MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is management's discussion and analysis ("MD&A") of Rubellite Energy Inc.'s ("Rubellite", the "Company" or the "Corporation") operating and financial results for the year ended December 31, 2022, as well as information and estimates concerning the Corporation's future outlook based on currently available information. This discussion should be read in conjunction with the Corporation's financial statements and accompanying notes for the years ended December 31, 2022 and 2021. The Corporation's financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") which require publicly accountable enterprises to prepare their financial statements using International Financial Reporting Standards ("IFRS").

The date of this MD&A is March 9, 2023. Rubellite commenced operations with the acquisition of Perpetual Energy Inc.'s ("Perpetual) Clearwater lands, wells, roads and related facilities in northeast Alberta (the "Clearwater Assets") on July 15, 2021. Operating results for 2021 reflect the period from September 3, 2021, the effective date of the completion of the plan of arrangement between Perpetual, shareholders of Perpetual and Rubellite (the "Arrangement"), to December 31, 2021.

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

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

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

FOURTH QUARTER AND ANNUAL 2022 OPERATIONAL AND FINANCIAL HIGHLIGHTS

- Exploration and development capital expenditures(1) for the fourth quarter of 2022 totaled $23.5 million, related to the drilling of ten (7.9 net) multi-lateral horizontal wells at Figure lake and Marten Hills, one (1.0 net) vertical stratigraphic evaluation well as part of the Northern Exploration program, pad construction and facilities installation for the ongoing drilling program. Fourth quarter land spending of $3.0 million to purchase 23.0 net sections of land in the Clearwater area adjacent to recent Figure Lake drilling, bringing the total for 2022 to 171.5 net sections of additional land prospective for Clearwater heavy oil. Fourth quarter transactions include a Land Acquisition and Drilling Commitment Agreement with the Buffalo Lake Métis Settlement whereby Rubellite plans to drill a minimum of four multi-lateral wells prior to December 31, 2023.

- Exploration and development capital expenditures(1) for 2022 totaled $94.2 million, related to pad construction and facilities installation and the drilling of forty one (35.5 net) multi-lateral horizontal wells, two (2.0 net) vertical exploration wells, and two (2.0 net) service wells at Ukalta, Figure lake, Marten Hills and Utikuma. 2022 land spending of $20.7 million was spent to purchase land in the greater Clearwater fairway.

- As of December 31, 2022, there were fifty eight (51.5 net) wells contributing to sales production, with one (1.0 net) well rig released and recovering oil based mud drilling fluid ("OBM"), as compared to forty six (41.6 net) wells on production at the end of the third quarter of 2022. Recoveries of OBM are not recorded as sales production as the OBM is recycled for future drilling operations to the extent possible, which is currently running at approximately 65%, or sold and credited back to drilling capital.

- Daily average conventional heavy oil sales production increased 24% from third quarter 2022 levels to average 2,181 bbl/d in the fourth quarter of 2022 (Q3 2022 – 1,760 bbl/d), which was at the upper end of the Company's Q4 2022 guidance range of 1,950 to 2,200 bbl/d. Sales production for full year 2022 averaged 1,670 boe/d, an increase from 593 boe/d in 2021 and at the upper end of 2022 guidance range of 1,600 to 1,675 bbl/d. Production progressively ramped up through 2022 as new wells fully recovered their OBM, filled processing tank inventories, and then commenced delivery of heavy oil to sales terminals. The Company produced close to an additional 70 bbl/d which was not recorded as sales during the fourth quarter, building inventory to fill new tank volumes for oil processing and water separation at pad sites.

- Operating netbacks(1) in the fourth quarter of 2022 were $10.0 million, or $49.96/boe (Q3 2022 – $10.3 million or $63.90/boe), reflecting a decline in Western Canadian Select ("WCS") benchmark prices, partially offset by increased production. After realized losses on risk management contracts of $0.7 million, or $3.37/boe (Q3 2022 – losses of $3.0 million or $18.49/boe), operating netbacks after risk management contracts were $9.3 million or $46.59/boe (Q3 2022 – $7.4 million or $45.41/boe). Operating netbacks after risk management contracts in 2022 were $26.8 million or $43.93/boe (2021 – $3.3 million or $47.07/boe), reflecting an increase in prices, partially offset by a $13.1 million or $21.56/boe realized loss on risk management contracts.

- Adjusted funds flow(1) in the fourth quarter of 2022 was $8.1 million (Q3 2022 – $6.5 million) up 25% quarter-over-quarter, driven by the growth in sales production, partially offset by higher transportation and production and operating costs. Adjusted funds flow per boe was $40.60/boe, up 2% from $39.89/boe in the third quarter of 2022. Adjusted funds flow recorded for 2022 was $23.0 million ($0.44 per share), up from $1.6 million ($0.07/share) in 2021.

- Net cash flow from operating activities in the fourth quarter of 2022 were $15.0 million (Q3 2022 – $0.7 million cash flow used in operating activities). Net cash flows from operating activities for 2022 were $23.9 million (2021 – $1.1 million).

- Net income for the fourth quarter of 2022 was $18.7 million (Q3 2022 – $10.4 million). Higher net income was impacted by a deferred tax recovery, partially offset by the reduction in unrealized gains on risk management contracts as compared to the third quarter of 2022. Net income in 2022 was $24.6 million ($0.47/share) as compared to $7.7 million ($0.34/share) in 2021.

- Cash costs(1) were $4.1 million or $20.27/boe in the fourth quarter of 2022, up 46% (17% on a per boe basis) from the third quarter of 2022 (Q3 2022 – $2.8 million or $17.31/boe) due to the impact of higher production. On a per boe basis, the increase was driven by higher transportation and production and operating costs. Cash costs were $12.5 million ($20.51/boe) in 2022, as compared to $1.9 million or $26.46/boe in 2021.

- As at December 31, 2022, net debt[1] was $28.2 million, an increase from a net asset[1] of $5.4 million as at December 31, 2021, as capital expenditures exceed adjusted funds flow and $38.7 million of proceeds from equity financings. As compared to the third quarter of 2022, net debt increased $15.1 million.

- Rubellite had available liquidity (see "Liquidity, Capitalization and Financial Resources - Capital Management") at December 31, 2022 of $30.0 million, comprised of the $40.0 million borrowing limit of Rubellite's first lien credit facility ("Credit Facility Borrowing Limit"), less current borrowings of $12.0 million and cash and cash equivalents of $2.0 million.

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

OPERATIONS UPDATE

Three (0.9 net) new wells drilled in the fourth quarter at Marten Hills fully recovered OBM from the drilling process and completed their respective IP30 production periods, recording average IP30 production rates of 231 bbl/d, close to double the primary development type curve[1]. With primary development on the Company's Marten Hills acreage now complete, the Company will continue to monitor the performance of several offsetting waterflood pilots and assess the potential for secondary recovery on its acreage at Marten Hills later in 2023.

At Figure Lake, a total of eight (8.0 net) multi-lateral horizontal wells were spud and seven (7.0 net) were rig released during the fourth quarter. Development drilling operations were focused on two existing pads, adding three (3.0 net) horizontal multi-lateral wells to the pad at 1-13-63-18W4 (the "1-13 Pad") and three (3.0 net) horizontal multi-lateral wells on the pad to the north at 9-23-63-18W4 (the "9-23 Pad"). Two wells were also spud on a new pad at 3-26-63-18W4 (the "3-26 Pad"), with one well rig-released in mid-December and the second rig released January 6, 2023. All three new wells drilled at the 1-13 Pad recovered their OBM load fluid during the fourth quarter of 2022 and progressed through their respective IP30 production periods, recording IP30 rates ranging from 128 to 212 bbl/d to average 159 bbl/d as compared to the Figure Lake type curve[1] IP30 of 116 bbl/d. The three wells on the 9-23 Pad drilled during the fourth quarter have fully recovered their respective OBM and recorded IP30 production rates of 168 bbl/d, 195 bbl/d and 204 bbl/d respectively. Two additional wells on the 9-23 Pad rig released in January are amongst the strongest Figure Lake wells drilled to date, averaging 231 bbl/d and 259 bbl/d respectively during their recently completed IP30 periods. Positive results continued from the offsetting 3-26 Pad, with the well rig released in mid-December recording an IP30 period average rate of 172 bbl/d; the second well rig released in early January, which was approximately 20% shorter than the Figure Lake type curve[1], averaging 117 bbl/d through its IP30 period, and the third well rig released on the 3-26 Pad in early February tracking above the Figure Lake type curve[1]. Performance from the recent Figure Lake development wells continues to be positive and will be monitored to inform future corporate guidance as field operations are optimized.

The drilling rig was moved in mid-February to a new Figure Lake pad at 9-31-62-18W4 (the "9-31 Pad") and a step-out multi-lateral horizontal well was rig released in early March and has commenced OBM recovery operations. Finally at Figure Lake, the first of two wells have been spud on a new pad (the "10-19 Pad") on the Buffalo Lake Metis Settlement acreage acquired in the first quarter of 2023. Operationally, Rubellite intends to complete the drilling of the two wells on the 10-19 Pad in early April. The development / infill drilling program at Figure Lake will resume after break-up conditions allow for access in early May.

Rubellite spud the first of three (2.5 net) planned multi-lateral wells in its Northern Exploration Program in early January. The one (0.5 net before payout) horizontal multi-lateral well at Dawson (5-16-81-16W5) had approximately 7,500 meters of horizontal length as compared to a Figure Lake type curve[1] well with approximately 9,000 meters of horizontal length. The exploratory well at Dawson fully recovered its OBM load fluid and recorded an IP30 rate of 81 bbl/d. This exploration well's performance will be closely monitored through the remainder of the winter operating season with follow-up activity in winter 2023/24 under evaluation. In late January, the drilling rig moved to Peavine and drilled two (2.0 net) exploratory multi-lateral wells. The Peavine wells have completed their load oil recovery operations and began producing heavy oil volumes to sales progressively through February and early March. Performance of the Peavine wells will be closely monitored through the remainder of the winter operating season; however, initial results suggest future drilling in the Peavine area will not likely compete for capital relative to Rubellite's other attractive development projects at the current time.

(1) Type curve assumptions are based on the Total Proved plus Probable Undeveloped reserves contained in the McDaniel Reserve Report as disclosed in the Company's Annual Information Form which is available under the Company's profile on SEDAR at www.sedar.com. "McDaniel" means McDaniel & Associates Consultants Ltd. independent qualified reserves evaluators. "McDaniel Reserve Report" means the independent engineering evaluation of the crude oil, natural gas and NGL reserves, prepared by McDaniel with an effective date of December 31, 2022 and a preparation date of March 9, 2023. The Marten Hills primary development type curve was established in the McDaniel Reserve Report with an effective date of December 31, 2021.

OUTLOOK AND GUIDANCE

Rubellite is on track to spend a total of $17 - $20 million in Q1 2023 capital expenditure (see "Non-GAAP and Other Financial Measures") to drill, complete, equip and tie-in six (6.0 net) multi-lateral development / step-out wells at Figure Lake and the three (2.5 net) multi-lateral exploratory program which has already been completed. Forecast drilling activities are expected to be funded from adjusted funds flow and the Company's Credit Facility.

Factoring in the positive initial performance from the Q4 2022 and Q1 2023 drilling program to date, production sales volumes for the first quarter of 2023 are expected to average 2,800 - 2,900 bbl/d, exceeding previous November 10, 2022 guidance of 2,200 to 2,600 bbl/d. Based on field estimates for the last two weeks of February, heavy oil production to sales averaged 3,000 bbl/d.

Rubellite will closely monitor the production performance of the highly successful recent drilling program at Figure Lake and the Company anticipates providing full year guidance with the issuance of its Q1 2023 results in May.

Subsequent to year end, Rubellite acquired 20 net sections of prospective land through direct purchase related to the previously announced Land Acquisition and Drilling Commitment Agreement with the Buffalo Lake Métis Settlement. Rubellite plans to drill a minimum of four multi-lateral wells on this acreage to fulfill its operational commitments prior to December 31, 2023. The Company has now grown its land position for exposure to the Clearwater play to 343.9 net sections, up 231% from the 104 net sections held by Rubellite at its inception in July of 2021. A significant portion of the newly acquired lands are complementary to existing operating areas in Ukalta and Figure Lake on the southern Clearwater trend, while the remainder of the additional new acreage supplements Rubellite's exploratory acreage in the northern Clearwater play fairway and captures land on other Clearwater exploration prospects.

Capital spending, drilling activity and operational guidance for the first quarter of 2023 is as outlined in the table below:

	Previous Q1 2023 Guidance	Updated Q1 2023 Guidance
Production (bbl/d)	2,200 - 2,600	2,800 - 2,900
Development spending ($ millions)(1)	$8 - $10	$10 - $12
Multi-lateral development wells (net)(1)	7.0	6.0
Exploration spending ($ millions)(1)	$7 - $10	$7 - $8
Exploration wells (net)	—	2.5
Heavy oil wellhead differential ($/bbl)(2)	$7.00 - $8.00	$7.00 - $8.00
Royalties (% of revenue)(2)	9% - 10%	10% - 11%
Production & operating costs ($/boe)(2)	$6.00 - $6.50	$6.00 - $6.50
Transportation ($/boe)(2)	$6.50 - $7.00	$7.50 - $8.00
General & administrative ($/boe)(2)	$5.50 - $6.00	$5.00 - $5.50

(1) Exploration and development spending guidance excludes undeveloped land purchases and additional acquisitions. Well counts relate to wells rig released during the period. Non-GAAP ratio. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for an explanation of composition.
(2) Non-GAAP ratio. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for an explanation of composition.

FOURTH QUARTER 2022 FINANCIAL AND OPERATING RESULTS

Cash Flow used in Investing Activities, Capital Expenditures, Acquisitions and Dispositions

Cash flow used in investing activities was $31.2 million and $86.3 million for the three and twelve months ended December 31, 2022 as compared to $71.1 million and $67.2 million in the comparative periods of 2021. In addition to cash flow used in investing activities, Rubellite uses capital expenditures to measure its capital investments compared to the Company's annual budgeted expenditures related to both property, plant and equipment assets ("PP&E") and exploration and evaluation assets ("E&E") assets. The capital budget excludes acquisition and disposition activities. "Capital expenditures" is not a standardized measure and, therefore, may not be comparable with the calculation of similar measures by other entities.

For reconciliation of cash flow used in investing activities to capital expenditures, refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A.

The following tables summarizes capital expenditures for both PP&E and E&E assets, excluding non cash items:

	Three months ended December 31,					
	2022			2021		
(*$ thousands*)	**E&E**	**PP&E**	**Total**	E&E	PP&E	Total
Drilling and completions	**732**	**13,512**	**14,244**	—	12,951	12,951
Facilities	**—**	**4,017**	**4,017**	—	1,603	1,603
Lease construction	**302**	**1,909**	**2,211**	—	800	800
Land and other	**3,043**	**—**	**3,043**	1,520	306	1,826
Capital expenditures(1)	**4,077**	**19,438**	**23,515**	1,520	15,660	17,180

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

	Twelve Months Ended December 31,					
	2022			2021(2)		
(*$ thousands*)	**E&E**	**PP&E**	**Total**	E&E	PP&E	Total
Drilling and completions	**5,455**	**52,309**	**57,764**	—	12,909	12,909
Facilities	**—**	**9,687**	**9,687**	—	1,669	1,669
Lease construction	**612**	**5,442**	**6,054**	—	927	927
Land and other	**20,514**	**188**	**20,702**	1,547	306	1,853
Capital expenditures(1)	**26,581**	**67,626**	**94,207**	1,547	15,811	17,358

(1) Non-GAAP measure. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for an explanation of composition.
(2) Operating results for 2021 reflect the period from September 3, 2021, the effective date of the completion of the Arrangement from September 3, 2021 to December 31, 2021.

Wells drilled by area

(gross/net)	Three months ended December 31, **2022**	2021	Twelve months ended December 31, **2022**	2021[1]
Development:				
Ukalta	**- / -**	6 / 6.0	**16 / 16.0**	7 / 7.0
Figure Lake[2]	**7 / 7.0**	2 / 2.0	**16 / 16.0**	6 / 6.0
Marten Hills	**3 / 0.9**	- / -	**9 / 3.5**	2 / 1.0
Service Wells	**- / -**	- / -	**2 / 2.0**	- / -
Exploration:				
Ukalta	**- / -**	- / -	**1 / 1.0**	- / -
Utikuma[3]	**1 / 1.0**	- / -	**1 / 1.0**	- / -
Total	**11 / 8.9**	8 / 8.0	**45 / 39.5**	15 / 14.0

(1) Includes wells drilled in 2021 by Perpetual prior to the effective date of the completion of the Arrangement on September 3, 2021.
(2) One (1.0 net) Figure Lake well and one (1.0 net) Alpen well were originally classified as E&E drills and subsequently transferred into PP&E at Figure Lake during the fourth quarter of 2022.
(3) One (1.0 net) vertical stratigraphic evaluation well was drilled in Q4 2022.

Additions to PP&E assets

Rubellite's additions to PP&E in the fourth quarter of 2022 was $19.4 million. Drilling activity resulting in additions to PP&E for the fourth quarter of seven (7.0 net) wells at Figure Lake and three (0.9 net) wells at Marten Hills. Capital to drill two (2.0 net) additional wells at Figure Lake that were rig released in the beginning of 2023 were largely spent during the fourth quarter of 2022. The wells drilled during the fourth quarter at Figure Lake and Marten Hills were classified as PP&E assets as at December 31, 2022 with nine (6.9 net) of the wells contributing to production and the tenth well recovering OBM.

Additions to PP&E in 2022 was $67.6 million. Drilling activity resulting in additions to PP&E in 2022 represented sixteen (16.0 net) wells at Ukalta, sixteen (16.0 net) wells at Figure Lake and nine (3.5 net) wells at Marten Hills. One additional well drilled at Ukalta and one additional well drilled at Figure Lake during 2022 were vertical water disposal service wells.

Additions to E&E assets

Rubellite's 2022 additions related to E&E was $26.6 million which included exploratory drilling activity and land purchases.

During the fourth quarter of 2022, Rubellite drilled a vertical evaluation well at Utikuma as part of its Northern Exploration Program and this well remains in E&E at December 31, 2022. During the third quarter of 2022, Rubellite finished drilling an exploratory well at Alpen, approximately 6 miles west of Figure Lake, and a vertical evaluation well at Ukalta that was designed to test and define the an expansion of the pool to the northwest. As at December 31, 2022 the Ukalta well remains in E&E and the Alpen well was transferred to PP&E.

Land spending and acquisitions in the fourth quarter of 2022 was $3.0 million to purchase an additional 23.0 net sections of strategic land, including 10.75 net sections adjacent to recent Figure Lake drilling in the Clearwater area. Land spending in 2022 was $20.5 million, bringing the total prospective Clearwater acreage acquired during the year to 171.5 net sections.

Clearwater Assets Acquisition

On September 3, 2021, the Clearwater Assets were acquired from Perpetual for aggregate consideration of $65.5 million. The consideration consisted of promissory notes totaling $59.4 million, which were paid in cash on October 5, 2021, the issuance of 680,485 Rubellite common shares valued at $1.4 million, the return of 8.2 million Perpetual common shares exchanged in the Arrangement valued at $2.8 million and issuance of warrants to purchase 4.0 million Rubellite common shares at a price of $3.00 per share for a period of five years, valued at $2.0 million.

Production

	Three months ended December 31, **2022**	2021	Twelve months ended December 31, **2022**	2021[1]
Production				
Average daily heavy crude oil (bbl/d) – production[2]	**2,250**	633	**1,716**	620
Average daily heavy crude oil (bbl/d) – sales[2]	**2,181**	603	**1,670**	593

(1) The 2021 comparable period reflects activity from incorporation on July 12, 2021 and operating results from September 3, 2021, the effective date of the completion of the Arrangement, to December 31, 2021.
(2) The Company's heavy oil sales volumes and production volumes differ due to changes in inventory.

Fourth quarter production averaged 2,250 bbl/d, up 18% relative to the third quarter of 2022 (Q3 2022 - 1,906 bbl/d). Sales production averaged 2,181 bbl/d, up 421 bbl/d or 24% from 1,760 bbl/d in the third quarter of 2022 as new wells commenced production through the quarter. At the end of the fourth quarter, an additional twelve (9.9 net) wells were contributing to sales production while three (3.0 net) additional wells drilled at Figure Lake during the fourth quarter recovered their load fluid and began producing heavy oil to sales early in 2023.

Sales production for the three and twelve months ended December 31, 2022 increased 1,578 bbl/d (262%) and 1,077 bbl/d (182%) from the comparative periods in 2021. Production and sales volumes have progressively ramped up throughout 2022 as new wells fully recovered load fluid and commenced delivery to sales terminals.

Oil Revenue

($ thousands, except as noted)	Three months ended December 31, 2022	2021	Twelve months ended December 31, 2022	2021(1)
Oil revenue				
Oil revenue	**14,329**	3,931	**54,491**	4,923
Reference prices				
West Texas Intermediate ("WTI") (US$/bbl)	**82.64**	77.13	**94.22**	75.73
Foreign Exchange rate (US$/CAD$)	**1.36**	1.26	**1.30**	1.26
West Texas Intermediate ("WTI") (CAD$/bbl)	**112.39**	97.18	**122.49**	95.42
Western Canadian Select ("WCS") differential (US$/bbl)	**(25.70)**	(14.63)	**(18.23)**	(14.36)
WCS (CAD$/bbl)	**77.33**	78.65	**98.49**	77.37
Rubellite average realized prices(2)				
Average realized oil price ($/bbl)	**71.42**	70.94	**89.38**	69.76

(1) The 2021 comparable period reflects operating results from September 3, 2021, the effective date of the completion of the Arrangement, to December 31, 2021.
(2) Non-GAAP ratio. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for an explanation of composition.

Rubellite's oil revenue for the three months ended December 31, 2022 of $14.3 million increased by 4% or $0.6 million from the third quarter of 2022 (Q3 2022 - $13.7 million), attributable to the 24% increase in sales production, partially offset by the 15% decrease in average realized oil prices (Q3 2022 - average realized price $84.31/bbl). In the fourth quarter of 2022, commodity prices decreased when compared to the third quarter of 2022 driven by lower WTI reference prices and widening WCS differentials, partially offset by the weakening Canadian dollar. During the fourth quarter the decrease in the WCS average price was consistent with the decrease in WTI oil prices which averaged US$82.64/bbl (Q3 2022 – US$91.64/bbl) and an increase in the WCS differential to US$25.70/bbl (Q3 2022 - US$19.87/bbl).

Rubellite's oil revenue for the three and twelve months ended December 31, 2022 increased by $10.4 million (265%) and $49.6 million (1,007%) from the comparative periods in 2021, attributable to the increase in production and increased realized oil prices. During the fourth quarter the WCS average price decreased modestly relative to the comparative 2021 period as the increase in WTI oil price which averaged US$82.64/bbl (Q4 2021 – US$77.13/bbl), was offset by an increase in the WCS differential to US$25.70/bbl (Q4 2021 - US$14.63/bbl). During 2022 the WCS average price increase was consistent with the increase in WTI oil prices which averaged US$94.22/bbl (2021 – US$75.73/bbl). The increase in the WCS differential to US$18.23/bbl (2021 - US$14.36/bbl) was more than offset by changes in foreign exchange rates.

Risk Management Contracts

The Company's realized price deviates from benchmark prices due to the Company's risk management strategies. The Company uses "average realized oil prices after risk management contracts" which is not a standardized measure, and therefore may not be comparable with the calculation of similar measures by other entities. The measure is used by management to calculate the Company's net realized oil price, taking into account the monthly settlements of financial and physical crude oil forward sales, differentials and foreign exchange contracts. These contracts are put in place to protect Rubellite's cash flows from potential volatility and lock in economics on drilling programs.

The following table calculates the average realized oil prices after risk management contracts, which is not a standardized measure:

($ thousands, except as noted)	Three months ended December 31, 2022	2021	Twelve months ended December 31, 2022	2021(1)
Unrealized gain (loss) on risk management contracts	**1,017**	**(1,337)**	**2,025**	(1,337)
Realized gain (loss) on risk management contracts	**(676)**	**101**	**(13,142)**	101
Realized gain (loss) on risk management contracts (*$/bbl*)	**(3.37)**	**1.83**	**(21.56)**	1.44
Average realized oil price after risk management contracts(2)	**68.05**	**72.77**	**67.82**	71.20

(1) The 2021 comparable period reflects operating results from September 3, 2021 the effective date of the completion of the Arrangement, to December 31, 2021. There were no risk management contracts entered into during the comparable period that impacted the fourth quarter of 2021.
(2) Non-GAAP ratio. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for an explanation of composition.

Realized losses on risk management contracts totaled $0.7 million or $3.37/bbl for the fourth quarter of 2022, compared to losses of $3.0 million or $18.49/bbl for the third quarter of 2022 and gains of $0.1 million or $1.83/bbl for the fourth quarter of 2021. For 2022, realized losses on risk management contracts were $13.1 million or $21.56/bbl as compared to gains of $0.1 million or $1.44/bbl in 2021. Hedging gains or losses are attributable to reference price fluctuations relative to pricing on commodity contracts driven by changes in WTI and WCS differential prices as well as fluctuations in foreign exchange rates.

Unrealized gain on risk management contracts were $1.0 million for the fourth quarter of 2022 (Q3 2022 - $7.9 million unrealized gain; Q4 2021 – $1.3 million unrealized loss) and unrealized gain on risk management contracts were $2.0 million for the twelve months ended December 31, 2022 (2021 - unrealized loss of $1.3 million). Unrealized gains and losses represent the change in mark-to-market value of risk management contracts as forward commodity prices and foreign exchange rates change. Unrealized gains and losses on risk management contracts are excluded from the Company's calculation of cash flow from (used in) operating activities as non-cash items. Risk management contract gains and losses vary depending on the nature and extent of the risk management contracts in place, which in turn, vary with the Company's assessment of commodity price risk, committed capital spending and other factors.

Royalties

($ thousands, except as noted)	Three months ended December 31, 2022	2021	Twelve months ended December 31, 2022	2021(1)
Oil royalties – Crown	**481**	277	**2,446**	287
Oil royalties – freehold	**909**	127	**3,267**	204
Total royalties	**1,390**	404	**5,713**	491
$/boe	**6.93**	7.28	**9.37**	6.95
Crown *(% of oil revenue)*(2)	**3.4**	7.1	**4.5**	5.8
Freehold and overriding *(% of oil revenue)*(2)	**6.3**	3.2	**6.0**	4.1
Total *(% of oil revenue)*(2)	**9.7**	10.3	**10.5**	9.9

(1) The 2021 comparable period reflects operating results from September 3, 2021, the effective date of the completion of the Arrangement, to December 31, 2021.
(2) Non-GAAP ratio. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for an explanation of composition.

Total royalties for the fourth quarter of 2022 were $1.4 million, relatively consistent with the third quarter of 2022 (Q3 2022 - $1.4 million) and an increase from the fourth quarter of 2021 (Q4 2021 - $0.4 million). On a per boe basis, royalties decreased in the fourth quarter to $6.93/boe (Q3 2022 – $8.54/boe; Q4 2021 - $7.28/boe). Royalties as a percentage of revenue for the fourth quarter were 9.7%, a decrease from 10.1% in the third quarter of 2022 and 10.3% in the fourth quarter of 2021.

For the twelve months ended December 31, 2022, royalties were $5.7 million (2021 – $0.5 million), $5.2 million (1064%) higher than the prior year as a result of increased production. On a per boe basis, royalties were up 35% to $9.37/boe (2021 – $6.95/boe) as prices increased. Royalties as a percentage of revenue for 2022 were 10.5%, an increase from 9.9% in 2021.

Rubellite's royalties consists of Crown royalties payable to the Alberta provincial government and other freehold and gross overriding ("GORR") royalties. The mix between Crown and freehold production as a percentage of total production can change the composition of royalties from one period to the next. Under the Alberta Modernized Royalty Framework ("MRF"), the Company paid a flat Crown royalty of 5% on wells where mineral rights are leased from the Crown with the remainder of royalties attributable to the composition of freehold and GORR royalties.

Production and operating expenses

($ thousands, except as noted)	Three months ended December 31, 2022	2021	Twelve months ended December 31, 2022	2021(1)
Production and operating expenses	**1,226**	684	**4,399**	802
$/boe	**6.11**	12.35	**7.22**	11.36

(1) The 2021 comparable period reflects operating results from September 3, 2021, the effective date of the completion of the Arrangement, to December 31, 2021.

Total production and operating expenses for the fourth quarter of 2022 increased 71% when compared to the third quarter of 2022 (Q3 2022 - $0.7 million), driven by the increase in sales volumes quarter-over-quarter. Total production and operating expenses per boe increased 38% to $6.11/boe for the fourth quarter, compared to $4.42/boe for the third quarter of 2022. The increase was due to higher water disposal and well servicing costs, combined with higher labor, water handling and chemicals costs in the fourth quarter of 2022. Savings from the capital invested in two water disposal wells are not yet reflected as fully optimized facilities were not operating until Q1 2023.

Total production and operating expenses in the three and twelve months ended December 31, 2022 increased from the comparative periods on higher production volumes. Total production and operating expenses decreased 51% and 36%, respectively, on a per boe basis to $6.11/boe for the fourth quarter of 2022 and to $7.22/boe for 2022 as more wells come on production throughout the year, the fixed components of production and operating expenses were spread across higher volumes.

Transportation costs

($ thousands, except as noted)	Three months ended December 31, 2022	2021	Twelve months ended December 31, 2022	2021(1)
Transportation costs	**1,690**	323	**4,448**	410
$/boe	**8.42**	5.83	**7.30**	5.82

(1) The 2021 comparable period reflects operating results from September 3, 2021, the effective date of the completion of the Arrangement, to December 31, 2021.

Transportation costs include clean oil trucking costs. For the fourth quarter of 2022, transportation costs were $1.7 million, a 42% increase from the third quarter of 2022 (Q3 2022 - $1.2 million) on higher sales volumes. On a per boe basis, transportation costs were higher at $8.42/boe in the fourth quarter (Q3 2022 – $7.45/boe) as a result of increased sales volumes at Figure Lake which incurs higher trucking costs based on location and distance.

Transportation costs for the three and twelve months ended December 31, 2022 increased from the comparative periods on higher production volumes. On a per boe basis, transportation costs increased 44% and 25%, respectively, to $8.42/boe for the fourth quarter of 2022 and $7.30/boe for 2022 as a result of higher fuel prices and fuel surcharges and increased production weighting to Figure Lake which has higher trucking costs.

Operating netbacks

"Operating netback" is a non-GAAP measure determined by deducting royalties, production and operating expenses, and transportation costs from oil revenue. Operating netback is also calculated on a per boe basis using total production sold in the period. Rubellite considers operating netback to be an important performance measure to evaluate its operational performance as it demonstrates its profitability relative to commodity prices. Operating netback is not a standardized measure and, therefore, may not be comparable with the calculation of similar measures by other entities.

The following table highlights Rubellite's operating netbacks**:**

	Three months ended December 31,				Twelve months ended December 31,			
($/boe) ($ thousands)	**2022**		2021		**2022**		2021[1]	
Production *(bbl/d)*				603				593
Oil revenue	**71.42**	**14,329**	70.94	3,931	**89.38**	**54,491**	69.76	4,923
Royalties	**(6.93)**	**(1,390)**	(7.28)	(404)	**(9.37)**	**(5,713)**	(6.95)	(491)
Production and operating expenses	**(6.11)**	**(1,226)**	(12.35)	(684)	**(7.22)**	**(4,399)**	(11.36)	(802)
Transportation costs	**(8.42)**	**(1,690)**	(5.83)	(323)	**(7.30)**	**(4,448)**	(5.82)	(410)
Operating netback[2]	**49.96**	**10,023**	45.48	2,520	**65.49**	**39,931**	45.63	3,220
Realized gains (losses) on risk management contracts	**(3.37)**	**(676)**	1.83	101	**(21.56)**	**(13,142)**	1.44	101
Total operating netback, after risk management contracts	**46.59**	**9,347**	47.31	2,621	**43.93**	**26,789**	47.07	3,321

(1) The 2021 comparable period reflects operating results from September 3, 2021, the effective date of the Arrangement, to December 31, 2021.
(2) Non-GAAP measure. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for an explanation of composition.

For the fourth quarter of 2022, Rubellite's operating netback was $10.0 million ($49.96/boe) compared to $2.5 million ($45.48/boe) in the fourth quarter of 2021 as a result of increased production. On a per boe basis, the increase was driven by lower royalties and production and operating expenses, partially offset by increased transportation costs.

For the fourth quarter of 2022, Rubellite's operating netback, including risk management contracts, was $9.3 million ($46.59/boe) compared to $2.6 million ($47.31/boe) in the fourth quarter of 2021. Realized losses on risk management contracts reduced operating netbacks by $0.7 million ($3.37/boe) as compared to a realized gain of $0.1 million ($1.83/boe) in the fourth quarter of 2021.

For 2022, Rubellite's operating netback, was $39.9 million ($65.49/boe) compared to $3.2 million ($45.63/boe) in 2021 as a result of increased production. On a per boe basis, the increase was driven by higher oil prices and lower production and operating expenses, partially offset by increased royalties and transportation costs. Rubellite's operating netback, including risk management contracts, was $26.8 million ($43.93/boe) compared to $3.3 million ($47.07/boe) in 2021. Realized losses on risk management contracts reduced operating netbacks by $13.1 million ($21.56/boe) as compared to a realized gain of $0.1 million ($1.44/boe) in 2021.

General and administrative ("G&A") expenses

	Three months ended December 31,		Twelve months ended December 31,	
($ thousands, except as noted)	**2022**	2021	**2022**	2021[1]
G&A expenses – excluding MSA costs[2]	**375**	180	**1,457**	316
G&A expenses – MSA costs[2]	**561**	303	**1,859**	359
Total G&A expenses	**936**	483	**3,316**	675
$/boe	**4.67**	8.70	**5.44**	9.55

(1) The 2021 comparable period reflects operating results from September 3, 2021, the effective date of the completion of the Arrangement, to December 31, 2021.
(2) In conjunction with the Arrangement, Rubellite has a MSA with Perpetual whereby Rubellite makes payment for certain technical and administrative services provided to Rubellite on a relative production split cost sharing basis.

In conjunction with the Arrangement, Rubellite entered into a Management and Operating Services Agreement ("MSA") with Perpetual whereby Rubellite makes payments for certain technical and administrative services provided to Rubellite on a relative production split cost sharing basis. For the three and twelve months ended December 31, 2022, the costs billed under the MSA to Rubellite were $0.6 million and $1.9 million, respectively. Fourth quarter MSA costs increased from comparative periods on increased production.

During the fourth quarter of 2022, G&A expenses, excluding MSA costs, were $0.4 million an increase from third quarter costs of $0.2 million. For the three and twelve months ended December 31, 2022, G&A expenses, excluding MSA costs increased over the comparative periods. General and administrative expenses, excluding MSA costs, consist primarily of legal fees, information systems licenses, audit fees, reserves assessment and tax related consulting fees which have increased as Rubellite's operations have grown throughout 2022.

On a per boe basis, G&A costs decreased as higher MSA and G&A costs were offset by higher production.

Depletion

	Three months ended December 31,		Twelve months ended December 31,	
($ thousands, except as noted)	**2022**	2021	**2022**	2021[1]
Depletion	**4,607**	1,095	**13,462**	1,389
$/boe	**22.96**	19.74	**22.08**	19.68

(1) The comparable period of 2021 reflects operating results from September 3, 2021, the effective date of the completion of the Arrangement, to December 31, 2021.

The Company calculates depletion using the net book value of the asset, future development costs associated with proved and probable reserves, salvage values on associated production equipment, as well as proved plus probable reserves. As at December 31, 2022, depletion was calculated on a $140.3 million depletable balance (December 31, 2021 – $74.0 million), $105.6 million in future development costs (December 31, 2021 – $46.5 million) and excluded an estimated $0.8 million of salvage value (December 31, 2021 – $0.4 million).

Depletion expense for the fourth quarter of 2022 was $4.6 million or $22.96/boe (Q4 2021 – $1.1 million or $19.74/boe) and for the twelve months ended December 31, 2022 was $13.5 million or $22.08/boe (2021 - $1.4 million or $19.68/boe). The increase from the comparative periods of 2022 reflects the increase in sales production volumes, and an increase in the depletable base on higher capital spending and proved plus probable reserves.

Impairment

There were no indicators of impairment for the Company's cash-generating unit ("CGU") as at December 31, 2022 and therefore, an impairment test was not performed.

The Company transferred $7.9 million of E&E to PP&E during 2022 and performed the required impairment test to estimate the recoverable amount of the CGU. It was determined that the recoverable amount of the CGU exceeded its carrying value, resulting in no impairment.

Finance expense

	Three months ended December 31,		Twelve months ended December 31,	
($ thousands)	**2022**	2021	**2022**	2021[1]
Cash finance expense (income)				
Interest on revolving bank debt	**215**	(20)	**343**	(20)
Total cash finance expense	**215**	(20)	**343**	(20)
Non-cash finance expense				
Accretion on decommissioning obligations	**23**	7	**67**	6
Total non-cash finance expense	**23**	7	**67**	6
Finance expense (income)	**238**	(13)	**410**	(14)

(1) The comparable period of 2021 reflects operating results from September 3, 2021, the effective date of the completion of the Arrangement, to December 31, 2021.

Total cash finance expense for the three and twelve months ended December 31, 2022 was $0.2 million and $0.3 million, higher than the comparative periods as a result of interest paid on higher outstanding bank debt as compared to interest income earned on cash balances in 2021. Non-cash finance expense represents accretion on decommissioning obligations.

LIQUIDITY, CAPITALIZATION AND FINANCIAL RESOURCES

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

Rubellite uses net debt, adjusted working capital, enterprise value, free funds flow and trailing twelve-months adjusted funds flow as important indicators of capital resources, management and liquidity. These are not standardized measures, and therefore may not be comparable with the calculation of similar measures by other entities, refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A.

Capital Management

(*$ thousands, except as noted*)	**December 31, 2022**	September 30, 2022	December 31, 2021
Revolving bank debt	**12,000**	—	—
Adjusted working capital deficit (surplus)[1]	**16,228**	12,942	(5,375)
Net debt (asset)[1]	**28,228**	12,942	(5,375)
Shares outstanding at end of period (*thousands*)	**54,826**	54,816	43,809
Market price at end of period (*$/share*)	**1.85**	2.37	2.24
Market value of shares[1]	**101,428**	129,914	98,132
Enterprise value[1]	**129,656**	142,856	92,757
Net debt (asset) as a percentage of enterprise value[2]	**22%**	9%	(6)%
Trailing twelve-months adjusted funds flow[1] [3]	**23,036**	16,360	—
Net debt to adjusted funds flow ratio[2][3]	**1.2**	0.8	—

(1) Non-GAAP measure. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for an explanation of composition.
(2) Non-GAAP ratio. Refer to the section entitled "Non-GAAP and Other Financial Measures" for an explanation of composition.
(3) No comparable available due to incorporation of Rubellite on July 12, 2021.

At December 31, 2022, Rubellite had net debt of $28.2 million, an increase from net debt of $12.9 million at September 30, 2022 and $5.4 million net asset at December 31, 2021. Net debt increased as exploration and development capital expenditures, including land and acquisitions of $94.2 million during 2022 exceeded adjusted funds flow of $23.0 million and the proceeds from the $38.7 million equity financings that closed during the first quarter of 2022.

Rubellite had available liquidity at December 31, 2022 of $30.0 million, comprised of the $40.0 million Credit Facility Borrowing Limit less current borrowings of $12.0 million and cash and cash equivalents of $2.0 million.

Revolving bank debt

During the year ended December 31, 2022, the Company's first lien Credit Facility was increased from $3.0 million to $40.0 million, with an initial term to May 31, 2023 and may be extended for a further twelve months to May 31, 2024 subject to lender approval. If not extended by May 31, 2023, all outstanding advances would be repayable on May 31, 2024. The next semi-annual borrowing base redetermination is scheduled on or before May 31, 2023.

As at December 31, 2022, $12.0 million (December 31, 2021 - nil) was drawn against the Credit Facility. Borrowings under the credit facility bear interest at its lenders' prime rate or Bankers Acceptance rates, plus applicable margins and standby fees. The applicable Banker's Acceptance margins range between 3.0% and 5.5%. The effective interest rate on the Credit Facility at December 31, 2022 was 7.5%. For the year ended December 31, 2022, if interest rates changed by 1% with all other variables held constant, the impact on annual cash finance expense and net income would be $0.1 million.

The Credit Facility is secured by general first lien security agreements covering all present and future property of the Company and its subsidiaries.

At December 31, 2022, the Credit Facility was not subject to any financial covenants and the Company was in compliance with all customary non-financial covenants.

Equity

At December 31, 2022 there were 54.8 million common shares and 4.0 million Share Purchase Warrants outstanding. The Share Purchase Warrants have an exercise price of $3.00 per share and expire on October 5, 2026. On March 30, 2022, Rubellite completed an equity financing, raising gross proceeds of $38.7 million through the issuance of approximately 10.9 million shares priced at $3.55 per share.

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

(thousands)	**March 9, 2023**
Restricted share units	371
Share options	1,668
Performance share units	348
Total	**2,387**

Commodity price risk management

As at March 9, 2023, the Company had entered into the following commodity risk management contracts:

Commodity	**Volumes sold *(bbl/d)***	**Term**	**Reference/Index**	**Contract Traded Bought/sold**	**Average Price *($/bbl)***
Crude Oil	200 bbl/d	Jan 1 – Dec 31, 2023	WCS Differential (CAD$/bbl)	Swap – sold	($17.75)
Crude Oil	200 bbl/d	Apr 1 - Jun 30, 2023	WCS Differential (CAD$/bbl)	Swap - sold	($20.65)
Crude Oil	850 bbl/d	Apr 1 - Dec 31, 2023	WCS Differential (USD$/bbl)	Swap - sold	($17.48)
Crude Oil	250 bbl/d	Jul 1 - Sep 30, 2023	WCS Differential (USD$/bbl)	Swap - sold	($15.50)
Crude Oil	250 bbl/d	Oct 1 - Dec 31, 2023	WCS Differential (USD$/bbl)	Swap - sold	($16.75)
Crude Oil	250 bbl/d	Jan 1 - Dec 31, 2024	WCS Differential (USD$/bbl)	Swap - sold	($17.50)
Crude Oil	200 bbl/d	Jan 1 – Dec 31, 2023	WTI (USD$/bbl)	Swap – sold	$76.83
Crude Oil	200 bbl/d	Apr 1 - Jun 30, 2023	WTI (CAD$/bbl)	Swap – sold	$107.90
Crude Oil	600 bbl/d	Apr 1 - Dec 31, 2023	WTI (USD$/bbl)	Swap - sold	$76.56

Foreign exchange risk management

As at March 9, 2023, the Company entered into the following foreign exchange risk management contracts:

Contract	**Notional amount**	**Term**	**Price (US$/CAD$)**
US$/CAD$	$500,000 US$/month	Jan 1 – Dec 31, 2023	1.3039
US$/CAD$	$1,000,000 US$/month	Jan 1 – Dec 31, 2023	1.3710
US$/CAD$	$250,000 US$/month	Jan 1 – Dec 31, 2023	1.3600
US$/CAD$	$250,000 US$/month	Apr 1 - Dec 31, 2023	1.3700

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

Rubellite has no operating commitments.

OFF BALANCE SHEET ARRANGEMENTS

Rubellite has no off balance sheet arrangements.

RELATED PARTY TRANSACTIONS

During the year ended December 31, 2022 Rubellite was billed by Perpetual for net transactions, which are considered to be normal course of oil and gas operations, totaling $5.6 million (December 31, 2021 - $1.4 million). Included within this amount are $1.9 million (December 31, 2021 - $0.4 million) of costs charged to Rubellite through the MSA. The Company recorded an accounts payable of $0.6 million owing to Perpetual as at December 31, 2022 (December 31, 2021 - accounts receivable of $3.9 million and accounts payable of $3.8 million owing from/to, respectively).

NON-GAAP AND OTHER FINANCIAL MEASURES

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

Non-GAAP Financial Measures

Capital Expenditures: Rubellite uses capital expenditures related to exploration and development to measure its capital investments compared to the Company's annual capital budgeted expenditures. Rubellite's capital budget excludes acquisition and disposition activities.

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

	Three months ended December 31,		Twelve months ended December 31,	
	2022	2021	**2022**	2021[(1)]
Net cash flows from (used in) investing activities	**(31,222)**	(71,062)	**(86,266)**	(67,161)
Acquisitions	**—**	(59,373)	**—**	(55,322)
Change in non-cash working capital	**(7,707)**	5,491	**7,941**	5,519
Capital expenditures	**(23,515)**	(17,180)	**(94,207)**	(17,358)
Property, plant and equipment additions	**(19,438)**	(1,520)	**(67,626)**	(1,547)
Exploration and evaluation additions	**(4,077)**	(15,660)	**(26,581)**	(15,811)
Capital expenditures	**(23,515)**	(17,180)	**(94,207)**	(17,358)

(1) The comparable period of 2021 reflects operating results from September 3, 2021, the effective date of the completion of the Arrangement, to December 31, 2021.

Cash costs: Cash costs are comprised of production and operating, transportation, general and administrative, and cash finance expense as detailed below. Cash costs per boe is calculated by dividing cash costs by total production sold in the period. Management believes that cash costs assist management and investors in assessing Rubellite's efficiency and overall cost structure.

	Three months ended December 31,		Twelve months ended December 31,	
(*$ thousands, except per boe amounts*)	**2022**	2021	**2022**	2021
Production and operating	**1,226**	684	**4,399**	802
Transportation	**1,690**	323	**4,448**	410
General and administrative	**936**	483	**3,316**	675
Cash finance expense	**215**	(20)	**343**	(20)
Cash costs	**4,067**	1,470	**12,506**	1,867
Cash costs per boe	**20.27**	26.50	**20.51**	26.46

Operating netbacks and total operating netbacks after risk management contracts: Operating netback is calculated by deducting royalties, production and operating expenses, and transportation costs from oil revenue. Operating netback is also calculated on a per boe basis using total production sold in the period. Total operating netbacks after risk management contracts is presented after adjusting for realized gains or losses from risk management contracts. Rubellite considers operating netback and operating netback after risk management contracts to be key industry performance indicators that provides investors with information that is also commonly presented by other crude oil and natural gas producers. Operating netback and operating netback after risk management contracts evaluate operational performance as it demonstrates its profitability relative to realized and current commodity prices.

Refer to reconciliations in the MD&A under the "Operating Netbacks" section for current year and 2021 comparative information. The table below provides a comparative to the third quarter of 2022, which is referenced throughout this document:

($/boe) ($ thousands)	Three months ended December 31,	**2022**	Three months ended September 30,	2022
Production *(bbl/d)*		**2,250**		1,760
Oil revenue	**71.42**	**14,329**	84.31	13,654
Royalties	**(6.93)**	**(1,390)**	(8.54)	(1,383)
Production and operating expenses	**(6.11)**	**(1,226)**	(4.42)	(716)
Transportation costs	**(8.42)**	**(1,690)**	(7.45)	(1,207)
Operating netback[2]	**49.96**	**10,023**	63.90	10,348
Realized gains (losses) on risk management contracts	**(3.37)**	**(676)**	(18.49)	(2,994)
Total operating netback, after risk management contracts	**46.59**	**9,347**	45.41	7,354

Net Debt (Asset): Rubellite uses net debt or asset as an alternative measure of outstanding debt. Management considers net debt or asset as an important measure in assessing the liquidity of the Company. Net debt or asset is used by management to assess the Company's overall debt position and borrowing capacity. Net debt or asset is not a standardized measure and therefore may not be comparable to similar measures presented by other entities.

The following table reconciles working capital and net debt (asset) as reported in the Company's statements of financial position:

	As of December 31, 2022	As of September 30, 2022	As of December 31, 2021
Current assets	**13,262**	14,059	22,441
Current liabilities	**(28,802)**	(27,427)	(18,317)
Working capital (surplus) deficiency	**15,540**	13,368	(4,124)
Risk management contracts – current asset	**1,437**	1,218	62
Risk management contracts – current liability	**(749)**	(1,644)	(1,313)
Adjusted working capital (surplus) deficiency	**16,228**	12,942	(5,375)
Bank indebtedness	**12,000**	—	—
Net debt (asset)	**28,228**	12,942	(5,375)

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

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

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

	Three months ended December 31,		Twelve months ended December 31,	
($ thousands, except as noted)	**2022**	2021	**2022**	2021[1]
Net cash flows from (used in) operating activities	**14,950**	1,115	**23,870**	1,115
Change in non-cash working capital	**(6,805)**	354	**(834)**	480
Adjusted funds flow	**8,145**	1,469	**23,036**	1,595
Adjusted funds flow per share - basic	**0.15**	0.03	**0.44**	0.07
Adjusted funds flow per share – diluted	**0.15**	0.03	**0.44**	0.07
Adjusted funds flow per boe	**40.60**	26.50	**37.79**	22.60

(1) The 2021 comparable period reflects operating results from September 3, 2021, the effective date of the Arrangement, to September 30, 2021.

Available Liquidity: Available liquidity is defined as the Borrowing Limit, plus any cash and cash equivalents, less any borrowings and letters of credit issued under the Credit Facility. Management uses available liquidity to assess the ability of the Company to finance capital expenditures and expenditures on decommissioning obligations, and to meet its financial obligations.

Enterprise value: Enterprise value is equal to net debt plus the market value of issued equity, and is used by management to analyze leverage. Enterprise value is calculated by multiplying the current shares outstanding by the market price at the end of the period and then adjusting it by the net debt. The Company considers enterprise value as an important measure as it normalizes the market value of the Company's shares for its capital structure.

Non-GAAP Financial Ratios

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

Average realized prices after risk management contracts: are calculated as the average realized price less the realized gain or loss on risk management contracts.

Net debt to adjusted funds flow ratio: Net debt to adjusted funds flow ratios are calculated on a trailing twelve-month basis.

Net debt as a percentage of enterprise value: Net debt as a percentage of enterprise value is calculated by dividing net debt by enterprise value.

Adjusted funds flow per share: Adjusted funds flow ratios are calculated on a per share as the measure divided by basic shares outstanding.

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

Supplementary Financial Measures

"Average realized oil price" is comprised of total oil revenue, as determined in accordance with IFRS, divided by the Company's total sales oil production on a per barrel basis.

"Average realized price after gain or loss on risk management" is comprised of realized gain on risk management contracts, as determined in accordance with IFRS, divided by the Company's total sales oil production.

"Realized gain (loss) on oil contracts per boe" is comprised of the realized gain or loss on oil contracts, as determined in accordance with IFRS, divided by the Company's total oil sales production.

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

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

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

"Transportation cost per boe" is comprised of transportation cost, as determined in accordance with IFRS, divided by the Company's total sales oil production.

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

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

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

“Heavy oil wellhead differential” represents the differential the company receives for selling its heavy crude oil production relative to the Western Canadian Select reference price (Cdn$/bbl) prior to any price or risk management activities.

FUTURE ACCOUNTING PRONOUNCEMENTS

The International Accounting Standards Board (“IASB”) and the IFRS Interpretations Committee regularly issue new and revised accounting pronouncements which have future effective dates and therefore are not reflected in Rubellite’s financial statements. Once adopted, these new and amended pronouncements may have an impact on Rubellite’s financial statements. Rubellite’s analysis of recent accounting pronouncements is included in the notes to the financial statements at December 31, 2022.

RISK FACTORS

The Corporation is exposed to business risks that are inherent in the oil and gas industry, as well as those governed by the individual nature of Rubellite’s operations. Risks impacting the business which influence controls and management of the Corporation include, but are not limited to, the following:

- drilling, exploration, development, geological, engineering and completion risks;
- the uncertainty of discovering commercial quantities of new reserves;
- commodity prices, interest rate and foreign exchange risks;
- access to capital;
- political and geopolitical risks;
- competition;
- cybersecurity risks;
- inflation and supply chain risks;
- risks relating to pandemics (including COVID-19); and
- changes to government regulations including royalty regimes and tax legislation.

Rubellite manages these risks by:

- attracting and retaining a team of highly qualified and motivated professionals who have a vested interest in the success of the Corporation;
- prudent operation of oil and natural gas properties;

- employing risk management instruments and policies to manage exposure to volatility of commodity prices, interest rates and foreign exchange rates;
- maintaining a flexible financial position;
- maintaining strict environmental, safety and health practices; and
- active participation with industry organizations to monitor and influence changes in government regulations and policies.

A complete discussion of risk factors is included in the Corporation's 2022 Annual Information Form available on the Corporation's website at www.rubelliteenergy.com or on SEDAR at www.sedar.com.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Rubellite's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed, or caused to be designed under their supervision, disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICOFR") as defined in National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS.

Disclosure controls and procedures

The DC&P have been designed to provide reasonable assurance that material information relating to Rubellite is made known to the CEO and CFO by others, and that information required to be disclosed by Rubellite in its annual filings, interim filing or other reports is filed or submitted by Rubellite under securities legislation.

Rubellite's CEO and CFO have concluded, based on their evaluation at December 31, 2022, the DC&P are designed and operating effectively to provide reasonable assurance that information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the issuer's management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure.

Management's annual report on internal controls over financial reporting

Management is responsible for establishing and maintaining adequate ICOFR, which is a process designed by, or under the supervision of, the CEO and CFO, and effected by the board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Under the supervision and with the participation of management, including the CEO and CFO, an evaluation of the effectiveness of the internal controls over financial reporting was conducted as of December 31, 2022 based on criteria described in "Internal Control – Integrated Framework" issued in 2013 by the Committee of Sponsoring Organization of the Treadway Commission. Based on this assessment, management determined that, as of December 31, 2022, the internal controls over financial reporting were designed and operating effectively.

INTERNAL CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

There were no changes in the Corporation's internal control over financial reporting during the period beginning on October 1, 2022 and ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

CEO and CFO certifications

Rubellite's CEO and CFO have filed with the Canadian securities regulators regarding the quality of Rubellite's public disclosures relating to its fiscal 2022 filings with the Canadian securities regulators.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

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

FORWARD-LOOKING INFORMATION

Certain information in this MD&A including management's assessment of future plans and operations, and including the information contained under the headings "Operations Update" and "Outlook and Guidance" may constitute forward-looking information or statements (together "forward-looking information") under applicable securities laws. The forward-looking information includes, without limitation, statements with respect to: future capital expenditure and production forecasts; the anticipated sources of funds to be used for capital spending; expectations as to drilling activity plans in various areas and the benefits to be derived from such drilling including production growth; expectations respecting Rubellite's future exploration, development and drilling activities and Rubellite's business plan; and including the information and statements contained under the heading "Outlook and Guidance".

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

Undue reliance should not be placed on forward-looking information, which is not a guarantee of performance and is subject to a number of risks or uncertainties, including without limitation those described herein and under "Risk Factors" in Rubellite's Annual Information Form and MD&A for the year ended December 31, 2022 and in other reports on file with Canadian securities regulatory authorities which may be accessed through the SEDAR website www.sedar.com and at Rubellite's website www.rubelliteenergy.com. Readers are cautioned that the foregoing list of risk factors is not exhaustive. Forward-looking information is based on the estimates and opinions of Rubellite's management at the time the information is released, and Rubellite disclaims any intent or obligation to update publicly any such forward-looking information, whether as a result of new information, future events or otherwise, other than as expressly required by applicable securities law.

ABBREVIATIONS AND CONVENTIONS

The following is a list of abbreviations that may be used in this MD&A:

Measurement:

bbl	barrel
bbl/d	barrels per day
Mbbl	thousand barrels
MMbbl	million barrels
boe(1)	barrels of oil equivalent
boe/d(1)	barrels of oil equivalent per day
Mboe(1)	thousands of barrels of oil equivalent

Industry Metrics:

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

Volume Conversions:

Barrel of oil equivalent ("boe") may be misleading, particularly if used in isolation. In accordance with National Instrument 51-101 ("NI 51-101"), a conversion ratio for conventional natural gas of 6 Mcf:1 bbl has been used, which is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In addition, utilizing a conversion on a 6 Mcf:1 bbl basis may be misleading as an indicator of value as the value ratio between conventional natural gas and heavy crude oil, based on the current prices of natural gas and crude oil, differ significantly from the energy equivalency of 6 Mcf:1 bbl. A conversion ratio of 1 bbl of heavy crude oil to 1 bbl of NGL has also been used throughout this MD&A. Refer to the "Fourth Quarter Financial and Operating Results" section in this MD&A for details of constituent product components that comprise Rubellite's boe production.

Initial Production Rates:

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

Financial and Business Environment:

E&E	Exploration and evaluation
ESG	Environmental, social and governance
GAAP	Generally accepted accounting principles
G&A	General and administrative
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
PP&E	Property, plant and equipment
WTI	West Texas Intermediate
WCS	Western Canadian Select

ANNUAL HISTORICAL FINANCIAL AND OPERATING HIGHLIGHTS

($ thousands, except as noted)	**2022**	2021[1]
Financial		
Oil revenue	**54,491**	4,923
Net income	**24,605**	7,702
Per share – basic[4]	**0.47**	0.34
Per share – diluted[4]	**0.47**	0.33
Total Assets	**204,030**	115,862
Cash flow from operating activities	**23,870**	1,115
Adjusted funds flow[2]	**23,036**	1,595
Per share – basic[3][4]	**0.44**	0.07
Per share – diluted[3][4]	**0.44**	0.07
Common shares (thousands)		
Weighted average – basic	**52,093**	22,702
Weighted average – diluted	**52,471**	23,228
Operating		
Daily average oil sales production (bbl/d)[5]	**1,670**	593
Rubellite average realized oil price[3]		
Average realized oil price ($/bbl)	**89.38**	69.76
Average realized oil price – after risk management contracts($/bbl)	**67.82**	71.20

(1) The 2021 comparable period reflects operating results from September 3, 2021, the effective date of the Arrangement, to December 31, 2021. No comparative information available for 2020.
(2) Non-GAAP measure. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for an explanation of composition.
(3) Non-GAAP ratio. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for an explanation of composition.
(4) Per share amounts are calculated using the weighted average number of basic or diluted common shares.
(5) Conventional heavy oil sales production excludes tank inventory volumes.

SUMMARY OF QUARTERLY RESULTS

($ thousands, except as noted)	**Q4 2022**	**Q3 2022**	**Q2 2022**	**Q1 2022**	**Q4 2021**	**Q3 2021[1]**
Financial						
Oil revenue	**14,329**	13,654	15,632	10,876	3,931	992
Net income (loss)	**18,725**	10,426	4,726	(9,272)	(1,265)	8,967
Per share – basic[4]	**0.34**	0.19	0.09	(0.21)	(0.03)	12.34
Per share – diluted[4]	**0.34**	0.19	0.08	(0.21)	(0.03)	5.16
Total assets	**204,030**	170,206	160,202	164,009	115,862	132,370
Cash flow from (used in) operating activities	**14,950**	(745)	6,473	3,192	1,115	—
Adjusted funds flow[2]	**8,145**	6,459	4,597	3,835	1,469	378
Per share – basic[3][4]	**0.15**	0.12	0.09	0.09	0.03	0.70
Per share – diluted[3][4]	**0.15**	0.12	0.09	0.09	0.03	0.29
Common shares (thousands)						
Weighted average – basic	**54,824**	54,748	54,725	43,930	41,834	726
Weighted average – diluted	**55,202**	55,265	55,797	43,930	41,834	1,739
Operating						
Daily average oil sales production (bbl/d)[5]	**2,181**	1,760	1,478	1,251	603	561
Rubellite average realized oil price[3]						
Average realized oil price ($/bbl)	**71.42**	84.31	116.21	96.61	70.94	65.52
Average realized oil price – after risk management contracts($/bbl)	**68.05**	65.82	70.09	67.57	72.77	65.52

(1) The 2021 comparable period reflects operating results from September 3, 2021, the effective date of the Arrangement, to September 30, 2021.
(2) Non-GAAP measure. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for an explanation of composition.
(3) Non-GAAP ratio. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for an explanation of composition.
(4) Per share amounts are calculated using the weighted average number of basic or diluted common shares.
(5) Conventional heavy oil sales production excludes tank inventory volumes.