If the COVID-19 pandemic is further prolonged, including the possibility of additional subsequent waves, and introduction of new variants, or further diseases emerge that give rise to similar effects, the adverse impact on the economy could deepen and result in further volatility and declines in commodity and financial markets. Moreover, it remains uncertain how the macroeconomic environment will be impacted following the COVID-19 pandemic. Unexpected developments in commodity and financial markets, regulatory environments, industrial activity or consumer behavior and confidence may also have adverse impacts on the Corporation's business and financial condition, potentially for a substantial period of time.

Operational Dependence

Other companies operate some of the assets in which the Corporation has an interest. The Corporation has limited ability to exercise influence over the operation of those assets or their associated costs, which could adversely affect the Corporation's financial performance. The Corporation's return on assets operated by others depends upon a number of factors that may be outside of the Corporation's control, including, but not limited to, the timing and amount of capital expenditures, the operator's expertise and financial resources, the approval of other participants, the selection of technology and risk management practices.

In addition, due to volatile commodity prices, many companies, including companies that may operate some of the assets in which the Corporation has an interest, may be in financial difficulty, which could impact their ability to fund and pursue capital expenditures, carry out their operations in a safe and effective manner and satisfy regulatory requirements with respect to abandonment and reclamation obligations. If companies that operate some of the assets in which the Corporation has an interest fail to satisfy regulatory requirements with respect to abandonment and reclamation obligations, the Corporation may be required to satisfy such obligations and to seek reimbursement from such companies. To the extent that any of such companies go bankrupt, become insolvent or make a proposal or institute any proceedings relating to bankruptcy or insolvency, it could result in such assets being shut-in, the Corporation potentially becoming subject to additional liabilities relating to such assets and the Corporation having difficulty collecting revenue due from such operators or recovering amounts owing to the Corporation from such operators for their share of abandonment and reclamation obligations. Any of these factors could have a material adverse affect on the Corporation's financial and operational results. See "***Industry Conditions – Regulatory Authorities and Environmental Regulation - Liability Management***" and "***Risk Factors – Third Party Credit Risk***".

Reliance on Royalty Payors

The Corporation may in the future rely on other companies drilling and producing from lands in which the Corporation could have a royalty interest. The Corporation has very limited ability to exercise influence over the decision of companies to drill and produce from such lands. The Corporation's return on lands in which it has a royalty interest depends upon a number of factors that may be outside of the Corporation's control, including, but not limited to, the capital expenditure budgets and financial resources of the operators who have a working interest in such lands, the ability to efficiently produce the resources from such lands and commodity prices.

In addition, companies that may have a working interest in the lands in which the Corporation has a royalty interest, may be in financial difficulty, which could affect their ability to fund and pursue capital expenditures on such lands. Any reduction in the drilling and production from lands in which the Corporation has a royalty interest will negatively affect the Corporation's cash flows and financial results.

Financial difficulty of companies who have lands in which the Corporation has a royalty interest may affect the Corporation's ability to collect royalty payments, especially if such companies go bankrupt, become insolvent, or make a proposal or institute any proceedings relating to bankruptcy or insolvency.

Project Risks

The Corporation manages a variety of small and large projects in the conduct of its business. Project interruptions may delay expected revenues from operations. Significant project cost overruns could make a project uneconomic. The Corporation's ability to execute projects and to market oil and natural gas depends upon numerous factors beyond the Corporation's control, including:

- availability of processing capacity;
- availability and proximity of pipeline capacity;
- availability of storage capacity;
- availability of, and the ability to acquire, water supplies needed for drilling or the Corporation's ability to dispose of water used or removed from strata at a reasonable cost and in accordance with applicable environmental regulations;
- effects of inclement and severe weather events, including fire, drought and flooding;
- availability of drilling and related equipment;
- unexpected cost increases;
- accidental events;
- currency fluctuations;
- regulatory changes;
- timely receipt of regulatory approvals from the AER or otherwise, including with respect to Directive 076 application approvals;
- availability and productivity of skilled labour; and
- regulation of the oil and natural gas industry by various levels of government and governmental agencies.

Because of these factors, the Corporation could be unable to execute projects on time, on budget, or at all.

Gathering and Processing Facilities, Pipeline Systems, Trucking and Rail

The Corporation delivers its products through gathering and processing facilities, pipeline systems and, in certain circumstances, by truck and rail**.** The amount of oil and natural gas that the Corporation can produce and sell is subject to the accessibility, availability, proximity and capacity of these gathering and processing facilities, pipeline systems, trucking and railway lines. Unexpected shut downs or curtailment of capacity of pipelines for maintenance or integrity work or because of actions taken by regulators could also affect the Corporation's production, operations and financial results.

A portion of the Corporation's production may, from time to time, be processed through facilities owned by third parties and over which the Corporation does not have control. From time to time, these facilities may discontinue or decrease operations either as a result of normal servicing requirements or as a result of unexpected events. A discontinuation or decrease of operations could have a material adverse effect on the Corporation's ability to process its production and deliver the same to market. Midstream and pipeline companies may take actions to maximize their return on investment, which may in turn adversely affect producers and shippers, especially when combined with a regulatory framework that may not always align with the interests of particular shippers.

Competition

The petroleum industry is competitive in all of its phases. The Corporation competes with numerous other entities in the exploration, development, production and marketing of oil and natural gas. The Corporation's competitors include oil and natural gas companies that have substantially greater financial resources, staff and facilities than those of the Corporation. Some of these companies not only explore for, develop and produce oil and natural gas, but also carry on refining operations and market oil and natural gas on an international basis. As a result of these complementary activities, some of these competitors may have greater and more diverse competitive resources to draw on than the Corporation. The Corporation's ability to increase its reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire other suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and natural gas include price, process, and reliability of delivery and storage.

Cost of New Technologies

The petroleum industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other companies may have greater financial, technical and personnel resources that allow them to implement and benefit from technological advantages. There can be no assurance that the Corporation will be able to respond to such competitive pressures and implement such technologies on a timely basis, or at an acceptable cost. If the Corporation does implement such technologies, there is no assurance that the Corporation will do so successfully. One or more of the technologies currently utilized by the Corporation or implemented in the future may become obsolete. If the Corporation is unable to utilize the most advanced commercially available technology, or is unsuccessful in implementing certain technologies, its business, financial condition and results of operations could also be adversely affected in a material way.

Alternatives to and Changing Demand for Petroleum Products

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas and technological advances in fuel economy and renewable energy generation systems could reduce the demand for oil, natural gas and liquid hydrocarbons. Recently, certain jurisdictions have implemented policies or incentives to decrease the use of hydrocarbons and encourage the use of renewable fuel alternatives, which may lessen the demand for petroleum products and put downward pressure on commodity prices. Advancements in energy efficient products have a similar effect on the demand for oil and natural gas products. The Corporation cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flow by decreasing the Corporation's profitability, increasing its costs, limiting its access to capital and decreasing the value of its assets.

Regulatory

The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for oil and natural gas and increase the Corporation's costs, either of which may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. Further, the ongoing third party challenges to regulatory decisions or orders has reduced the efficiency of the regulatory regime, as the implementation of the decisions and orders have experienced delays resulting in uncertainty and interruption to business of the oil and natural gas industry. See *"**Industry Conditions – Regulatory Authorities and Environmental Regulation**".*

In order to conduct oil and natural gas operations, the Corporation will require regulatory permits, licenses, registrations, approvals and authorizations from various governmental authorities at the municipal, provincial and federal level. There can be no assurance that the Corporation will be able to obtain all of the permits, licenses, registrations, approvals and authorizations that may be required to conduct operations that it may wish to undertake. In addition, certain federal legislation such as the *Competition Act* and the *Investment Canada Act* could negatively affect the Corporation's business, financial condition and the market value of its Common Shares or its assets, particularly when undertaking, or attempting to undertake, acquisition or disposition activity. See "*Industry Conditions –* ***Regulatory Authorities and Environmental Regulation – Liability Management***".

Royalty Regimes

Changes to royalty regimes may negatively impact the Corporation's cash flows. There can be no assurance that the governments in the jurisdictions in which the Corporation has assets will not adopt new royalty regimes, or modify the existing royalty regimes, which may have an impact on the economics of the Corporation's projects. An increase in royalties would reduce the Corporation's earnings and could make future capital investments, or the Corporation's operations, less economic. See "***Industry Conditions – Royalties and Incentives***".

Hydraulic Fracturing

Implementation of new regulations on hydraulic fracturing may lead to operational delays, increased costs and/or decreased production volumes, adversely affecting the Corporation's financial position. The Corporation's may in the future have operations that are dependent upon the availability of water and its ability to dispose of produced water from drilling and production activities.

Hydraulic fracturing involves the injection of water, sand, and small amounts of additives under high pressure into tight rock formations that were previously unproductive to stimulate the production of oil, NGLs and natural gas. Concerns about seismic activity, including earthquakes, caused by hydraulic fracturing has resulted in regulatory authorities implementing additional protocols for areas that are prone to seismic activity or completely banning hydraulic fracturing in other areas. Any new laws, regulations, or permitting requirements regarding hydraulic fracturing could lead to operational delays, increased operating costs, third-party or governmental claims, and could increase the Corporation's costs of compliance and doing business, as well as delay the development of oil, NGL and natural gas resources from shale formations, which are not commercial without the use of hydraulic fracturing. Restrictions or bans on hydraulic fracturing in the areas where the Corporation operates could result in the Corporation being unable to economically recover its oil and gas reserves which would result in a significant decrease in the value of the Corporation's assets.

Water is an essential component of the Corporation's drilling and hydraulic fracturing processes. Limitations or restrictions on the Corporation's ability to secure sufficient amounts of water (including limitations resulting from natural causes such as drought), could materially and adversely impact its operations. Severe drought conditions can result in local water authorities taking steps to restrict the use of water in their jurisdiction for drilling and hydraulic fracturing in order to protect the local water supply. If the Corporation is unable to obtain water to use in its operations from local sources, it may need to be obtained from new sources and transported to drilling sites, resulting in increased costs, which could have a material adverse effect on its financial condition, results of operations, and cash flows.

In addition, the Corporation must dispose of the fluids produced from oil, NGL and natural gas production operations, including produced water, which it does directly or through the use of third-party vendors. The legal requirements related to the disposal of produced water into a non-producing geologic formation by means of underground injection wells are subject to change based on concerns of the public or governmental authorities regarding such disposal activities.

Another consequence of seismic events may be lawsuits alleging that disposal well operations have caused damage to neighboring properties or otherwise violated laws and regulations regarding waste disposal. These developments could result in additional regulation and restrictions on the use of injection wells by the Corporation or by commercial disposal well vendors that the Corporation may use from time to time to dispose of produced water. Increased regulation and attention given to induced seismicity could also lead to greater opposition, including litigation to limit or prohibit oil and natural gas activities utilizing injection wells for produced water disposal. Any one or more of these developments may result in the Corporation or its vendors having to limit disposal well volumes, disposal rates and pressures or locations, or require the Corporation or its vendors to shut down or curtail the injection of produced water into disposal wells, which events could have a material adverse effect on the Corporation's business, financial condition, and results of operations.

Waterflood

Regulatory water use restrictions and/or limited access to water or other fluids may impact the Corporation's production volumes from its waterflood

The Corporation may in the future undertake certain waterflooding programs, which involve the injection of water or other liquids into an oil reservoir to increase production from the reservoir and to decrease production declines. To undertake such waterflooding activities the Corporation needs to have access to sufficient volumes of water, or other liquids, to pump into the reservoir to increase the pressure in the reservoir. There is no certainty that the Corporation will have access to the required volumes of water. In addition, in certain areas there may be restrictions on water use for activities such as waterflooding. If the Corporation is unable to access such water it may not be able to undertake waterflooding activities, which may reduce the amount of oil and natural gas that the Corporation is ultimately able to produce from its reservoirs. In addition, the Corporation may undertake certain waterflood programs that ultimately prove unsuccessful in increasing production from the reservoir and as a result have a negative impact on the Corporation's results of operations.

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Environmental

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, the initiation and approval of new oil and natural gas projects, restrictions and prohibitions on the spill, release or emission of various substances produced in association with oil and natural gas industry operations. In addition, such legislation sets out the requirements with respect to oilfield waste handling and storage, habitat protection and the satisfactory operation, maintenance, abandonment and reclamation of well and facility sites. New environmental legislation at the federal and provincial levels may increase uncertainty among oil and natural gas industry participants as the new laws are implemented, and the effects of the new rules and standards are felt in the oil and natural gas industry. See "*Industry Conditions – Regulatory Authorities and Environmental Regulation*".

Compliance with environmental legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Corporation to incur costs to remedy such discharge. Although the Corporation believes that it is in material compliance with current applicable environmental legislation, no assurance can be given that environmental compliance requirements will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Climate Change

Climate change concerns could result in increased operating costs and reduced demand for the Corporation's products and shares, while the potential physical effects of climate change could disrupt the Corporation's production and cause it to incur significant costs in preparing for or responding to those effects.

Global climate issues continue to attract public and scientific attention. Numerous reports, including reports from the Intergovernmental Panel on Climate Change, have engendered concern about the impacts of human activity, especially hydrocarbon combustion, on global climate issues. In turn, increasing public, government, and investor attention is being paid to global climate issues and to emissions of GHG, including emissions of carbon dioxide and methane from the production and use of oil, NGLs and natural gas. The majority of countries across the globe, including Canada, have agreed to reduce their carbon emissions in accordance with the Paris Agreement. In addition, during the course of the 2021 United Nations Climate Change Conference in Glasgow, Scotland, Canada's Prime Minister Justin Trudeau made several pledges aimed at reducing Canada's GHG emissions and environmental impact. As discussed below, the Corporation faces both transition risks and physical risks associated with climate change and climate change policy and regulations.

Transition risks

Foreign and domestic governments continue to evaluate and implement policy, legislation, and regulations focused on restricting emissions commonly referred to as GHG emissions and promoting adaptation to climate change and the transition to a low-carbon economy. It is not possible to predict what measures foreign and domestic governments may implement in this regard, nor is it possible to predict the requirements that such measures may impose or when such measures may be implemented. However, international multilateral agreements, the obligations adopted thereunder and legal challenges concerning the adequacy of climate-related policy brought against foreign and domestic governments may accelerate the implementation of these measures. Given the evolving nature of climate change policy and the control of GHG emissions and resulting requirements, including carbon taxes and carbon pricing schemes implemented by varying levels of government, it is expected that current and future climate change regulations will have the effect of increasing the Corporation's operating expenses, and, in the long-term, potentially reducing the demand for oil, NGLs, natural gas and related products, resulting in a decrease in the Corporation's profitability and a reduction in the value of its assets.

Claims have been made against certain energy companies alleging that GHG emissions from oil and natural gas operations constitute a public nuisance under certain laws or that such energy companies provided misleading disclosure to the public and investors of current or future risks associated with climate change. As a result, individuals, government authorities, or other organizations may make claims against oil and natural gas companies, including the Corporation, for alleged personal injury, property damage, or other potential liabilities. While the Corporation is not a party to any such litigation or proceedings, it could be named in actions making similar allegations. An unfavorable ruling in any such case could adversely affect the demand for and price of securities issued by the Corporation, impact its operations and have an adverse impact on its financial condition.

Given the perceived elevated long-term risks associated with policy development, regulatory changes, public and private legal challenges, or other market developments related to climate change, there have also been efforts in recent years affecting the investment community, including investment advisors, sovereign wealth funds, banks, public pension funds, universities and other institutional investors, promoting direct engagement and dialogue with companies in their portfolios on climate change action (including exercising their voting rights on matters relating to climate change) and increased capital allocation to investments in low-carbon assets and businesses while decreasing the carbon intensity of their portfolios through, among other measures, divestments of companies with high exposure to GHG-intensive operations and products. Certain stakeholders have also pressured insurance providers and commercial and investment banks to reduce or stop financing, and providing insurance coverage to oil and natural gas and related infrastructure businesses and projects. The impact of such efforts require the Corporation's management to dedicate significant time and resources to these climate change-related concerns, may adversely affect the Corporation's operations, the demand for and price of the Corporation's securities and may negatively impact the Corporation's cost of capital and access to the capital markets.

Emissions, carbon and other regulations impacting climate and climate-related matters are constantly evolving. With respect to environmental, social, governance and climate reporting, the International Sustainability Standards Board has issued an IFRS Sustainability Disclosure Standard with the aim to develop sustainability disclosure standards that are globally consistent, comparable and reliable. In addition, the Canadian Securities Administrators published for comment Proposed National Instrument 51-107 – *Disclosure of Climate Related Matters*, intended to introduce climate-related disclosure requirements for reporting issuers in Canada with limited exceptions. If the Corporation is not able to meet future sustainability reporting requirements of regulators or current and future expectations of investors, insurance providers, or other stakeholders, its business and ability to attract and retain skilled employees, obtain regulatory permits, licences, registrations, approvals, and authorizations from various governmental authorities, and raise capital may be adversely affected. See "*Industry Conditions – Regulatory Authorities and Environmental Regulation – Climate Change Regulation*"

Physical risks

Based on the Corporation's current understanding, the potential physical risks resulting from climate change are long-term in nature and associated with a high degree of uncertainty regarding timing, scope, and severity of potential impacts. Many experts believe global climate change could increase extreme variability in weather patterns such as increased frequency of severe weather, rising mean temperature and sea levels, and long-term changes in precipitation patterns. Extreme hot and cold weather, heavy snowfall, heavy rainfall, and wildfires may restrict the Corporation's ability to access its properties and cause operational difficulties, including damage to equipment and infrastructure. Extreme weather also increases the risk of personnel injury as a result of dangerous working conditions. Certain of the Corporation's assets are located in locations that are proximate to forests and rivers and a wildfire or flood may lead to significant downtime and/or damage to the Corporation's assets or cause disruptions to the production and transport of its products or the delivery of goods and services in its supply chain.

Inflation and Cost Management

A failure to secure the services and equipment necessary to the Corporation's operations for the expected price, on the expected timeline, or at all, may have an adverse effect on the Corporation's financial performance and cash flows.

The Corporation's operating costs could escalate and become uncompetitive due to supply chain disruptions, inflationary cost pressures, equipment limitations, escalating supply costs, commodity prices, and additional government intervention through stimulus spending or additional regulations. The Corporation's inability to manage costs may impact project returns and future development decisions, which could have a material adverse effect on its financial performance and cash flows.

The cost or availability of oil and gas field equipment may adversely affect the Corporation's ability to undertake exploration, development and construction projects. The oil and gas industry is cyclical in nature and is prone to shortages of supply of equipment and services including drilling rigs, geological and geophysical services, engineering and construction services, major equipment items for infrastructure projects and construction materials generally. These materials and services may not be available when required at reasonable prices. A failure to secure the services and equipment necessary to the Corporation's operations for the expected price, on the expected timeline, or at all, may have an adverse effect on the Corporation's financial performance and cash flows.

Seasonality

The level of activity in the Canadian oil and natural gas industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable which prevents, delays or makes operations more difficult. Consequently, municipalities and provincial transportation departments may enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Road bans and other restrictions generally result in a reduction of drilling and exploratory activities and may also result in the shut-in of some of the Corporation's production if not otherwise tied-in. Certain of the Corporation's oil and natural gas producing areas are located in areas that are inaccessible other than during the winter months because the ground surrounding the sites in these areas consists of impassable muskeg.

Variations in Foreign Exchange Rates and Interest Rates

World oil and natural gas prices are quoted in United States dollars. The Canadian/United States dollar exchange rate, which fluctuates over time, consequently affects the price received by Canadian producers of oil and natural gas. Material increases in the value of the Canadian dollar relative to the United States dollar will negatively affect the Corporation's production revenues. Accordingly, exchange rates between Canada and the United States could affect the future value of the Corporation's reserves as determined by independent evaluators. Although a low value of the Canadian dollar relative to the United States dollar may positively affect the price the Corporation receives for its oil and natural gas production, it could also result in an increase in the price for certain goods used for the Corporation's operations, which may have a negative impact on the Corporation's financial results.

To the extent that the Corporation engages in risk management activities related to foreign exchange rates, there is a credit risk associated with counterparties with which the Corporation may contract.

An increase in interest rates could result in a significant increase in the amount the Corporation pays to service debt, resulting in a reduced amount available to fund its exploration and development activities, and if applicable, the cash available for dividends. Such an increase could also negatively impact the market price of the Common Shares of the Corporation.

Substantial Capital Requirements

The Corporation anticipates making substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. As future capital expenditures will be financed out of cash generated from operations, borrowings and possible future equity sales,the Corporation's ability to do so is dependent on, among other factors: the overall state of the capital markets; any applicable credit ratings; commodity prices; interest rates; royalty rates; tax burden due to current and future tax laws; and investor appetite for investments in the energy industry and the Corporation's securities in particular.

Further, if the Corporation's revenues or reserves decline, it may not have access to the capital necessary to undertake or complete future drilling programs. The conditions in, or affecting, the oil and natural gas industry have negatively impacted the ability of oil and natural gas companies, including the Corporation, to access additional financing and/or the cost thereof. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Corporation. The Corporation may be required to seek additional equity financing on terms that are highly dilutive to existing Shareholders. The inability of the Corporation to access sufficient capital for its operations could have a material adverse effect on the Corporation's business financial condition, results of operations and prospects.

Additional Funding Requirements

The Corporation's cash flow from its reserves may not be sufficient to fund its ongoing activities at all times and, from time to time, the Corporation may require additional financing in order to carry out its oil and natural gas acquisition, exploration and development activities. Failure to obtain financing on a timely basis could cause the Corporation to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce its operations. Due to the conditions in the oil and natural gas industry and/or global economic and political volatility, the Corporation may, from time to time, have restricted access to capital and increased borrowing costs. The current conditions in the oil and natural gas industry have negatively impacted the ability of oil and natural gas companies to access, or the cost of, additional financing.

As a result of global economic and political conditions and the domestic lending landscape, the Corporation may, from time to time, have restricted access to capital and increased borrowing costs. Failure to obtain suitable financing on a timely basis could cause the Corporation to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If the Corporation's revenues from its reserves decrease as a result of lower oil and natural gas prices or otherwise, it will affect the Corporation's ability to expend the necessary capital to replace its reserves or to maintain its production. To the extent that external sources of capital become limited, unavailable or available on onerous terms, the Corporation's ability to make capital investments and maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and results of operations may be affected materially and adversely as a result. In addition, the future development of the Corporation's petroleum properties may require additional financing and there are no assurances that such financing will be available or, if available, will be available upon acceptable terms. Alternatively, any available financing may be highly dilutive to existing Shareholders. Failure to obtain any financing necessary for the Corporation's capital expenditure plans may result in a delay in development or production on the Corporation's properties.

Asset Concentration

The Corporation's producing properties are geographically concentrated. As a result, to the extent demand for and costs of personnel, equipment, power, services, and resources in such geographic area are high it could result in a delay or inability to secure the personnel, equipment, power, services, and resources. Any delay or inability to secure the personnel, equipment, power, services, and resources could result in crude oil, NGLs and natural gas production volumes being below the Corporation's forecasted production volumes. In addition, any such negative effect on production volumes, or significant increases in costs, could have a material adverse effect on the Corporation's financial conditions, results of operations, cash flow, and profitability.

As a result of this concentration, the Corporation may be disproportionately exposed to the impact of delays or interruptions of operations or production in this area caused by external factors such as governmental regulation, provincial politics, market limitations, supply shortages, or extreme weather-related conditions.

Credit Facility Arrangements

The Corporation currently has a credit facility and the amount authorized thereunder is dependent on the borrowing base determined by its lenders. The Corporation is required to comply with covenants under its credit facility which may, in certain cases, include certain financial ratio tests, which, from time to time, either affect the availability, or price, of additional funding and in the event that the Corporation does not comply with these covenants, the Corporation's access to capital could be restricted or repayment could be required. Events beyond the Corporation's control may contribute to the failure of the Corporation to comply with such covenants. A failure to comply with covenants could result in default under the Corporation's credit facility, which could result in the Corporation being required to repay amounts owing thereunder. The acceleration of the Corporation's indebtedness under one agreement may permit acceleration of indebtedness under other agreements that contain cross default or cross-acceleration provisions. In addition, the Corporation's credit facility may impose operating and financial restrictions on the Corporation that could include restrictions on, the payment of dividends, repurchase or making of other distributions with respect to the Corporation's securities, incurring of additional indebtedness, the provision of guarantees, the assumption of loans, making of capital expenditures, entering into of amalgamations, mergers, take-over bids or disposition of assets, among others.

The Corporation's lenders use the Corporation's reserves, commodity prices, applicable discount rate and other factors to determine periodically the Corporation's borrowing base. Any decrease in commodity prices could reduce the Corporation's borrowing base, reducing the funds available to the Corporation under the credit facility. This could result in the requirement to repay a portion, or all, of the Corporation's indebtedness.

If the Corporation's lenders require repayment of all or a portion of the amounts outstanding under its credit facilities for any reason, including for a default of a covenant or the reduction of a borrowing base, there is no certainty that the Corporation would be in a position to make such repayment. Even if the Corporation is able to obtain new financing in order to make any required repayment under its credit facilities, it may not be on commercially reasonable terms, or terms that are acceptable to the Corporation. If the Corporation is unable to repay amounts owing under its credit facilities, the lenders under such credit facilities could proceed to foreclose or otherwise realize upon the collateral granted to them to secure the indebtedness.

Issuance of Debt

From time to time, the Corporation may enter into transactions to acquire assets or shares of other entities. These transactions may be financed in whole, or in part, with debt, which may increase the Corporation's debt levels above industry standards for oil and natural gas companies of similar size. Depending on future exploration and development plans, the Corporation may require additional debt financing that may not be available or, if available, may not be available on favourable terms. Neither the Corporation's articles nor its by-laws limit the amount of indebtedness that the Corporation may incur. The level of the Corporation's indebtedness from time to time could impair the Corporation's ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

Hedging

From time to time, the Corporation may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline. However, to the extent that the Corporation engages in price risk management activities to protect itself from commodity price declines, it may also be prevented from realizing the full benefits of price increases above the levels of the derivative instruments used to manage price risk. In addition, the Corporation's hedging arrangements may expose it to the risk of financial loss in certain circumstances, including instances in which:

- production falls short of the hedged volumes or prices fall significantly lower than projected;
- there is a widening of price-basis differentials between delivery points for production and the delivery point assumed in the hedge arrangement;
- counterparties to the hedging arrangements or other price risk management contracts fail to perform under those arrangements; or
- a sudden unexpected event materially impacts oil and natural gas prices.

Similarly, from time to time, the Corporation may enter into agreements to fix the exchange rate of Canadian to United States dollars or other currencies in order to offset the risk of revenue losses if the Canadian dollar increases in value compared to other currencies. However, if the Canadian dollar declines in value compared to such fixed currencies, the Corporation will not benefit from the fluctuating exchange rate.

Diluent Supply

Heavy oil and bitumen are characterized by high specific gravity or weight and high viscosity or resistance to flow. Diluent is required to facilitate the transportation of heavy oil and bitumen. A shortfall in the supply of diluent, or a restriction in access to diluent, may cause its price to increase, increasing the cost to transport heavy oil and bitumen to market. An increase to the cost of bringing heavy oil and bitumen to market may increase the Corporation's overall operating cost and result in decreased net revenues, negatively impacting the overall profitability of the Corporation's heavy oil and bitumen projects.

Title to and Right to Produce from Assets

The Corporation's actual title to and interest in its properties, and its right to produce and sell the oil and natural gas therefrom, may vary from the Corporation's records. In addition, there may be valid legal challenges or legislative changes that affect the Corporation's title to and right to produce from its oil and natural gas properties, which could impair the Corporation's activities and result in a reduction of the revenue received by the Corporation.

If a defect exists in the chain of title or in the Corporation's right to produce, or a legal challenge or legislative change arises, it is possible that the Corporation may lose all, or a portion of, the properties to which the title defect relates and/or its right to produce from such properties. This may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Reserves Estimates

There are numerous uncertainties inherent in estimating reserves and the future cash flows attributed to such reserves. The reserves and associated cash flow information set forth in this document are estimates only. Generally, estimates of economically recoverable oil and natural gas reserves (including the breakdown of reserves by product type) and the future net cash flows from such estimated reserves are based upon a number of variable factors and assumptions, such as:

- historical production from properties;
- production rates;
- ultimate reserve recovery;
- timing and amount of capital expenditures;
- marketability of oil and natural gas;
- royalty rates; and
- the assumed effects of regulation by governmental agencies and future operating costs (all of which may vary materially from actual results).

For those reasons, estimates of the economically recoverable oil 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 Corporation's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates and such variations could be material.

The estimation of proved reserves that may be developed and produced in the future is often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Recovery factors and drainage areas are often estimated by experience and analogy to similar producing pools. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves and such variations could be material.

In accordance with applicable securities laws, the Corporation's independent reserves evaluator has used forecast prices and costs in estimating the reserves and future net cash flows as summarized herein. Actual future net cash flows will be affected by other factors, such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs.

Actual production and cash flows derived from the Corporation's oil and natural gas reserves will vary from the estimates contained in the reserve evaluation, and such variations could be material. The reserve evaluation is based in part on the assumed success of activities the Corporation intends to undertake in future years. The reserves and estimated cash flows to be derived therefrom and contained in the reserve evaluation will be reduced to the extent that such activities do not achieve the level of success assumed in the reserve evaluation. The reserve evaluation is effective as of a specific effective date and, except as may be specifically stated, has not been updated and therefore does not reflect changes in the Corporation's reserves since that date.

Insurance

The Corporation's involvement in the exploration for and development of oil and natural gas properties may result in the Corporation becoming subject to liability for pollution, blowouts, leaks of sour gas, property damage, personal injury or other hazards. Although the Corporation maintains insurance in accordance with industry standards to address certain of these risks, such insurance has limitations on liability and may not be sufficient to cover the full extent of such liabilities. In addition, certain risks are not, in all circumstances, insurable or, in certain circumstances, the Corporation may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of any uninsured liabilities would reduce the funds available to the Corporation. The occurrence of a significant event that the Corporation is not fully insured against, or the insolvency of the insurer of such event, may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

The Corporation's insurance policies are generally renewed on an annual basis and, depending on factors such as market conditions, the premiums, policy limits and/or deductibles for certain insurance policies can vary substantially. In some instances, certain insurance may become unavailable or available only for reduced amounts of coverage. Significantly increased costs could lead the Corporation to decide to reduce or possibly eliminate, coverage. In addition, insurance is purchased from a number of third-party insurers, often in layered insurance arrangements, some of whom may discontinue providing insurance coverage for their own policy or strategic reasons. Should any of these insurers refuse to continue to provide insurance coverage, the Corporation's overall risk exposure could be increased and the Corporation could incur significant costs.

Non-Governmental Organizations

The oil and natural gas exploration, development and operating activities conducted by the Corporation may at times be subject to public opposition. Such public opposition could expose the Corporation to the risk of higher costs, delays or even project cancellations due to increased pressure on governments and regulators by special interest groups including Indigenous groups, landowners, environmental interest groups (including those opposed to oil and natural gas production operations) and other non-governmental organizations, blockades, legal or regulatory actions or challenges, increased regulatory oversight, reduced support from the federal, provincial or municipal governments, delays in, challenges to, or the revocation of regulatory approvals, permits and/or licenses, and direct legal challenges, including the possibility of climate-related litigation. There is no guarantee that the Corporation will be able to satisfy the concerns of the special interest groups and non-governmental organizations and attempting to address such concerns may require the Corporation to incur significant and unanticipated capital and operating expenditures.

Reputational Risk Associated with the Corporation's Operations

The Corporation's business, operations or financial condition may be negatively impacted as a result of any negative public opinion towards the Corporation or as a result of any negative sentiment toward, or in respect of, the Corporation's reputation with stakeholders, special interest groups, political leadership, the media or other entities. Public opinion may be influenced by certain media and special interest groups' negative portrayal of the industry in which the Corporation operates as well as their opposition to certain oil and natural gas projects. Potential impacts of negative public opinion or reputational issues may include delays or interruptions in operations, legal or regulatory actions or challenges, blockades, increased regulatory oversight, reduced support for, delays in, challenges to, or the revocation of regulatory approvals, permits and/or licenses and increased costs and/or cost overruns. The Corporation's reputation and public opinion could also be impacted by the actions and activities of other companies operating in the oil and natural gas industry, particularly other producers, over which the Corporation has no control. Similarly, the Corporation's reputation could be impacted by negative publicity related to loss of life, injury or damage to property and environmental damage caused by the Corporation's operations. In addition, if the Corporation develops a reputation of having an unsafe work site, it may impact the ability of the Corporation to attract and retain the necessary skilled employees and consultants to operate its business. Opposition from special interest groups opposed to oil and natural gas development and the possibility of climate related litigation against governments and hydrocarbon companies may impact the Corporation's reputation. See "*Risk Factors – Climate Change*".

Reputational risk cannot be managed in isolation from other forms of risk. Credit, market, operational, insurance, regulatory and legal risks, among others, must all be managed effectively to safeguard the Corporation's reputation. Damage to the Corporation's reputation could result in negative investor sentiment towards the Corporation, which may result in limiting the Corporation's access to capital, increasing the cost of capital, and decreasing the price and liquidity of the Corporation's securities.

Changing Investor Sentiment

A number of factors, including the effects of the use of hydrocarbons on climate change, the impact of oil and natural gas operations on the environment, environmental damage relating to spills of petroleum products during production and transportation and Indigenous rights, have affected certain investors' sentiments towards investing in the oil and natural gas industry. As a result of these concerns, some institutional, retail and governmental investors have announced that they no longer are willing to fund or invest in oil and natural gas properties or companies, or are reducing the amount thereof over time. In addition, certain institutional investors are requesting that issuers develop and implement more robust social, environmental and governance policies and practices. Developing and implementing such policies and practices can involve significant costs and require a significant time commitment from the Board of Directors, management and employees of the Corporation. Failing to implement the policies and practices, as requested by institutional investors, may result in such investors reducing their investment in the Corporation, or not investing in the Corporation at all. Any reduction in the investor base interested or willing to invest in the oil and natural gas industry and more specifically, the Corporation, may result in limiting the Corporation's access to capital, increasing the cost of capital, and decreasing the price and liquidity of the Corporation's securities even if the Corporation's operating results, underlying asset values or prospects have not changed.

Indigenous Land and Rights Claims

Opposition by Indigenous groups to the conduct the Corporation’s operations, development or exploratory activities in any of the jurisdictions in which the Corporation conducts business may negatively impact it in terms of public perception, diversion of management’s time and resources, legal and other advisory expenses, and could adversely impact the Corporation's progress and ability to explore and develop properties.

Some Indigenous groups have established or asserted Indigenous treaty, title and rights to portions of Canada. Although there are no Indigenous and treaty rights claims on lands where the Corporation operates**,** no certainty exists that any lands currently unaffected by claims brought by Indigenous groups will remain unaffected by future claims. Such claims, if successful, could have a material adverse impact on its operations or pace of growth.

The Canadian federal and provincial governments have a duty to consult with Indigenous people when contemplating actions that may adversely affect the asserted or proven Indigenous or treaty rights and, in certain circumstances, accommodate their concerns. The scope of the duty to consult by federal and provincial governments varies with the circumstances and is often the subject of ongoing litigation. The fulfillment of the duty to consult Indigenous people and any associated accommodations may adversely affect the Corporation's ability to, or increase the timeline to, obtain or renew, permits, leases, licences and other approvals, or to meet the terms and conditions of those approvals. For example, a recent British Columbia Supreme Court decision determined that the cumulative impacts of government sanctioned industrial development on the traditional territories of a First Nations group in northeast British Columbia breached that group's treaty rights. Going forward, this decision may have significant impacts on the regulation of industrial activities in northeast British Columbia. Further, it may lead to similar claims of cumulative effects across Canada in other areas covered by numbered treaties. The long-term impacts of and associated risks of the decision on the Canadian oil and natural gas industry and the Corporation remain uncertain.

In addition, the federal government has introduced legislation to implement the UNDRIP. Other Canadian jurisdictions, including British Columbia, have also introduced or passed similar legislation, or begun considering the principles and objectives of UNDRIP, or may do so in the future. The means and timelines associated with UNDRIP’s implementation by government is uncertain; additional processes may be created or legislation amended or introduced associated with project development and operations, further increasing uncertainty with respect to project regulatory approval timelines and requirements. See "*Industry Conditions – Indigenous Rights*".

Dilution

The Corporation may issue additional Common Shares or other dilutive securities, diluting current Shareholders. The Corporation may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Corporation, which may be dilutive to Shareholders.

Management of Growth

The Corporation may be subject to growth related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Corporation to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. If the Corporation is unable to deal with this growth, it may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Expiration of Licenses and Leases

The Corporation's properties are held in the form of licences and leases and working interests in licences and leases. If the Corporation, or the holder of the licence or lease, fails to meet the specific requirement of a licence or lease, the licence or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each licence or lease will be met. The termination or expiration of the Corporation's licences or leases or the working interests relating to a licence or lease and the associated abandonment and reclamation obligations may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Dividends

The Corporation does not pay any dividends on its outstanding shares. Payment of dividends in the future will be dependent on, among other things, cash flow, results of operations, financial condition of the Corporation, the need for funds to finance ongoing operations and other considerations, as the Board of Directors considers relevant.

Litigation

The Corporation may be involved in litigation in the course of its normal operations and the outcome of the litigation may adversely affect the Corporation and its reputation. In the normal course of the Corporation's operations, it may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions. Potential litigation may develop in relation to personal injuries (including resulting from exposure to hazardous substances, property damage, property taxes, land and access rights, environmental issues, including claims relating to contamination or natural resource damages and contract disputes). The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Corporation and could have a material adverse effect on the Corporation's assets, liabilities, business, financial condition and results of operations. Even if the Corporation prevails in any such legal proceedings, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from business operations, which could have an adverse affect on the Corporation's financial condition.

Intellectual Property Litigation

Due to the rapid development of oil and natural gas technology, in the normal course of the Corporation's operations, the Corporation may become involved in, named as a party to, or be the subject of, various legal proceedings in which it is alleged that the Corporation has infringed the intellectual property rights of others or which the Corporation initiates against others it believes are infringing upon its intellectual property rights. The Corporation's involvement in intellectual property litigation could result in significant expense, adversely affecting the development of its assets or intellectual property or diverting the efforts of its technical and management personnel, whether or not such litigation is resolved in the Corporation's favour. In the event of an adverse outcome as a defendant in any such litigation, the Corporation may, among other things, be required to:

- pay substantial damages and/or cease the development, use, sale or importation of processes that infringe upon other patented intellectual property;
- expend significant resources to develop or acquire non-infringing intellectual property;
- discontinue processes incorporating infringing technology; or
- obtain licences to the infringing intellectual property.

However, the Corporation may not be successful in such development or acquisition, or such licences may not be available on reasonable terms. Any such development, acquisition or licence could require the expenditure of substantial time and other resources and could have a material adverse effect on the Corporation's business and financial results.

Breach of Confidentiality

While discussing potential business relationships or other transactions with third parties, the Corporation may disclose confidential information relating to its business, operations or affairs. Although confidentiality agreements are generally signed by third parties prior to the disclosure of any confidential information, a breach could put the Corporation at competitive risk and may cause significant damage to its business. The harm to the Corporation's business from a breach of confidentiality cannot presently be quantified, but may be material and may not be compensable in damages. There is no assurance that, in the event of a breach of confidentiality, the Corporation will be able to obtain equitable remedies, such as injunctive relief, from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

Income Taxes

The Corporation files all required income tax returns and believes that it is in full compliance with the provisions of the *Tax Act* and all other applicable provincial tax legislation. However, such returns are subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of the Corporation, whether by re-characterization of exploration and development expenditures or otherwise, such reassessment may have an impact on current and future taxes payable.

Income tax laws relating to the oil and natural gas industry, such as the treatment of resource taxation or dividends, may in the future be changed or interpreted in a manner that adversely affects the Corporation. Furthermore, tax authorities having jurisdiction over the Corporation may disagree with how the Corporation calculates its income for tax purposes or could change administrative practices to the Corporation's detriment.

Third Party Credit Risk

The Corporation may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, marketers of its petroleum and natural gas production and other parties. In addition, the Corporation may be exposed to third party credit risk from operators of properties in which the Corporation has a working or royalty interest. In the event such entities fail to meet their contractual obligations to the Corporation, such failures may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. In addition, poor credit conditions in the industry, generally, and of the Corporation's joint venture partners may affect a joint venture partner's willingness to participate in the Corporation's ongoing capital program, potentially delaying the program and the results of such program until the Corporation finds a suitable alternative partner. To the extent that any of such third parties go bankrupt, become insolvent or make a proposal or institute any proceedings relating to bankruptcy or insolvency, it could result in the Corporation being unable to collect all or a portion of any money owing from such parties. Any of these factors could materially adversely affect the Corporation's financial and operational results.

Conflicts of Interest

Certain directors or officers of the Corporation may also be directors or officers of other oil and natural gas companies and as such may, in certain circumstances, have a conflict of interest. Conflicts of interest, if any, will be subject to and governed by procedures prescribed by the ABCA which require a director or officer of a corporation who is a party to, or is a director or an officer of, or has a material interest in any person who is a party to, a material contract or proposed material contract with the Corporation to disclose his or her interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under the ABCA.

Two of the Corporation's directors, including the Chairman, are directors of Perpetual, and all of the officers of the Corporation are officers of Perpetual. In addition, the Corporation is dependent on Perpetual for administrative, operating and other services pursuant to the MSA. The directors and officers of Perpetual and the Corporation have fiduciary duties to manage Perpetual and the Corporation, respectively, in a manner beneficial to Perpetual and the Corporation, respectively. The duties of the directors and officers of Perpetual and the Corporation may come into conflict.

Current members of the Corporation's Board are directors or officers of corporations which are in competition to the interests of the Corporation. No assurances can be given that opportunities identified by such board members will be provided to the Corporation. See "**Directors and Officers - Conflicts of Interest**".

Reliance on a Skilled Workforce and Key Personnel

The operations and management of the Corporation require the recruitment and retention of a skilled workforce, including engineers, technical personnel and other professionals. The loss of key members of such workforce, or a substantial portion of the workforce as a whole, could result in the failure to implement the Corporation's business plans which could have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that the Corporation will be able to continue to attract and retain all personnel necessary for the development and operation of its business. The Corporation does not have any key personnel insurance in effect. Contributions of the existing management team to the immediate and near term operations of the Corporation are likely to be of central importance. In addition, certain of the Corporation's current employees may have significant institutional knowledge that must be transferred to other employees prior to their departure from the workforce. If the Corporation is unable to: (i) retain current employees; (ii) successfully complete effective knowledge transfers; and/or (iii) recruit new employees with the requisite knowledge and experience, the Corporation could be negatively impacted. In addition, the Corporation could experience increased costs to retain and recruit these professionals.

Information Technology Systems and Cyber-Security

The Corporation is increasingly dependent upon the availability, capacity, reliability and security of our information technology infrastructure, and our ability to expand and continually update this infrastructure, to conduct daily operations. The Corporation depends on various information technology systems to estimate reserve quantities, process and record financial data, manage the Corporation's land base, manage financial resources, analyze seismic information, administer contracts with operators and lessees and communicate with employees and third-party partners.

Further, the Corporation is subject to a variety of information technology and system risks as a part of its operations including potential breakdown, invasion, virus, cyber-attack, cyber-fraud, security breach, and destruction or interruption of the Corporation's information technology systems by third parties or insiders. Unauthorized access to these systems by employees or third parties could lead to corruption or exposure of confidential, fiduciary or proprietary information, interruption to communications or operations or disruption to business activities or the Corporation's competitive position. In addition, cyber phishing attempts, in which a malicious party attempts to obtain sensitive information such as usernames, passwords, and credit card details (and money) by disguising as a trustworthy entity in an electronic communication, have become more widespread and sophisticated in recent years. If the Corporation becomes a victim to a cyber phishing attack it could result in a loss or theft of the Corporation's financial resources or critical data and information, or could result in a loss of control of the Corporation's technological infrastructure or financial resources. The Corporation's employees are often the targets of such cyber phishing attacks, as they are and will continue to be targeted by parties using fraudulent "spoof" emails to misappropriate information or to introduce viruses or other malware through "Trojan horse" programs to the Corporation's computers. These emails appear to be legitimate emails, but direct recipients to fake websites operated by the sender of the email or request recipients to send a password or other confidential information through email or to download malware.

The Corporation maintains policies and procedures that address and implement employee protocols with respect to electronic communications and electronic devices and conducts annual cyber-security risk assessments. The Corporation also employs encryption protection of its confidential information, all computers and other electronic devices. Despite the Corporation's efforts to mitigate such cyber phishing attacks through education and training, cyber phishing activities remain a serious problem that may damage its information technology infrastructure. The Corporation applies technical and process controls in line with industry-accepted standards to protect its information, assets and systems, including a written incident response plan for responding to a cyber-security incident. However, these controls may not adequately prevent cyber-security breaches. Disruption of critical information technology services, or breaches of information security, could have a negative effect on the Corporation's performance and earnings, as well as its reputation, and any damages sustained may not be adequately covered by the Corporation's current insurance coverage, or at all. The significance of any such event is difficult to quantify, but may in certain circumstances be material and could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Social Media

Increasingly, social media is used as a vehicle to carry out cyber phishing attacks. Information posted on social media sites, for business or personal purposes, may be used by attackers to gain entry into the Corporation's systems and obtain confidential information. The Corporation restricts the social media access of its employees and periodically reviews, supervises, retains and maintains the ability to retrieve social media content. Despite these efforts, there are significant risks that the Corporation may not be able to properly regulate social media use and preserve adequate records of business activities and client communications conducted through the use of social media platforms.

Expansion into New Activities

The operations and expertise of the Corporation's management are currently focused primarily on oil and natural gas production, exploration and development in the Western Canada Sedimentary Basin. In the future, the Corporation may acquire or move into new industry related activities or new geographical areas and may acquire different energy-related assets; as a result, the Corporation may face unexpected risks or, alternatively, its exposure to one or more existing risk factors may be significantly increased, which may in turn result in the Corporation's future operational and financial conditions being adversely affected.

Wars, Civil Unrest and Other Disruptions and Dislocations

Upon the occurrence of an incident of war (including the war in Ukraine), riot or civil unrest, the impacted country, province, or region may not efficiently and quickly recover from such event, which could have a materially adverse effect on the Corporation, its customers, and/or either of their businesses or operations. In addition, related events can result in volatility and disruption to local and global supply chains, operations, mobility of people and the financial markets, which could affect interest rates, credit ratings, credit risk, inflation, business, financial conditions, results of operations and other factors relevant to the Corporation, its customers, and/or either of their businesses or operations.

Evolving Corporate Governance, Sustainability and Reporting Framework

The Corporation's business is subject to evolving corporate governance and public disclosure regulations that have increased both compliance costs and the risk of noncompliance, which could have an adverse effect on the price of the Corporation's securities. The Corporation is subject to changing rules and regulations promulgated by a number of governmental and self-regulated organizations, including the Canadian Securities administrators, the TSX and the Financial Accounting Standards Board. These rules and regulations continue to evolve in scope and complexity making compliance more difficult and uncertain. Further, the Corporation's efforts to comply with these and other new and existing rules and regulations have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Geopolitical Events

The Corporation's business may be adversely affected by recent geopolitical and events and decisions made in Canada, the United States, China, Europe and elsewhere.

The current war in Ukraine and the international response has, and may continue to have, potential wide ranging consequences for global market volatility and economic conditions, including energy and commodity prices, which may, in turn, increase inflationary pressures and interest rates. Certain countries, including Canada and the United States, have imposed strict financial and trade sanctions against Russia, which have, and may continue to have, far-reaching effects on the global economy and energy and commodity prices. The short, medium and long-term implications of the war in Ukraine are difficult to predict with any certainty at this time and there remains uncertainty relating to the potential direct and indirect impact of the war on the Corporation, and it could have a material and adverse effect on its business, financial condition and results of operations. Depending on the extent, duration, and severity of the war, it may have the effect of heightening many of the other risks described herein, including, without limitation, the risks relating to the Corporation's exposure to commodity prices; the successful completion of the Corporation's growth and expansion projects, including the expected return on investment thereof; supply chains and the Corporation's ability to obtain required equipment, materials or labour; cybersecurity risks; inflationary pressures; and restricted access to capital and increased borrowing costs as a result of increased interest rates.

Forward-Looking Information and Guidance

Shareholders and prospective investors are cautioned not to place undue reliance on the Corporation's forward-looking information. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

Additional information on the risks, assumption and uncertainties are found under the heading **"*Forward-Looking Information and Statements*"** of this Annual Information Form.

ABBREVIATIONS

Natural Gas		Oil and Liquids	
Mcf	thousand cubic feet	bbl	barrels
Mcfe	thousand cubic feet equivalent	Mbbl	thousand barrels
MMcf	million cubic feet	MMbbl	million barrels
MMcfe	million cubic feet equivalent	bbl/d	barrels per day
Bcf	billion cubic feet	m^3	cubic metres
Bcfe	billion cubic feet equivalent	boe	barrel of oil equivalent
Mcf/d	thousand cubic feet per day	Mboe	thousand barrels of oil equivalent
MMcf/d	million cubic feet per day	MMboe	million barrels of oil equivalent
Mcfe/d	thousand cubic feet equivalent per day	boe/d	barrels of oil equivalent per day
m^3	cubic metres		
MMBtu	million British thermal units		
GJ	gigajoule		

VOLUME CONVERSIONS

The Corporation reports production and reserves in either Mcf equivalent (Mcfe) or barrels of oil equivalent (boe). Mcfe and boe may be misleading, particularly if used in isolation. In accordance with NI 51-101, a Mcfe and boe conversion ratio for crude oil and natural gas of 1 bbl: 6 Mcf has been used, which is based on an energy equivalency conversion method primarily applicable at the burner tip and does not necessarily represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

The following table sets forth certain conversions between Standard Imperial Units and the International System of Units (or metric units).

To Convert From	To	Multiply By
Mcf	cubic metres	28.174
cubic metres	cubic feet	35.494
bbl	cubic metres	0.159
cubic metres	bbl	6.293
feet	metres	0.305
metres	feet	3.281
miles	kilometres	1.609
kilometres	miles	0.621
acres	hectares	0.405
hectares	acres	2.471
gigajoules	MMBtu or Mcf	0.950

FORWARD-LOOKING INFORMATION AND STATEMENTS

Certain information and statements contained in this Annual Information Form constitute forward-looking information and statements within the meaning of applicable securities laws (collectively, "forward-looking information"). This forward-looking information relates to future events or to Rubellite's future performance. All statements other than statements of historical fact may be forward-looking information. The use of any of the words "anticipate", "continue", "estimate", "expect", "forecast", "may", "will", "project", "should", "believe", "outlook", "guidance", "objective", "plans", "intends", "targeting", "could", "potential", "outlook", "strategy" and any similar expressions are intended to identify forward-looking information.

In particular, but without limiting the foregoing, this Annual Information Form contains forward-looking information pertaining to the following:

- the quantity and recoverability of the Corporation's reserves;
- the timing and amount of future production;
- future commodity prices as well as supply and demand for natural gas and crude oil;
- the existence, operations and strategy of the Corporation's commodity price risk management program;
- adjusted funds flow sensitivities to commodity price, production, foreign exchange and interest rate changes;
- operating, general and administrative, and other expenses;
- amount and timing of future abandonment and reclamation costs, decommissioning and environmental obligations;
- the use of exploration and development activity, asset management and acquisitions to sustain, replace or add to reserves and production or expand the Corporation's asset base;
- the Corporation's acquisition strategy and the existence of acquisition opportunities, the criteria to be considered in connection therewith and the benefits to be derived therefrom;
- the Corporation's s divestiture strategy;
- the Corporation's business plan and strategic priorities;
- future growth in the Corporation's adjusted funds flow;
- the Corporation's ability to benefit from the combination of growth opportunities and the ability to grow through the capital markets;
- expected book value and related tax value of the Corporation's assets and prospect inventory and estimates of net asset value;
- ability to fund exploration and development;
- expectations regarding the Corporation's access to capital to fund its acquisition, exploration and development activities;
- deferred income tax and its effect on funds flow;
- intentions with respect to preservation of tax pools and taxes payable by the Corporation;
- funding of and anticipated results from capital expenditure programs;
- future debt levels, financial capacity, liquidity and capital resources;
- future contractual commitments;
- drilling, completion, facilities and construction plans;
- future drilling, workovers and recompletions estimated in Rubellite's prospect inventory;
- the impact of Canadian federal and provincial governmental regulation on the Corporation relative to other issuers;
- Crown royalty rates;
- the Corporation's treatment under governmental regulatory regimes;
- business strategies and plans of management; and
- reliance on third parties in the industry to develop and expand the Corporation's assets and operations.

The forward-looking information contained in this Annual Information Form reflect several material factors and expectations and assumptions of the Corporation including, without limitation, that Rubellite will conduct its operations in a manner consistent with its expectations and, where applicable, consistent with past practice; the general continuance of current or, where applicable, assumed industry conditions; the continuance of existing, and in certain circumstances, the implementation of proposed tax, royalty and regulatory regimes; the ability of Rubellite to obtain equipment, services, and supplies in a timely manner to carry out its activities; the accuracy of the estimates of Rubellite's reserve volumes; the timely receipt of required regulatory approvals; certain commodity price and other cost assumptions; the ability to secure adequate product transportation; the continued availability of adequate debt and/or equity financing and funds flow to fund the Corporation's capital and operating requirements as needed; and the extent of Rubellite's liabilities.

Rubellite believes the material factors, expectations and assumptions reflected in the forward-looking information are reasonable but no assurance can be given that these factors, expectations and assumptions will prove to be correct. The forward-looking information included in this Annual Information Form are not guarantees of future performance and should not be unduly relied upon. Such forward-looking information involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information including, without limitation:

- limited, unfavourable, or a lack of access to capital markets;
- increased debt levels or debt service requirements;
- changes in exploration or development plans by Rubellite or by third party operators of Rubellite's properties;
- reliance on industry partners;
- volatility in market prices for crude oil, natural gas, NGL, power and other products;
- supply and demand regarding Rubellite's products;
- risks inherent in Rubellite's operations, such as production declines, unexpected results, geological, technical, or drilling and process problems;
- unanticipated operating events that can reduce production or cause production to be shut-in or delayed, including plant upsets, transportation bottlenecks and market disruptions;
- unanticipated well or facility operating performance;
- uncertainties or inaccuracies associated with estimating reserves and resource volumes;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands, skilled personnel, equipment for drilling, completions, facilities and pipeline construction and maintenance;
- increased service and operational costs;
- incorrect assessments of the value of acquisitions;
- industry conditions including fluctuations in the price of natural gas and related commodities;
- royalties payable in respect of Rubellite's production;
- governmental regulation of the oil and gas industry, including environmental regulation;
- fluctuation in foreign exchange or interest rates;

- the need to obtain required approvals from regulatory authorities;
- changes in laws applicable to the Corporation, royalty rates, or other regulatory matters;
- general economic conditions in Canada, the United States and globally;
- stock market volatility and market valuations; and
- certain other risks detailed from time to time in Rubellite's public disclosure documents including, without limitation, those risks and contingencies described above and under "Risk Factors" in this Annual Information Form. The foregoing list of risk factors should not be considered exhaustive.

The forward-looking information contained in this Annual Information Form speak only as of the date of this Annual Information Form, and the Corporation does not assume any obligation to publicly update or revise them to reflect new events or circumstances, unless expressly required to do so by applicable securities laws.

ADDITIONAL INFORMATION

Additional information relating to the Corporation may be found on SEDAR at www.sedar.com including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans which is contained in the Corporation's information circular for the Corporation's most recent annual meeting of security holders that involved the election of directors.

Additional financial information is contained in the Financial Statements and MD&A for the Corporation's most recently completed financial year.

APPENDIX A

REPORT OF MANAGEMENT AND DIRECTORS ON OIL AND GAS DISCLOSURE IN ACCORDANCE WITH FORM 51-101F3

Management of Rubellite Energy Inc. (the "**Company**") is responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data.

McDaniel & Associates Consultants Ltd., an independent qualified reserves evaluator, has evaluated the Company's reserves data. The report of the independent qualified reserves evaluator is presented below.

The Reserves Committee of the Board of Directors of the Company has:

(a) reviewed the Company's procedures for providing information to the independent qualified reserves evaluator;

(b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation; and

(c) reviewed the reserves data with management and the independent qualified reserves evaluator.

The Reserves Committee of the Board of Directors has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The Board of Directors has, on the recommendation of the Reserves Committee, approved:

(a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;

(b) the filing of Form 51-102F2 which is the report of the independent qualified reserves evaluator on the reserves data, contingent resources data, or prospective resources data; and

(c) the content and filing of this report.

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

DATED as of this 9th day of March, 2023.

"*signed by Susan L. Riddell Rose*"	"*signed by Ryan A. Shay*"
Susan L. Riddell Rose	Ryan A. Shay
President and Chief Executive Officer	Vice President, Finance and Chief Financial Officer
"*signed by Bruce Shultz*"	"*signed by Tamara MacDonald*"
Bruce Shultz	Tamara MacDonald
Director, Chairman of the Reserves Committee	Director

APPENDIX B

REPORT ON RESERVES DATA BY MCDANIEL & ASSOCIATES CONSULTANTS LTD. IN ACCORDANCE WITH FORM 51-101F2

To the Board of Directors of Rubellite Energy Inc. (the "**Company**"):

1. We have evaluated the Company's reserves data as at December 31, 2022. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2022 estimated using forecast prices and costs.

2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

3. We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook as amended from time to time (the "**COGE Handbook**") maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter).

4. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.

5. The following table shows the net present value of future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated for the year ended December 31, 2022, and identifies the respective portions thereof that we have evaluated and reported on to the Company's Board of Directors:

			Net Present Value of Future Net Revenue $M (before income taxes, 10% discount rate)			
Independent Qualified Reserves Evaluator	**Effective Date of Evaluation Report**	**Location of Reserves**	**Audited**	**Evaluated**	**Reviewed**	**Total**
McDaniel	December 31, 2022	Canada	–	215,179	–	215,179

6. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.

7. We have no responsibility to update our report referred to in paragraph 5 for events and circumstances occurring after the effective date of our report.

8. Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

MCDANIEL & ASSOCIATES CONSULTANTS LTD.

"*signed by B. R. Hamm*"
Brian R. Hamm, P. Eng.
President & CEO

Calgary, Alberta, Canada
March 9, 2023

APPENDIX C

AUDIT COMMITTEE CHARTER

RUBELLITE ENERGY INC.
(the "**Corporation**" or "**Rubellit**e")

The Audit Committee:

- must review and, if appropriate, recommend to the Board the approval of the financial statements, management's discussion & analysis ("MD&A") and annual and interim earnings press releases prior to this information being publicly disclosed;
- must annually review this written charter (setting out the Audit Committee's mandate and responsibilities) and recommend any changes to the Compensation and Corporate Governance Committee;
- supply for the purposes of the Manual, in consultation with corporate counsel, a list of the laws, rules and regulations that pertain to the operation of the Audit Committee;
- must recommend to the Board the nomination, appointment, retention and compensation of external auditors ("Auditors");
- must oversee the work of Auditors, which oversight may include approval of the Auditor's audit plan, planning report, annual engagement letter, or services related thereto, subject to ratification by the Board
- must review and approve all non-audit services provided by the Auditors prior to the performance of those services;
- communicates directly with the Auditors who must report directly to the Audit Committee;
- must be satisfied that adequate procedures are in place for the review of Rubellite's public disclosure of financial information extracted or derived from the financial statements, and must periodically assess the adequacies of those procedures;
- must establish procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls, or auditing matters, and for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;
- must review and approve Rubellite's hiring policies regarding former and existing partners and employees of past or present Auditors;
- reviews programs and policies regarding the maintenance and effectiveness of disclosure controls and internal controls over the Corporation's accounting and financial reporting systems;
- reviews insurance coverage and Directors' and Officers' liability insurance; and
- liaises with the reserves committee ("Reserves Committee") on matters relating to reserves valuations which impact the financial statements of Rubellite.

Purpose

The Audit Committee's purpose is to provide assistance to the Board in fulfilling its legal, regulatory and fiduciary obligations with respect to financial accounting, internal control processes, continuous public disclosure, the independent audit function, non-audit services provided by Auditors and such other related matters as may be delegated by the Board.

Composition, Procedures and Organization

1. The Audit Committee will be comprised of three or more Directors as determined from time to time by resolution of the Board.
2. Each member of the Audit Committee must be independent as defined in NI 52-110 and as such must be free from any material relationship that may interfere with the exercise of his or her independent judgment as a member of the Audit Committee.
3. Consistent with the appointment of other Board committees, the members of the Audit Committee will be appointed by the Board at the first meeting of the Board following each annual general meeting or at such other time as may be determined by the Board.
4. The Audit Committee will designate the Chairman of the Audit Committee by majority vote. The presence in person or by telephone of a majority of the Audit Committee's members constitutes a quorum for any meeting.
5. All actions of the Audit Committee will require a vote of the majority of its members present at a meeting of such committee at which a quorum is present.
6. All members of the Audit Committee must be financially literate at the time of their appointment or have become financially literate within a reasonable period of time after such appointment. NI 52-110 sets out that an individual is "financially literate" if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by Rubellite's financial statements.

Accountability and Reporting

The Audit Committee is accountable to the Board. The Audit Committee must provide the Board with a summary of all meetings and its recommendations together with a copy of the minutes of each such meeting. If applicable, the Chairman will provide oral reports as requested.

All information reviewed and discussed by the Audit Committee at any meeting must be retained and made available for examination by the Board. The Audit Committee will review its mandate annually, and will forward to the Compensation and Corporate Governance Committee any recommended alterations to that mandate.

Meetings

The Audit Committee will meet with such frequency and at such intervals as it determines is necessary to carry out its duties and responsibilities.

The Audit Committee will meet to review and recommend for approval to the Board of Directors the interim and year-end financial statements and MD&A; related financial public disclosure and regulatory filings including Rubellite's Annual Information Form; other continuous disclosure documentation ("Continuous Disclosure Documents") as described in NI 51-102 (which is incorporated herein by reference); and to report to the Board on same. In addition to regularly scheduled quarterly meetings, the Audit Committee may meet on other occasions with the Auditors in order to be advised of current practices in the industry and to discuss and review other matters including the annual work plans, processes and procedures. The Audit Committee must meet at least quarterly with the Auditors in the absence of Rubellite's management and Officers and employees to discuss any matters that the Audit Committee or a committee member believes should be discussed privately.

The Chairman of the Audit Committee will appoint a Director, Officer or employee of Rubellite to act as secretary for the purposes of recording the minutes of each meeting.

Responsibilities

The Audit Committee must:

- review and approve the Charter annually;
- review and recommend to the Board the appointment, termination and retention of, and the compensation to be paid to, the Auditors;
- evaluate the performance of the Auditors;
- review and consider the Auditors' audit plan and annual engagement letter including the proposed fees and the proposed work plan;
- consider and make recommendations to the Board or otherwise pre-approve, all non-audit services provided by the Auditors to Rubellite;
- oversee the work and the performance of the Auditors, review the independence of the Auditors and report to the Board on these matters;
- review the annual and quarterly financial statements, MD&A and financial press releases, Annual Information Form and other related Continuous Disclosure Documents as appropriate, prior to their public disclosure;
- review the Auditors' report on the annual audited financial statements and the Auditor's review letters on interim financial statements;
- provide oral or written reports to the Board when necessary;
- resolve disagreements between management and the Auditors regarding financial reporting;
- receive periodic certificates and reports from management with respect to compliance with financial, regulatory, taxation and continuous disclosure requirements, and satisfy itself (a) that adequate procedures are in place to ensure timely and full public disclosure of Continuous Disclosure Documents; and, (b) that a system of internal controls over financial reporting has been implemented and is being maintained in accordance with applicable Rubellite policies; and additionally, must consider whether any identified deficiencies in internal controls are significant or are material weaknesses;
- meet with the Auditors, without management being present, at each time the interim and financial statements are being considered, to ensure that no management restrictions have been placed on the scope of the Auditors' work and to discuss the working relationship between the Auditors and management and other matters that the Audit Committee or the Auditors may wish to raise;
- review and monitor the implementation and adequacy of disclosure policies;
- review insurance coverage including Directors' and Officers' liability insurance;
- review the Management and Operating Services Agreement quarterly percentage production split for G&A costs;
- be notified in writing within three business days of any fraud, litigation or regulatory investigation which, in the opinion of the Corporation's management, is material. Confirmation of receipt of such notification by each member of the Audit Committee will additionally be required. Any fraud, material litigation or regulatory investigation not reported as outlined above will be reported quarterly to the Board at the March, May, August, and November meetings immediately following the discovery of such occurrence;
- review and monitor the implementation and adequacy of hedging policies and controls;
- review compliance with applicable laws, regulations and policies;
- be advised of and review the results of any internal audits of Rubellite and report on same to the Board;
- establish procedures for:

1. the receipt, retention and treatment of complaints received by Rubellite regarding accounting, internal accounting controls, or auditing matters; and
2. the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters; (together with (a), a "Whistleblower Process");

- ensure that Rubellite management regularly advises employees of the existence of a Whistleblower Process;
- receive regular reports respecting complaints made under the Whistleblower Process;
- inform the Auditors of whether the Audit Committee has knowledge of any actual, suspected or alleged fraud affecting Rubellite, including complaints regarding financial reporting and confidential submissions by employees;
- review and validate Rubellite management's annual review of fraud risk assessment;
- review and monitor the implementation and adequacy of cyber-security policies and procedures;
- review and approve annual ESTMA report;
- review and recommend, if appropriate, continuation of management services agreement ("MSA") contracts with related entities;
- review and approve Rubellite's hiring policies regarding partners, employees and former partners and employees of the present and former Auditor of the issuer; and
- monitor the selection and application of proper accounting principles and practices and to review the status of all relevant financial and related fiduciary aspects of Rubellite