TO SHAREHOLDERS

Rubellite Energy Inc. ("Rubellite" or the "Company") is a Canadian energy company engaged in the exploration, development and production of heavy crude oil from the Clearwater formation in Eastern Alberta, utilizing multi-lateral drilling technology. Rubellite has a pure play Clearwater asset base and is pursuing a robust organic growth plan focused on superior corporate returns and free funds flow generation while maintaining a conservative capital structure and prioritizing ESG excellence.

Much progress has been made to advance Rubellite's business plan since the Company's inception and spin out from Perpetual Energy Inc. in September 2021 and momentum is particularly evident with the positive results posted progressively quarter-over-quarter through 2023. Production has grown nearly 12-fold from 350 bbl/d at inception to current levels in Q1 2024 levels of 4,450 - 4,500 bbl/d of heavy oil with growth driven primarily by organic drilling success in our largest core operating area at Figure Lake. During 2023, Rubellite added 127 net sections of land, including 20 net sections related to a Land Acquisition and Drilling Commitment Agreement with the Buffalo Lake Métis Settlement in the Figure Lake area, with a four well drilling commitment that was fulfilled in the fourth quarter.

Economies of scale are becoming evident with the 15% decrease in production and operating costs year-over-year as the fixed components in the cost structure spread across higher sales volume. Capital efficiencies on the 2023 drilling program decreased close to 25% to $11,300 per flowing bbl/d, driven by initial productivity rates which averaged more that 25% better than in 2022, and stable drill, complete, equip and tie-in costs against an inflationary backdrop.

Growth through the drill bit was complemented by our first material strategic acquisition, adding ~800 bbl/d of conventional heavy oil sales production from the Clearwater at closing in November 2023, along with 215 net sections of land on the Southern Clearwater play trend for a total purchase price of $34.0 million, before customary closing adjustments to reflect the October 1, 2023 effective date. Half of the new prospective acreage is adjacent to, and highly synergistic with, Rubellite's existing land base in the greater Figure Lake area, capturing close to 50 gross high-grade drilling locations, with 25 of these internally-defined locations considered development / step-out, providing immediate flexibility within the Company's drilling schedule. The remaining 108 net sections of undeveloped land in the Nixon area, approximately 80 kilometers north of Figure Lake, provides a core position for a new exploration prospect in the lower Clearwater formation. The acquisition was directly aligned with Rubellite's Clearwater-focused robust growth business plan, adding high netback heavy oil base production, extensive high-grade development and step-out inventory and prospective exploratory opportunities.

Rubellite has now grown its access to land with exposure to the Clearwater play to in excess of 530 net sections, up over 400% 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. Our land base increased more than 40% year-over-year, capturing multiple new exploration prospects that are in the process of being evaluated, minimizing our capital exposure as best possible to prudently manage risk.

At year-end 2023, Rubellite's reserve-based net asset value ("NAV")(1) (discounted at 10%), is estimated at $321.3 million ($5.14 per share), up almost 30% year-over-year. Rubellite is poised to continue to convert our deep inventory of opportunities into increased production, reserves, adjusted funds flow and value.

For 2024, Rubellite's strategic priorities are to:

1. Deliver Optimized Organic Production Growth;
2. Drive Top Quartile Capital Efficiencies;
3. Increase Reserve-Based NAV/share, De-Risk Inventory and Advance Secondary Recovery;
4. Grow Prospective Land Base and Prospect Inventory for Chosen Play Strategies;
5. Maintain Pristine Balance Sheet and Manage Risk; and
6. Drive Operational & ESG Excellence while Capturing Cash Cost Efficiencies.

The Board of Directors and management continue to be grateful for the extraordinary commitment of the Rubellite team and the support of our shareholders, partners, advisors and service providers and the communities where we do our work. Propelled by our entrepreneurial spirit, we look forward to building this Clearwater-focused junior explorer and producer to the next level while creating value for our shareholders and benefiting all of our stakeholders.

Susan Riddell Rose

SUE RIDDELL ROSE
President and Chief Executive Officer

March 25, 2024

(1) See "Net Asset Value" on page 7 in this Annual Results report.

ANNUAL FINANCIAL AND OPERATING HIGHLIGHTS

($ thousands, except as noted)	2023	2022	2021(1)
Financial			
Oil revenue	**88,968**	54,491	4,923
Net income	**18,561**	24,605	7,702
Per share – basic(4)	**0.31**	0.47	0.34
Per share – diluted(4)	**0.30**	0.47	0.33
Total Assets	**271,153**	204,030	115,862
Cash flow from operating activities	**55,391**	23,870	1,115
Adjusted funds flow(2)	**54,157**	23,036	1,595
Per share – basic(3)(4)	**0.90**	0.44	0.07
Per share – diluted(3)(4)	**0.89**	0.44	0.07
Net debt (asset)(2)	**50,984**	26,288	(5,375)
Capital expenditures(2)			
Capital expenditures, including land and other(2)	**71,530**	94,207	17,358
Acquisition	**33,173**	—	55,322
Proceeds on disposition	**(7,990)**	—	—
Capital expenditures, after acquisition and dispositions	**96,713**	94,207	72,680
Common shares (thousands)			
Weighted average – basic	**60,346**	52,093	22,702
Weighted average – diluted	**61,075**	52,471	23,228
Operating			
Daily average oil sales production (bbl/d)(5)	**3,302**	1,670	593
Rubellite average realized oil price(3)			
Average realized oil price ($/bbl)	**73.82**	89.38	69.76
Average realized oil price – after risk management contracts($/bbl)	**73.56**	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.
(2) Non-GAAP measure. See "Non-GAAP and Other Financial Measures" in this Annual Results report for an explanation of composition.
(3) Non-GAAP ratio. See "Non-GAAP and Other Financial Measures" in this Annual Results report for an explanation of composition.
(4) Per share amounts are calculated using the weighted average number of basic or diluted common shares.
(5) Heavy crude oil sales production excludes tank inventory volumes.

ADVISORIES

This letter to shareholders, 2023 annual highlights and Annual Results report refer to certain non-GAAP measures and metrics commonly used in the oil and natural gas industry and provides forward-looking information and statements. Further detailed information regarding these measures is provided in this Annual Results report in "Management's Discussion and Analysis – NON-GAAP AND OTHER FINANCIAL MEASURES" on pages 18 to 21, "Management's Discussion and Analysis – FORWARD-LOOKING INFORMATION" on pages 22 and 23.

In addition to the disclosure set out in the Company's Management's Discussion and Analysis for the period ended December 31, 2023, we provide certain supplementary disclosure throughout this Annual Results report in respect of certain specified financial measures (as such term is defined in National Instrument 51-112 – *Non-GAAP and Other Financial Measures*) and in respect of certain oil and gas metrics.

2023 FOURTH QUARTER AND ANNUAL FINANCIAL AND OPERATING HIGHLIGHTS

- Achieved fourth quarter conventional heavy crude oil sales production of 4,209 bbl/d, representing a 93% year-over-year increase and an 33% increase from Q3 2023, driven by positive drilling results and its previously announced asset acquisition completed in November 2023. 2023 sales production of 3,302 bbl/d exceeded guidance and increased 98% relative to 2022.

- Generated adjusted funds flow before transaction costs(1) of $17.1 million ($0.27 per share) in the fourth quarter of 2023, a 110% increase over the comparative period, driven by production increases, and a 9% increase from Q3 2023 on higher production, partially offset by lower Western Canadian Select ("WCS") pricing.

- Posted strong Finding and Development ("F&D") costs of $20.38/boe on a total proved plus probable producing basis and $18.03/boe on a total proved plus probable basis, with a recycle ratio of 2.6x and 2.9x, respectively, based on Rubellite's 2023 operating netback.

- Invested $25.1 million in development capital expenditures(1), excluding land purchases, during the fourth quarter to drill eleven (11.0 net) multi-lateral horizontal wells at Figure Lake, with eight (8.0 net) wells which progressively contributed to sales production during the fourth quarter. One (1.0 net) additional well at Figure Lake was spud on December 15, 2023 and was rig released on January 6, 2024 with a majority of that well's capital being spent during the fourth quarter of 2023. Development capital expenditures for full year 2023 were $67.5 million before land purchases, acquisitions and proceeds from dispositions. Capital expenditures included $51.1 million for drilling and completions, $7.1 million in lease preparation costs for drilling activities, and $9.3 million for facilities, the majority of which related to the drilling of thirty (29.5 net) wells during 2023. This included twenty one (21.0 net) development wells in Figure Lake, six (6.0 net) step out wells at Figure Lake, two (2.0 net) exploratory wells at Peavine and one (0.5 net) exploratory well at Dawson.

- Land purchases in the quarter were $1.2 million, bringing total land expenditures for 2023 to $4.0 million. In 2023, Rubellite added 28.0 net sections of land, and fulfilled its four well drilling commitment on the 20.0 net sections acquired under a Land Acquisition and Drilling Agreement with the Buffalo Lake Métis Settlement ("BLMS"). Including the 215 net sections of land acquired in the November 2023 asset acquisition and net of expiries, the Company held 471.1 net sections of land in the Clearwater formation at December 31, 2023.

- Acquisition spending of $33.2 million, net of customary closing adjustments, resulted in approximately 800 bbl/d of heavy crude oil production which contributed; 436 bbl/d to fourth quarter 2023 production attributed to fifteen (15.0 net) wells, 107 net sections of Clearwater lands in the Figure Lake/Edwand area, as well as 108 net sections of undeveloped lands in the Nixon area.

- Proceeds on disposition of $8.0 million related to the closing of a 1.5% non-convertible royalty sale at Figure Lake which converts to a 1.0% royalty after payout.

- Generated net income of $9.5 million ($0.15/share) in the fourth quarter of 2023, and $18.6 million ($0.31/share) for full year 2023.

- Net debt(1) was $51.0 million at December 31, 2023, with a net debt to Q4 2023 annualized adjusted funds flow(1) ratio of 0.8 times.

- Rubellite had available liquidity(1) at December 31, 2023 of $27.3 million, comprised of the then $57.0 million borrowing limit on the Credit Facility, less current borrowings of $29.3 million and outstanding letters of credit of $0.4 million.

(1) Non-GAAP financial measure, non-GAAP ratio or supplementary financial measure. See "Non-GAAP and Other Financial Measures" in this Annual Results report for an explanation of composition.

YEAR-END 2023 RESERVES

Rubellite's proved plus probable reserves[1] at year-end 2023 are 16.0 MMboe, comprised of 93% heavy crude oil (2022 – 10.3 MMboe). Reserve additions grew total Company proved plus probable reserves by 5.7 MMboe (56%) year-over-year, replacing production of 1.2 MMboe by close to 6 times.

Highlights include:

- Total proved reserves were 10.0 MMboe at year-end 2023, representing 62% of the Company's proved plus probable reserves (2022 – 59%) and a 64% increase over 2022.

- Total proved developed producing reserves were 5.3 MMboe at year-end 2023, an increase of 77% over year-end 2022 and representing 33% of the Company's proved plus probable reserves (2022 - 3.0 MMboe; 29% of proved plus probable reserves).

- Proved plus probable producing reserves were 7.1 MMboe at December 31, 2023, representing 44% of total proved plus probable reserves (2022 – 3.9 MMboe; 38%).

- Finding and Development ("F&D") costs and Finding Development and acquisition ("FD&A") costs, including changes in Future Development Capital ("FDC") were:

    - F&D:
        - Proved developed producing reserves: $24.22/boe
        - Total proved reserves: $22.78/boe
        - Total proved plus probable developed producing reserves: $20.38/boe
        - Total proved plus probable reserves: $18.03/boe

    - FD&A:
        - Proved Developed Producing reserves: $27.23/boe
        - Total proved reserves: $25.40/boe
        - Total proved plus probable developed producing reserves: $22.43/boe
        - Total proved plus probable reserves: $19.63/boe

- Strong annual operating netback of $53.14/boe and relatively low cost reserve additions delivered recycle ratios of:

    - Recycle ratio, excluding acquisitions
        - Proved developed producing reserves: 2.2x
        - Total proved reserves: 2.3x
        - Total proved plus probable developed producing reserves: 2.6x
        - Total proved plus probable reserves: 2.9x

    - Recycle ratio, including acquisitions:
        - Proved Developed Producing reserves: 2.0x
        - Total proved reserves: 2.1x
        - Total proved plus probable developed producing reserves: 2.4x
        - Total proved plus probable reserves: 2.7x

- The McDaniel Report includes seventy five (71.9 net) booked undeveloped drilling locations, sixty two (61.0 net) of which are in the greater Figure Lake area.

- The Figure Lake type curve[1] total proved plus probable reserves is unchanged at 130 Mboe per well with future development costs holding flat at $1.9 million per well as drilling efficiency gains offset inflationary pressures. The Figure Lake type curve IP30 rate increased slightly to 119 bbl/d from the YE 2022 type curve IP30 of 116 bbl/d due to the positive performance data from 2023 wells exceeding the IP30 rates of the prior years' drilling program.

- Based on the three consultant average price (McDaniel, GLJ, Sproule) forecasts (the "Consultant Average Price Forecast") used by McDaniel, the net present value ("NPV") of Rubellite's total proved plus probable reserves (discounted at 10%) before income tax, was $322.1 million (2022 – $215.2 million). The 50% NPV increase related primarily to the similar year-over-year increase in reserves.

- All abandonment, decommissioning and reclamation obligations are included in the reserve report, consistent with year-end 2022. Decommissioning obligations for wells assigned reserves are forecast to occur at end of life while the additional costs expected to be incurred to abandon and reclaim non-reserve wells, facilities and pipelines are forecast in accordance with regulatory asset retirement obligation spending requirements for inactive wells.

- Rubellite's undeveloped land at year-end 2023, was independently assessed in the Seaton-Jordan Report[3], at $40.7 million, an increase of 30% from $31.4 million at year-end 2022.

- Based on the Consultant Average Price Forecast, Rubellite's reserve-based net asset value ("NAV")[2] (discounted at 10%) at year-end 2023, inclusive of the independent assessment of undeveloped land and net of the Company's year-end 2023 total net debt and other obligations of $41.0 million, which includes $51.0 million of net debt and a gain on financial hedges based on the Consultant Average Price Forecast as of January 1, 2024 of $10.0 million, is estimated at $321.3 million ($5.14 per share) as compared to $218.4 million ($3.99 per share) at year-end 2022. On a proved basis, Rubellite's NAV (discounted at 10%), excluding any value for undeveloped land and net of the Company's year-end 2023 total net debt and other obligations, is estimated at $165.0 million ($2.64 per share).

(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 will be available under the Company's profile on SEDAR+ at www.sedarplus.ca. "McDaniel Reserve Report" means the independent engineering evaluation of the Company's heavy crude oil and conventional natural gas reserves, prepared by McDaniel with an effective date of December 31, 2023 and a preparation date of March 14, 2024.
(2) Non-GAAP financial measure or non-GAAP ratio. See "Non-GAAP and Other Financial Measures" in this Annual Results report.
(3) The value of Rubellite's undeveloped land was assessed by an independent third party, Seaton-Jordan & Associates Ltd., as at December 31, 2023 in a report dated February 5, 2024 (the "Seaton-Jordan Report"). Estimates of the value of Rubellite's undeveloped acreage was prepared in accordance with NI 51-101 5.9(1)(e) for purposes of the net asset value calculation and is based on past Crown land sale activity, adjusted for tenure and other considerations. No undeveloped land value is assigned where proved and/or probable undeveloped reserves have been booked.

Reserves Disclosure

Working interest reserves included herein refer to working interest reserves before royalty deductions. Reserves information is based on an independent reserves evaluation report prepared by McDaniel & Associates Consultants Ltd. ("McDaniel") with an effective date of December 31, 2023 (the "McDaniel Report"), and has been prepared in accordance with National Instrument 51-101 ("NI 51-101") using the Consultant Average Price Forecast. Complete NI 51-101 reserves disclosure including after-tax reserve values, reserves by major property and abandonment costs will be included in Rubellite's Annual Information Form ("AIF"), which, when filed, is available on the Company's website at www.rubelliteenergy.com and SEDAR at www.sedar.com.

Rubellite's reserves at December 31, 2023 are summarized below:

Working Interest Reserves at December 31, 2023[(1)]

	Light and Medium Crude Oil (*Mbbl*)	Heavy Oil (*Mbbl*)	Conventional Natural Gas (*MMcf*)	Natural Gas Liquids (*Mbbl*)	Oil Equivalent (*Mboe*)
Proved Producing	—	4,989	2,147	—	5,347
Proved Non-Producing	—	85	140	—	109
Proved Undeveloped	—	4,230	1,629	—	4,501
Total Proved	—	**9,304**	**3,917**	—	**9,957**
Probable Producing	—	1,593	823	—	1,730
Probable Non-Producing	—	39	41	—	46
Probable Undeveloped	—	4,033	1,496	—	4,282
Total Probable	**—**	**5,664**	**2,359**	**—**	**6,058**
Total Proved plus Probable	**—**	**14,968**	**6,276**	**—**	**16,014**

(1) May not add due to rounding.

Reserves Reconciliation

Working Interest Reserves[(1)]

Barrels of Oil Equivalent (Mboe)	**Proved**	**Probable**	**Proved and Probable**
Opening Balance, December 31, 2022	6,079	4,197	10,276
Extensions and Improved Recovery	3,420	1,346	4,766
Discoveries	0	0	0
Technical Revisions	465	(225)	240
Acquisitions	1,192	733	1,925
Dispositions	0	0	0
Production	(1,205)	0	(1,205)
Economic Factors	6	6	12
Closing Balance, December 31, 2023	**9,957**	**6,058**	**16,014**

(1) May not add due to rounding.

The Clearwater 2023 drilling program resulted in proved producing drilling extensions of 1,214 Mboe attributed to the addition of fifteen (14.5 net) producing wells, as well as 1,744 Mboe associated with drilling extensions for eighteen (18.0 net) proved undeveloped locations. Additional extensions of 462 Mboe are assigned to solution gas attributed to the gas tie-in project that is underway with gas sales to commence in early 2025. Assets acquired in the Edwand and Figure Lake areas resulted in acquisition adds totaling 1,192 Mboe split to fourteen (14.0 net) proved producing wells with 598 Mboe of reserves, and eight (7.7 net) proved undeveloped locations with 594 Mboe of reserves. Category transfers of 373 Mboe, which are grouped as technical revisions, are the aggregate of revisions from eleven (11.0 net) drills booked as proved undeveloped transferring to proved producing. Other technical revisions of 92 Mboe represent an increase to base producing well proved reserves.

The Clearwater 2023 drilling program resulted in proved plus probable producing drilling extensions of 1,145 Mboe attributed to the addition of eleven (10.5 net) producing wells as well as 2,851 Mboe associated with drilling extensions for twenty two (22.0 net) proved plus probable undeveloped locations. Additional extensions of 770 Mboe are assigned to solution gas attributed to the gas tie-in project that is underway with gas sales to commence in early 2025. Assets acquired in the Edwand and Figure Lake areas resulted in proved plus probable acquisition adds totaling 1,925 Mboe split to fourteen (14.0 net) proved producing wells with 802 Mboe of reserves and twelve (10.4 net) proved plus probable undeveloped locations with 1,123 Mboe of reserves. Category transfers of 313 Mboe, which are grouped as technical revisions, are the aggregate of revisions from fifteen (15.0 net) drills booked as proved plus probable undeveloped transferring to proved plus probable producing. Other technical revisions of -73 Mboe were mainly adjustments to base producing well reserves.

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

Future Development Capital[1]

($ millions)	2024	2025	2026	2027	2028	Remainder	Total
Figure Lake	52.2	47.4	24.1	0.1	0.1	0.1	123.9
Marten Hills	—	—	—	1.6	—	—	1.6
Ukalta	—	9.8	9.9	—	—	—	19.7
Total	**52.2**	**57.2**	**33.9**	**1.7**	**0.1**	**0.1**	**145.2**

(1) May not add due to rounding.

The McDaniel Report estimates that FDC of $145.2 million will be required over the life of the Company's proved plus probable reserves. The FDC is attributed to 75 (71.9 net) locations booked in the Clearwater play. Proved plus probable reserve forecast FDC increased by $39.6 million from $105.6 million (38%) at December 31, 2022. The increase in FDC reflects an increase in locations booked from 59 (55.5 net) at December 31, 2021 as well as increased capital costs per well.

RESERVE LIFE INDEX

Rubellite's proved plus probable reserves to production ratio, also referred to as reserve life index ("RLI"), was 9.3 years at year-end 2023, while the proved RLI was 6.3 years, based upon the 2023 production estimates in the McDaniel Report. The following table summarizes Rubellite's historical calculated RLI.

Reserve Life Index

Year-end	2023	2022	2021
Total Proved	6.3	6.2	4.6
Total Proved plus Probable	9.3	9.6	6.6

NET PRESENT VALUE OF RESERVES SUMMARY

Rubellite's heavy crude oil reserves were evaluated by McDaniel using the Consultant Average Price Forecast effective January 1, 2024 but prior to provision for financial oil hedges, foreign exchange contracts, income taxes, interest, debt service charges and general and administrative expenses. The following table summarizes the NPV of future revenue from reserves at December 31, 2023, assuming various discount rates:

NPV of Reserves, before income tax[1][2][3][4]

Reserves Categories	Before Income Taxes Discounted at (%)					Unit Value Before Income Tax Discounted At 10%/Year[3]
***($ millions)*[1]**	**0%**	**5%**	**10%**	**15%**	**20%**	**($/boe)**
Proved Producing[2]	182	162	145	131	120	31.17
Proved Non Producing	4	3	3	3	2	31.31
Proved Undeveloped	105	78	58	43	33	14.45
Total Proved	**292**	**244**	**206**	**177**	**155**	**23.51**
Probable Producing	67	48	36	29	24	25.32
Probable Non Producing	2	1	1	1	1	27.86
Probable Undeveloped	156	108	79	60	47	20.86
Total Probable	**226**	**158**	**116**	**90**	**72**	**22.13**
Proved plus Probable	**517**	**401**	**322**	**267**	**227**	**22.99**

(1) January 1,2024 Consultant Average Price Forecast.
(2) Inclusive of all asset retirement obligations of the Corporation.
(3) The unit values are based on net reserve volumes.
(4) May not add due to rounding

McDaniel's NPV10 estimate of Rubellite's total proved plus probable reserves at year-end 2023 was $322.1 million, up 50% from $215.2 million at year-end 2022. At a 10% discount factor, total proved reserves account for 64% (2022 – 62%) of the proved plus probable value. Proved plus probable producing reserves represent 56% (2022 – 53%) of the total proved plus probable value (discounted at 10%) as obligations for non-producing wells, facilities and pipelines and carbon tax reduce the value of the developed producing reserves.

FAIR MARKET VALUE OF UNDEVELOPED LAND

Rubellite held 67,662 net undeveloped acres of land as at December 31, 2023. Undeveloped acres refers to land where there are not any existing wells within the rights associated with those lands and includes. The estimate of the fair market value of the Company's undeveloped acreage was prepared by Seaton-Jordan & Associates Ltd. ("Seaton Jordan") and is based on past Crown land sale activity, adjusted for tenure and other considerations. No undeveloped land value was assigned where proved and probable undeveloped reserves have been booked. The fair market value of Rubellite's undeveloped land as estimated by Seaton Jordan at year-end 2023 is $40.7 million.

NET ASSET VALUE

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

Pre-tax NAV at December 31, 2023(1)(4)

($ millions, except as noted)	**Undiscounted**	**5%**	**10%**	**15%**
Total Proved plus Probable Reserves(2)	517	401	322	267
Fair market value of undeveloped lands	41	41	41	41
Mark-to-Consultant Average Price Forecast	10	10	10	10
Net debt(4)	(51)	(51)	(51)	(51)
NAV	**516**	**401**	**321**	**266**
Common shares outstanding (million)(3)	62.5	62.5	62.5	62.5
NAV per share ($/share)(4)	**8.27**	**6.41**	**5.14**	**4.26**

(1) Financial information is per Rubellite's 2023 audited financial statements.
(2) Reserve values per McDaniel Report as at December 31, 2023. All abandonment and reclamation obligations, including future abandonment and reclamation costs for pipelines and facilities and non-reserve wells, are included in the McDaniel Report.
(3) Shares outstanding as at December 31, 2023.
(4) Non-GAAP financial measure or non-GAAP ratio. See "Non-GAAP and Other Financial Measures" in this Annual Results report.

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

OUTLOOK AND GUIDANCE

Rubellite expects exploration and development capital spending to be approximately $12 - $13 million in the first quarter of 2024 to drill, complete, equip and tie-in six (6.0 net) multi-lateral horizontal development wells at Figure Lake/Edwand and to drill and core one (1.0 net) vertical stratigraphic evaluation well. Forecast drilling activities will be funded from adjusted funds flow, with excess free funds flow applied to reduce net debt.

Factoring in recent drilling performance and type curve expectations for the remaining first quarter 2024 drilling program at Figure Lake/ Edwand, production sales volumes are expected to grow approximately 6% to 7% sequentially from the fourth quarter of 2023 to average between 4,450 - 4,500 bbl/d for Q1 2024.

With the addition of a second drilling rig as early as late in the second quarter of 2024, Rubellite expects to spend $70 to $75 million for 2024 which includes the drilling of up to thirty four (34.0 net) multi-lateral development / step-out wells in the greater Figure Lake area and $7.0 million of capital spending required for the Figure Lake gas sales plant and related pipeline tie-ins. Also included is investment in the drilling of one well (0.3 net) to initiate waterflood at Marten Hills and ongoing exploration activities.

Production sales volumes are expected to grow over 39% to 48% year-over-year to average 4,600 - 4,900 boe/d and exit the year at 5,000 - 5,200 boe/d, poised for continued growth into 2025 with strong oil production and the addition of natural gas volumes in the first quarter of 2025.

Capital spending, drilling activity and operational guidance for 2024 is as outlined in the table below:

	Q1 2024 Guidance	2024 Guidance
Sales Production (bbl/d)	4,450 - 4,500	4,600 - 4,900
Development ($ millions)(1)(2)(3)	$12 - $13	$70- $75
Multi-lateral development wells (net)(1)	6.0	Up to 34.0
Heavy oil wellhead differential ($/bbl)(1)	$6.50 - $7.00	$6.50 - $7.00
Royalties (% of revenue)(1)	11.0% - 12.0%	11.0% - 12.0%
Production & operating costs ($/boe)(1)	$6.50 - $7.00	$6.00 - $6.50
Transportation costs ($/boe)(1)	$7.50 - $8.00	$7.50 - $8.00
General & administrative costs ($/boe)(1)	$5.50 - $6.00	$5.50 - $6.00

(1) Exploration and development capital expenditure guidance excludes undeveloped land purchases and additional acquisitions. See "Non-GAAP and Other Financial Measures" in this Annual Results report.
(2) Includes $1.4 million for the Figure Lake gas conservation project in Q1 2024 and $7.0 million for full year 2024.
(3) Excludes land and acquisition spending.

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, 2023, 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 audited consolidated financial statements and accompanying notes for the years ended December 31, 2023 and 2022. 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 IFRS Accounting Standards. The date of this MD&A is March 14, 2024.

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

NATURE OF BUSINESS: Rubellite is a Canadian energy company headquartered in Calgary, Alberta and engaged in the exploration, development and production of 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 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.sedarplus.ca and found at www.rubelliteenergy.com.

Rubellite's common shares trade on the Toronto Stock Exchange under the symbol "RBY".

2023 STRATEGIC ACQUISITION AND DISPOSITIONS

On November 8, 2023, the Company closed the previously announced Clearwater acquisition (the "Acquisition"). The Acquisition included approximately 800 bbl/d of conventional heavy oil sales production, along with 107 net sections of land (96 net sections undeveloped) in the Figure Lake and Edwand areas, and 108 net sections of undeveloped land in the Nixon area of Northeast Alberta, for net cash proceeds of $33.2 million, inclusive of customary closing adjustments. The Acquisition was funded through an expanded borrowing limit to Rubellite's revolving bank debt credit facility.

On December 4, 2023, the Company sold a 1.5% non-convertible gross overriding royalty ("GORR"), reverting to a 1.0% non-convertible GORR after payout, on a select portion of the Figure Lake properties for total consideration of $8.0 million (the "Royalty Sale").

FOURTH QUARTER AND ANNUAL 2023 OPERATIONAL AND FINANCIAL HIGHLIGHTS

- Fourth quarter conventional heavy oil sales production of 4,209 bbl/d exceeded guidance and was up 93% from the fourth quarter of 2022 (Q4 2022 - 2,181 bbl/d). 2023 sales production of 3,302 bbl/d increased 98% from 2022 (2022 - 1,670 bbl/d) as a result of the 2023 drilling program and the Clearwater Acquisition that added fifteen (15.0 net) producing wells in the Greater Figure Lake area during the fourth quarter.
- Exploration and development capital expenditures(1) for the fourth quarter totaled $25.1 million, which included the pre-ordering of $1.6 million of inventory for future drilling, bringing expenditures to $67.5 million for 2023 as compared to the $66.0 million forecasted upper end of the prior guidance range. During 2023 thirty (29.5 net) wells were rig released, which included twenty one (21.0 net) development wells in Figure Lake, six (6.0 net) step out wells at Figure Lake, two (2.0 net) exploratory wells at Peavine and one (0.5 net) exploratory well at Dawson.
- Land purchases in the quarter were $1.2 million, bringing total land expenditures for 2023 to $4.0 million. In 2023, Rubellite added 28.0 net sections of land, and fulfilled its four well drilling commitment on the 20.0 net sections acquired under a Land Acquisition and Drilling Agreement with the Buffalo Lake Métis Settlement ("BLMS"). Including the 215 net sections of land acquired in the Acquisition and net of expiries, the Company held 471.1 net sections of land in the Clearwater formation at December 31, 2023.
- Adjusted funds flow before transaction costs(1) in the fourth quarter was $17.1 million ($0.27 per share) and $54.3 million ($0.90 per share) in 2023 (Q4 2022 - $8.1 million and $0.15 per share; 2022 - $23.0 million and $0.44 per share).
- Cash costs(1) were $7.9 million or $20.49/boe in the fourth quarter of 2023 (Q4 2022 - $4.1 million or $20.27/boe). Full year cash costs were $25.7 million or $21.29/boe in 2023 (2022 - $12.5 million or $20.51/boe).
- Net income was $9.5 million in the fourth quarter of 2023 (Q4 2022 - $18.7 million) and $18.6 million in 2023 (2022 - $24.6 million).
- As at December 31, 2023, net debt(1) was $51.0 million, an increase from $28.2 million as at December 31, 2022.
- Rubellite had available liquidity (see “Liquidity, Capitalization and Financial Resources - Capital Management”) at December 31, 2023 of $27.3 million, comprised of the $57.0 million borrowing limit of Rubellite’s first lien credit facility (“Credit Facility Borrowing Limit”), less current borrowings of $29.3 million and outstanding letters of credit of $0.4 million.

(1) Non-GAAP financial measure, non-GAAP ratio or supplementary financial measure. See "Non-GAAP and Other Financial Measures".

OPERATIONS UPDATE

A total of eleven (11.0 net) wells were rig released in Rubellite’s two-rig, fourth quarter development drilling program at Figure Lake and were a combination of seven (7.0 net) development wells and four (4.0 net) step-out wells. These wells began to contribute materially to the ramp up of oil sales production volumes throughout December, peaking in January 2024 as new multi-lateral wells from the two-rig Q4/23 drilling program were rig released and achieved full recovery of oil-based drilling mud (“OBM”). OBM is not recorded as sales production as the OBM is recovered and re-used in future drilling operations to the maximum extent possible or, when no longer re-usable it is sold, and in both cases credited back to drilling capital.

During the fourth quarter, development drilling operations were focused on three pads including: finishing the last two of eight wells on the pad at 15-24-63-18W4 (the “15-24 Pad”); drilling four (4.0 net) horizontal multi-lateral wells at a new development pad at 9-3-63-18W4 (the "9-3 Pad"); and drilling one (1.0 net) horizontal multi-lateral development well on a new development pad to the north at 14-22-63-18W4 (the "14-22 Pad").

The Company is pleased with the step out drilling program executed by the second rig which was windowed in during the fourth quarter. Four (4.0 net) step out wells were drilled and rig released during the fourth quarter, including two new drills from a pad on the Buffalo Lake Métis Settlement ("BLMS") at 5-32-63-17W4 (the "5-32 Pad"); and one well on each of two pads south of Figure Lake at 6-19-62-18W4 (the "6-19 Pad") and 5-24-62-18W4 (the "5-24 Pad"). Both new step-out wells drilled at the BLMS 5-32 Pad have recovered their OBM load fluid and progressed through their respective IP30 production periods, recording strong IP30 rates of 325 and 168 bbl/d respectively, as compared to the Figure Lake type curve(1) IP30 of 119 bbl/d. Rubellite's four well commitment on the BLMS lands is now fully satisfied. The step-out well drilled on the 6-19 Pad in the fourth quarter, which straddled legacy Rubellite lands as well as lands acquired in November 2023 as part of the Acquisition, fully recovered its OBM during the last week of December and is performing very strong, recording an average IP30 production rate of 256 bbl/d. The step-out well drilled on the 5-24 Pad recovered its OBM load fluid and is producing sales oil at an initial rate below the Figure Lake type curve and with a high water cut. Based on early time production performance to date, two of these four Figure Lake step out wells are Rubellite's most prolific performers drilled to date since the Company's inception, and have served to extend the development trend at Figure Lake to both the North and South.

Rubellite has utilized one drilling rig during the first quarter of 2024 and intends to keep this drilling rig running continuously at Figure Lake through break up in late March, to drill a total of six (6.0 net) multi-lateral horizontal wells along with one (1.0 net) vertical stratigraphic evaluation well during the first quarter of 2024. One additional development well was rig released on the 14-22 Pad in mid-January. Given ungulate restrictions, drilling operations shifted to the south end of Figure Lake to drill two wells on lands added through the Acquisition at a pad in Edwand at 3-17-61-17W4 (the "3-17 Pad"), applying an OBM drilling fluid system to this pool to compare to the water-based mud results from wells drilled by the previous operator. Two additional multi-lateral horizontal wells have recently been rig released on the 6-19 Pad and the drilling rig has now moved back to the 5-32 Pad on the BLMS to drill six additional wells, one of which is expected to be rig released and begin load oil recovery prior to the end of the first quarter.

In early January, Rubellite re-activated its horizontal multi-lateral Northern Exploration well at Dawson (5-16-81-16W5) which was rig released in late January 2023. The Company plans to monitor production performance through the winter operating season.

The existing rig will continue to drill an additional eighteen (18.0 net) wells at Figure Lake over the last nine months of 2024, with a second rig anticipated to arrive as early as late in the second quarter to drill up to ten (10.0 net) additional development / step-out delineation multi-lateral horizontal wells at Figure Lake over the balance of the year.

Permitting is underway and equipment has been ordered to construct a sales gas plant at Figure Lake to direct solution gas to sales beginning in the first quarter of 2025. By utilizing existing pipeline infrastructure acquired from legacy shallow gas producers in the area, the solution gas tie-in project will not only significantly reduce emissions from the Figure Lake property where natural gas is currently being incinerated on multiple pad sites, it is also economically attractive, with a forecast rate of return of >75% on the approximately $7 million capital investment, with project payout expected in 2026 based on current forward natural gas prices.

Rubellite also plans to continue exploration activities to pursue additional prospective land capture and de-risk acreage during 2024.

(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.sedarplus.ca. "McDaniel" means McDaniel & Associates Consultants Ltd. independent qualified reserves evaluators. "McDaniel Reserve Report" means the independent engineering evaluation of the heavy crude oil and conventional natural gas reserves, prepared by McDaniel with an effective date of December 31, 2023 and a preparation date of March 14, 2024.

OUTLOOK AND GUIDANCE

Rubellite expects exploration and development capital spending to be approximately $12 - $13 million in the first quarter of 2024 to drill, complete, equip and tie-in six (6.0 net) multi-lateral horizontal development wells at Figure Lake/Edwand and to drill and core one (1.0 net) vertical stratigraphic evaluation well. Forecast drilling activities will be funded from adjusted funds flow, with excess free funds flow applied to reduce net debt.

Factoring in recent drilling performance and type curve expectations for the remaining first quarter 2024 drilling program at Figure Lake/ Edwand, production sales volumes are expected to grow approximately 6% to 7% sequentially from the fourth quarter of 2023 to average between 4,450 - 4,500 bbl/d for Q1 2024.

With the addition of a second drilling rig as early as late in the second quarter of 2024, Rubellite expects to spend $70 to $75 million for 2024 which includes the drilling of up to thirty four (34.0 net) multi-lateral development / step-out wells in the greater Figure Lake area and $7.0 million of capital spending required for the Figure Lake gas sales plant and related pipeline tie-ins. Also included is investment in the drilling of one well (0.3 net) to initiate waterflood at Marten Hills and ongoing exploration activities.

Production sales volumes are expected to grow over 39% to 48% year-over-year to average 4,600 - 4,900 boe/d and exit the year at 5,000 - 5,200 boe/d, poised for continued growth into 2025 with strong oil production and the addition of natural gas volumes in the first quarter of 2025.

Capital spending, drilling activity and operational guidance for the first quarter and full year 2024 is as outlined in the table below:

	Q1 2024 Guidance	2024 Guidance
Sales Production (bbl/d)	4,450 - 4,500	4,600 - 4,900
Exploration and Development spending ($ millions)(2)(3)	$12 - $13	$70- $75
Multi-lateral development / step-out wells (net)(2)	6.0	Up to 34.0
Heavy oil wellhead differential ($/bbl)(2)	$6.50 - $7.00	$6.50 - $7.00
Royalties (% of revenue)(2)	11.0% - 12.0%	11.0% - 12.0%
Production and operating costs ($/boe)(2)	$6.50 - $7.00	$6.00 - $6.50
Transportation costs ($/boe)(2)	$7.50 - $8.00	$7.50 - $8.00
General and administrative costs ($/boe)(2)	$5.50 - $6.00	$5.50 - $6.00

(1) Non-GAAP financial measure, non-GAAP ratio or supplementary financial measure. See "Non-GAAP and Other Financial Measures".
(2) Includes $1.4 million for the Figure Lake gas conservation project in Q1 2024 and $7.0 million for full year 2024.
(3) Excludes land and acquisition spending.

FOURTH QUARTER 2023 FINANCIAL AND OPERATING RESULTS

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

Cash flow used in investing activities was $38.8 million and $94.4 million for the three and twelve months ended December 31, 2023, respectively, as compared to $31.2 million and $86.3 million in the comparative periods of 2022. 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 a 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 summarize capital expenditures for both PP&E and E&E assets, excluding non-cash items:

	Three Months Ended December 31,					
		2023			2022	
(*$ thousands*)	**E&E**	**PP&E**	**Total**	E&E	PP&E	Total
Drilling and completions	**10,095**	**10,324**	**20,419**	732	13,512	14,244
Facilities	**(518)**	**1,765**	**1,247**	—	4,017	4,017
Lease construction	**2,322**	**1,143**	**3,465**	302	1,909	2,211
Capital Expenditures(1)	**11,899**	**13,232**	**25,131**	1,034	19,438	20,472
Land and other	**1,189**	**—**	**1,189**	3,043	—	3,043
Capital expenditures, including land and other(1)	**13,088**	**13,232**	**26,320**	4,077	19,438	23,515
Acquisitions(2)	**4,526**	**28,647**	**33,173**	—	—	—
Proceeds from dispositions(3)	**(1,073)**	**(6,917)**	**(7,990)**	—	—	—
Capital expenditures(1), after acquisition and dispositions	**16,541**	**34,962**	**51,503**	4,077	19,438	23,515

(1) Non-GAAP measure. See "Non-GAAP and Other Financial Measures".
(2) Acquisition closed on November 8, 2023 for cash consideration of $34.0 million, prior to preliminary purchase price adjustments.
(3) Royalty Sale closed on December 8, 2023 for cash consideration of $8.0 million, prior to purchase price adjustments.

	Twelve Months Ended December 31,					
		2023			2022	
(*$ thousands*)	**E&E**	**PP&E**	**Total**	E&E	PP&E	Total
Drilling and completions	**18,543**	**32,533**	**51,076**	5,455	52,309	57,764
Facilities	**2,820**	**6,482**	**9,302**	—	9,687	9,687
Lease construction	**2,491**	**4,645**	**7,136**	612	5,442	6,054
Capital expenditures(1)	**23,854**	**43,660**	**67,514**	6,067	67,438	73,505
Land and other	**4,016**	**—**	**4,016**	20,514	188	20,702
Capital expenditures, including land and other(1)	**27,870**	**43,660**	**71,530**	26,581	67,626	94,207
Acquisitions	**4,526**	**28,647**	**33,173**	—	—	—
Proceeds from dispositions(3)	**(1,073)**	**(6,917)**	**(7,990)**	—	—	—
Capital expenditures(1), after acquisition and dispositions	**31,323**	**65,390**	**96,713**	26,581	67,626	94,207

(1) Non-GAAP measure. See "Non-GAAP and Other Financial Measures".
(2) Acquisition closed on November 8, 2023 for cash consideration of $34.0 million, prior to preliminary purchase price adjustments.
(3) Royalty Sale closed on December 8, 2023 for cash consideration of $8.0 million, prior to purchase price adjustments.

Wells drilled by area

(gross/net)	Three months ended December 31, **2023**	2022	Twelve months ended December 31, **2023**	2022
Development				
Ukalta	**- / -**	- / -	**-/-**	16 / 16.0
Figure Lake(1)	**7 / 7.0**	7 / 7.0	**21 / 21.0**	16 / 16.0
Marten Hills	**- / -**	3 / 0.9	**-/-**	9 / 3.5
Service Wells	**- / -**	- / -	**-/-**	2 / 2.0
Figure Lake Extension				
Figure Lake extension(2,3)	**4 / 4.0**	- / -	**6 / 6.0**	- / -
Northern Exploration				
Dawson(4)	**- / -**	- / -	**1 / 0.5**	- / -
Peavine(5)	**- / -**	- / -	**2 / 2.0**	- / -
Other exploratory(6)	**- / -**	1 / 1.0	**- / -**	2 / 2.0
Total	**11 / 11.0**	11 / 8.9	**30 / 29.5**	45 / 39.5

(1) One (1.0 net) well drilled at the 14-22 pad was spud on December 15, 2023 and rig released January 6, 2024 and not included in the Q4 2023 well count. The well was drilled on existing lands previously transferred to PP&E.
(2) The four (4.0 net) wells drilled during Q4 2023 in the extension area of Figure Lake were transferred from E&E to PP&E during the fourth quarter of 2023.
(3) The two (2.0 net) wells drilled during 2023 in the extension area of Figure Lake were transferred from E&E to PP&E during the second quarter of 2023.
(4) The one (0.5 net) well drilled during 2023 at the Dawson Northern Exploratory area was transferred from E&E to PP&E during the second quarter of 2023.
(5) The two wells at Peavine were drilled at 100% working interest to earn a 60% working interest and were transferred to E&E expense during the second quarter of 2023.
(6) The one (1.0 net) well drilled during 2022 at the Alpen Exploratory area was transferred from E&E to PP&E during the fourth quarter of 2023 and the one (1.0 net) well drilled during 2022 at the Utikuma Exploratory area was transferred to E&E expense during second quarter of 2023.

Capital Expenditures

During the fourth quarter of 2023, the Company invested a total of $25.1 million before land purchases, acquisitions and proceeds from dispositions. Capital expenditures included $20.4 million for drilling and completions, $3.5 million in lease preparation costs for drilling activities and $1.2 million for facilities, and related primarily to the drilling of seven (7.0 net) development wells at Figure Lake and four (4.0 net) step out wells in greater Figure Lake. Approximately $2.1 million of expenditures related to the pre-purchase of tubulars and production equipment in support of the 2024 drilling program and upgrading the road for the BLMS 5-32 pad based on the success of the offsetting 15-24 pad. Capital to drill an eighth development well at Figure Lake, was largely spent during the fourth quarter and the well was rig released at the beginning of the first quarter of 2024. Land purchases of $1.2 million in the fourth quarter of 2023 added 4.0 net sections of lands in the Southern Clearwater area.

During the year ended December 31, 2023, the Company invested a total of $67.5 million before land purchases, acquisitions and proceeds from dispositions. Capital expenditures included $51.1 million for drilling and completions, $7.1 million in lease preparation costs for drilling activities, and $9.3 million for facilities, the majority of which related to the drilling of thirty (29.5 net) wells during 2023. This included twenty one (21.0 net) development wells in Figure Lake, six (6.0 net) step out wells at Figure Lake, two (2.0 net) exploratory wells at Peavine and one (0.5 net) exploratory well at Dawson.

Land purchases of $4.0 million in 2023 resulted in the addition of 28.0 net sections of land, which included 20.0 net sections under the Land Acquisition and Drilling Agreement with the BLMS.

During 2023, Rubellite transferred $22.6 million of E&E to PP&E, related to one (0.5 net) well at Dawson and the six (6.0 net) step out wells in Figure Lake. The Company also recognized an E&E expense of $6.8 million, which includes capital costs to drill two (2.0 net) wells at Peavine, one (1.0 net) vertical evaluation well at Utikuma, one (1.0 net) vertical evaluation well at Ukalta and a small amount of associated land.

Acquisition

On November 8, 2023, Rubellite completed the Acquisition of Clearwater assets for total cash consideration of $33.2 million net of certain customary preliminary closing adjustments. The Clearwater assets acquired included 107 net sections of land (91% undeveloped) and 15.0 net producing wells within the Figure Lake and Edwand areas as well as 108 net sections of undeveloped land in the Nixon area in the Northern Clearwater area. The Acquisition has been accounted for as a business combination using the acquisition method of accounting, whereby the assets acquired and the liabilities assumed are all recorded at the estimated fair value on the acquisition date of November 8, 2023. There were $0.1 million of transaction costs incurred by the Company and expensed through earnings. Assets acquired in this transaction will be included in the Clearwater cash-generating unit ("CGU").

Disposition

On December 4, 2023 the Company closed the Royalty Sale, selling a 1.5% non-convertible gross overriding royalty ("GORR") on certain lands at Figure Lake, which reverts to a 1.0% GORR after payout, for cash consideration of $8.0 million prior to adjustments. A gain of $1.3 million was recorded on the disposition.

Production

	Three months ended December 31, **2023**	2022	Twelve months ended December 31, **2023**	2022
Production				
Average daily heavy crude oil (bbl/d) – production(1)	**4,322**	2,250	**3,352**	1,716
Average daily heavy crude oil (bbl/d) – sales(1)	**4,209**	2,181	**3,302**	1,670

(1) The Company's heavy oil sales volumes and production volumes differ due to changes in inventory.

Sales production for the three and twelve months ended December 31, 2023 increased 93% and 98%, respectively, from the comparative periods of 2022. Production and sales volumes progressively ramped up as new wells were drilled, fully recovered their OBM and commenced delivery to sales terminals. In addition, the Acquisition contributed approximately 436 bbl/d and 110 bbl/d of sales production to the three and twelve months ended December 31, 2023, respectively. During the fourth quarter, an additional eight (8.0 net) wells from the drilling program were contributing to sales production after having fully recovered their OBM.

As of December 31, 2023, there were ninety seven (89.3 net) wells contributing to sales production, as compared to fifty eight (51.5 net) wells contributing to sales production at the end of the fourth quarter of 2022. The growth is attributable to the drilling program in Figure Lake as well as the Acquisition which added fifteen (15.0 net) wells.

Oil Revenue

	Three months ended December 31,		Twelve months ended December 31,	
($ thousands, except as noted)	**2023**	2022	**2023**	2022
Oil revenue				
Oil revenue	**27,224**	14,329	**88,968**	54,491
Reference prices				
West Texas Intermediate ("WTI") (US$/bbl)	**78.32**	82.64	**77.62**	94.22
Foreign Exchange rate (CAD$/US$)	**1.36**	1.36	**1.35**	1.30
West Texas Intermediate ("WTI") (CAD$/bbl)	**106.52**	112.39	**104.79**	122.49
Western Canadian Select ("WCS") differential (US$/bbl)	**(21.98)**	(25.70)	**(18.73)**	(18.23)
WCS (CAD$/bbl)	**76.84**	77.33	**79.46**	98.49
Rubellite average realized prices(1)				
Average realized oil price ($/bbl)	**70.31**	71.42	**73.82**	89.38

(1) Before risk management contracts; supplementary financial measure. See "Non-GAAP and Other Financial Measures".

Rubellite's oil revenue for the three months ended December 31, 2023 increased by 90% from the fourth quarter of 2022, attributable to the 93% increase in sales volumes. Compared to the fourth quarter of 2022, the WCS average price was relatively unchanged at $76.84/bbl (Q4 2022 - $77.33/bbl) as the decrease in WTI prices was largely offset by a decrease in the WCS differential. Rubellite's realized oil prices reflect a price offset for quality which averaged $6.64/bbl during the fourth quarter (Q4 2022 - $5.91/bbl).

Oil revenue for the twelve months ended December 31, 2023 increased by 63% relative to 2022, attributable to the 98% increase in sales volumes, partially offset by lower prices. WTI prices dropped 18% relative to 2022, averaging US$77.62/bbl in 2023 (2022 – US$94.22/bbl). During the twelve months of 2023, the WCS average price decrease was consistent with the decrease in WTI oil prices, as the slightly wider WCS differential was partially offset by an increase in the CAD$/US$ exchange rate to $1.35 (2022 - $1.30).

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:

	Three months ended December 31,		Twelve months ended December 31,	
(*$ thousands, except as noted*)	**2023**	2022	**2023**	2022
Unrealized gain on risk management contracts	**12,008**	1,017	**8,652**	2,025
Realized gain (loss) on risk management contracts	**700**	(676)	**(318)**	(13,142)
Realized gain (loss) on risk management contracts *($/bbl)*	**1.81**	(3.37)	**(0.26)**	(21.56)
Average realized oil price after risk management contracts(1)	**72.12**	68.05	**73.56**	67.82

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures".

The realized gain on risk management contracts totaled $0.7 million or $1.81/bbl for the fourth quarter of 2023, compared to a loss of $0.7 million or $3.37/bbl for the fourth quarter of 2022. For the twelve month period ending December 31, 2023, the realized loss on risk management contracts totaled $0.3 million or $0.26/bbl (2022 - $13.1 million realized loss or $21.56/bbl). 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 and the percentage of production volumes hedged at any given time.

The unrealized gain on risk management contracts was $12.0 million for the fourth quarter of 2023 (Q4 2022 – $1.0 million unrealized gain) and the unrealized gain on risk management contracts was $8.7 million for the twelve months ended December 31, 2023 (2022 - $2.0 million unrealized gain). Unrealized gains and losses represent the change in mark-to-market value of risk management contracts for future periods 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 operating activities as non-cash items. Risk management contract gains and losses vary depending on commodity prices and 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, **2023**	2022	Twelve months ended December 31, **2023**	2022
Oil royalties – Crown	**1,300**	481	**4,373**	2,446
Oil royalties – freehold and other	**1,565**	909	**4,140**	3,267
Total royalties	**2,865**	1,390	**8,513**	5,713
$/boe	**7.40**	6.93	**7.06**	9.37
Royalties as a percentage of revenue(1)				
Crown *(% of oil revenue)*(1)	**4.8**	3.4	**4.9**	4.5
Freehold and other *(% of oil revenue)*(1)	**5.7**	6.3	**4.7**	6.0
Total *(% of oil revenue)*(1)	**10.5**	9.7	**9.6**	10.5

(1) Non-GAAP ratio. See "Non-GAAP and Other Financial Measures".

Total royalties for the fourth quarter of 2023 were $2.9 million, a 106% increase from the fourth quarter of 2022 (Q4 2022 - $1.4 million) on higher production. On a per boe basis, royalties increased in the fourth quarter to $7.40/boe (Q4 2022 - $6.93/boe) due to an increase in the relative split of production on lands with higher overriding royalties. Royalties as a percentage of revenue for the fourth quarter were 10.5%, an increase from 9.7% in the fourth quarter of 2022.

For the twelve months ended December 31, 2023, royalties were $8.5 million (2022 – $5.7 million), $2.8 million (49%) higher than the prior year as a result of increased production, partially offset by lower prices. On a per boe basis, royalties were down 25% to $7.06/boe (2022 – $9.37/boe) as prices decreased. Royalties as a percentage of revenue for 2023 were 9.6%, a decrease from 10.5% in the comparative period of 2022.

Rubellite's royalties consist of Crown royalties payable to the Alberta provincial government and other freehold and GORRs. 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 pays a Crown royalty of between 5% and 20% on wells where mineral rights are leased from the Crown with the remainder of royalties attributable to the composition of freehold and GORR royalties some of which are price sensitive. Some of the Company's other freehold and GORR royalties are price sensitive and may not be paid if prices are below the minimum price levels referenced in the agreements.

Production and operating expenses

($ thousands, except as noted)	Three months ended December 31, **2023**	2022	Twelve months ended December 31, **2023**	2022
Production and operating expenses	**2,191**	1,226	**7,371**	4,399
$/boe	**5.66**	6.11	**6.12**	7.22

Total production and operating expenses for the three and twelve months ended December 31, 2023 increased to $2.2 million and $7.4 million from $1.2 million and $4.4 million respectively, in the comparative periods of 2022, as a result of higher costs attributable to incremental carbon taxes for 2023 of $0.6 million ($0.50/boe), an increase in production and overall cost inflation.

On a per boe basis, costs decreased by 7% to $5.66/boe in the fourth quarter of 2023 (Q4 2022 - $6.11/boe) and for the twelve months ended December 31, 2023, decreased by 15% to $6.12/boe (2022 - $7.22/boe). Despite an increase in overall production and operating expenses, as more wells have contributed to production, particularly on multi-well pads, the fixed component of production and operating expenses are spread across higher sales volumes.

Transportation costs

($ thousands, except as noted)	Three months ended December 31, **2023**	2022	Twelve months ended December 31, **2023**	2022
Transportation costs	**2,588**	1,690	**9,045**	4,448
$/boe	**6.68**	8.42	**7.50**	7.30

Transportation costs include clean oil trucking costs. Costs for the three and twelve months ended December 31, 2023 increased to $2.6 million and $9.0 million from $1.7 million and $4.4 million respectively in the comparative periods of 2022, largely as a result of higher volumes.

On a per boe basis, transportation costs of $6.68/boe in the fourth quarter of 2023 were 21% lower than the fourth quarter of 2022 (Q4 2022 - $8.42/boe) due to lower trucking rates, fuel prices and fuel surcharges than the comparative period.

On a per boe basis, costs were 3% higher for the twelve months ended December 31, 2023 (2022 - $7.30/boe) as a result of increased sales volumes at Figure Lake which incurs higher trucking costs based on location and distance as well as cost inflation, increased trucking rates, fuel prices and fuel surcharges.

Operating netbacks

The following table highlights Rubellite's operating netbacks for the three and twelve months ended months ended December 31, 2023 and 2022**:**

	Three months ended December 31,				Twelve months ended December 31,			
($/boe) ($ thousands)		**2023**		2022		**2023**		2022
Sales production *(bbl/d)*		**4,209**		2,181		**3,302**		1,670
Oil revenue	**70.31**	**27,224**	71.42	14,329	**73.82**	**88,968**	89.38	54,491
Royalties	**(7.40)**	**(2,865)**	(6.93)	(1,390)	**(7.06)**	**(8,513)**	(9.37)	(5,713)
Production and operating expenses	**(5.66)**	**(2,191)**	(6.11)	(1,226)	**(6.12)**	**(7,371)**	(7.22)	(4,399)
Transportation costs	**(6.68)**	**(2,588)**	(8.42)	(1,690)	**(7.50)**	**(9,045)**	(7.30)	(4,448)
Operating netback(1)	**50.57**	**19,580**	49.96	10,023	**53.14**	**64,039**	65.49	39,931
Realized gain (loss) on risk management contracts	**1.81**	**700**	(3.37)	(676)	**(0.26)**	**(318)**	(21.56)	(13,142)
Total operating netback, after risk management contracts(1)	**52.38**	**20,280**	46.59	9,347	**52.88**	**63,721**	43.93	26,789

(1) Non-GAAP measure. See "Non-GAAP and Other Financial Measures".

Rubellite's operating netback in the fourth quarter of 2023 increased to $19.6 million, or $50.57/boe (Q4 2022 - $10.0 million or $49.96/boe) as a result of increased sales volumes while reducing costs per boe by 8%. On a per boe basis, the increase was driven by lower production and operating expenses and transportation costs, partially offset by lower realized prices and higher royalties. After the realized gain on risk management contracts of $0.7 million, or $1.81/boe (Q4 2022 – loss of $0.7 million or $3.37/boe), operating netbacks after risk management contracts for the fourth quarter were $20.3 million, or $52.38/boe (Q4 2022 – $9.3 million or $46.59/boe). As a result of the realized gain in the fourth quarter of 2023, realized operating netbacks after risk management contracts on a per boe basis were 12% higher than the fourth quarter of 2022.

Rubellite's operating netback for the twelve months ended December 31, 2023 increased to $64.0 million, from $39.9 million in the comparative period of 2022, attributable to increased revenue on higher sales volumes while reducing costs per boe by 13% ($3.21/boe). On a per boe basis, the decrease was driven primarily by lower oil prices, partially offset by lower royalties and production and operating expenses. After the realized loss on risk management contracts of $0.3 million, or $0.26/boe (2022 – loss of $13.1 million or $21.56/boe), operating netbacks after risk management contracts in 2023 were $63.7 million (2022 – $26.8 million). Operating netbacks per boe in 2023 were $52.88/boe compared to $43.93/boe in 2022. As a result of a larger realized loss in the prior year, realized operating netbacks after risk management contracts on a per boe basis were 20% higher than 2022.

General and administrative ("G&A") expenses

	Three months ended December 31,		Twelve months ended December 31,	
($ thousands, except as noted)	**2023**	2022	**2023**	2022
G&A expenses – excluding MSA costs	**1,510**	375	**3,964**	1,457
G&A expenses – MSA costs	**813**	561	**3,354**	1,859
Total G&A expenses	**2,323**	936	**7,318**	3,316
$/boe	**6.00**	4.67	**6.07**	5.44

Rubellite has a Management and Operating Services Agreement ("MSA") in place with Perpetual Energy Inc. ("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, 2023, the costs billed under the MSA to Rubellite were $0.8 million and $3.4 million (2022 - $0.6 million and $1.9 million, respectively). MSA costs in 2023 increased as a result of higher shared G&A costs and Rubellite's increased production relative to Perpetual's production.

G&A expenses, excluding MSA costs, for the three and twelve months ended months ended December 31, 2023 increased to $1.5 million and $4.0 million, from $0.4 million and $1.5 million in the comparative periods of 2022. G&A expenses, excluding MSA costs, consist primarily of legal fees, computer software licenses, audit fees and tax related consulting fees which have increased with Rubellite's growth.

For the three and twelve months ended December 31, 2023, G&A costs on a per boe basis increased to $6.00/boe and $6.07/boe due to the significant increase in non-MSA related G&A costs per boe, partially offset by lower MSA costs per boe.

Depletion

	Three months ended December 31,		Twelve months ended December 31,	
($ thousands, except as noted)	**2023**	2022	**2023**	2022
Depletion	**8,195**	4,607	**27,485**	13,462
$/boe	**21.17**	22.96	**22.80**	22.08

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, 2023, depletion was calculated on a $208.0 million depletable balance (December 31, 2022 – $140.3 million), $145.1 million in future development costs (December 31, 2022 – $105.6 million) and excluded an estimated $3.4 million of salvage value (December 31, 2022 – $0.8 million).

Depletion expense for the fourth quarter of 2023 was $8.2 million or $21.17/boe (Q4 2022 – $4.6 million or $22.96/boe) due to higher reserves relative to depletable base in the comparable period. For the twelve month period ended December 31, 2023 depletion expense was $27.5 million or $22.80/boe (2022 - $13.5 million or $22.08/boe). The increase is driven by higher production volumes and an increase in the depletable base driven by capital spending. Depletion will fluctuate from one period to the next depending on the amount of capital spent, the amount of reserves added and volumes produced.

Impairment

There were no indicators of impairment for the Company's Clearwater CGU as at December 31, 2023, therefore, an impairment test was not performed.

E&E assets are tested for impairment when internal or external indicators of impairment exist as well as upon reclassification to oil and natural gas interests in PP&E. At December 31, 2023, the Company conducted an assessment of indicators of impairment for the Company's E&E assets. In performing the assessment, management determined there were no indicators of impairment.

During 2023, the Company transferred $22.6 million of E&E to PP&E and performed the required impairment test over the Company's PP&E assets 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.

During 2022, the Company transferred $7.9 million of E&E to PP&E and performed the required impairment test over the Company's PP&E assets 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)	**2023**	2022	**2023**	2022
Cash finance expense (income)				
Interest on revolving bank debt	**831**	215	**1,923**	343
Total cash finance expense (income)	**831**	215	**1,923**	343
Non-cash finance expense				
Accretion on decommissioning obligations	**36**	23	**128**	67
Total non-cash finance expense	**36**	23	**128**	67
Finance expense (income)	**867**	238	**2,051**	410

Total cash finance expense for the three and twelve months ended December 31, 2023 increased to $0.8 million and $1.9 million from $0.2 million and $0.3 million, respectively, in the comparative periods of 2022 as a result of increased interest rates being applied to higher outstanding bank debt. The effective interest rate on the Credit Facility for the three and twelve months ended December 31, 2023 was 10.1% and 8.5%, as compared to 7.5% and 1.9% in the comparable periods of 2022.

Non-cash finance expense represents accretion on decommissioning obligations.

Deferred Income Taxes

	Three months ended December 31,		Twelve months ended December 31,	
	2023	2022	**2023**	2022
Income (loss) before income tax	**$ 20,848**	$ 3,928	**$ 26,603**	$ 9,808
Combined federal and provincial tax rate	**23%**	23%	**23%**	23%
Computed income tax expense (recovery)	**4,795**	903	**6,119**	2,256
Increase (decrease) in income taxes resulting from:				
Non-deductible expenses	**252**	140	**700**	398
Flow-through shares - tax pools renounced	**213**	—	**3,048**	—
Other	**303**	(8)	**(377)**	(86)
Change in unrecognized deferred tax assets	**5,762**	(15,833)	**(1,448)**	(17,365)
Deferred tax expense (recovery)	**11,325**	(14,797)	**8,042**	(14,797)

The provision for income taxes for the three months ended December 31, 2023 was an expense of $11.3 million (Q4 2022 - $14.8 million recovery) and for the twelve months ended December 31, 2023 was an expense of $8.0 million (2022 - $14.8 million recovery). The change over the comparative period of 2022 was a result of the renouncing of tax pools related to the flow-through share offering that was completed in 2023, partially offset by the change in unrecognized deferred tax assets.

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.

Capital Management

($ thousands, except as noted)	**December 31, 2023**	December 31, 2022
Revolving bank debt	**29,317**	12,000
Adjusted working capital deficit(1)	**21,667**	16,228
Net debt(1)	**50,984**	28,228
Shares outstanding at end of period (*thousands*)	**62,456**	54,826
Market price at end of period (*$/share*)	**2.01**	1.85
Market value of shares(1)	**125,537**	101,428
Enterprise value(1)	**176,521**	129,656
Net debt as a percentage of enterprise value(1)	**29%**	22%
Trailing twelve-months adjusted funds flow(1)	**54,157**	23,036
Net debt to adjusted funds flow ratio(1)	**0.9**	1.2

(1) Non-GAAP financial measure and ratio. See "Non-GAAP and Other Financial Measures".

At December 31, 2023, Rubellite had net debt of $51.0 million, an 81% increase from $28.2 million at December 31, 2022. Net debt increased as a result of capital expenditures of $67.5 million in 2023 spent to drill thirty (29.5 net) wells, exploratory land purchases of $4.0 million and acquisition spending of $33.2 million, partially offset by $19.6 million of flow-through equity financing that closed on March 28, 2023, adjusted funds flow of $54.2 million and the GORR disposition of $8.0 million.

Rubellite had available liquidity at December 31, 2023 of $27.3 million, comprised of the $57.0 million Credit Facility Borrowing Limit, less borrowings of $29.3 million and outstanding letters of credit of $0.4 million.

Revolving bank debt

As at December 31, 2023, the Company's first lien Credit Facility had a Borrowing Limit of $57.0 million (December 31, 2022 - $40.0 million). The Credit Facility will reduce by $5.0 million at the end of each quarter during 2024, starting on March 31, 2024 to $40.0 million at December 31, 2024. The initial term is to May 31, 2024, and may be extended for a further twelve months to May 31, 2025 subject to lender approval. If not extended by May 31, 2024, all outstanding advances would be repayable on May 31, 2025. The next semi-annual borrowing base redetermination is scheduled on, or before, May 31, 2024.

As at December 31, 2023, $29.3 million (December 31, 2022 - $12.0 million) was drawn against the Credit Facility and $0.4 million (December 31, 2022 - nil) of letters of credit have been issued. 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, 2023 was 10.1% per annum. For the twelve months ended December 31, 2023, if interest rates changed by 1% with all other variables held constant, the impact on annual cash finance expense and net income and comprehensive income would be $0.3 million.

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

At December 31, 2023, 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, 2023, there were 62.5 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 28, 2023, the Company issued 7.0 million flow-through shares at $2.85 per share, through a private placement for net proceeds of $19.6 million. The gross proceeds of the offering were used to incur eligible qualified expenditures which the Company renounced by December 31, 2023.

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 awards and restricted awards outstanding as the date of this MD&A:

(thousands)	**March 14, 2024**
Restricted share units	517
Share options	2,672
Performance share units	464
Total	**3,653**

Commodity price risk management

As at March 14, 2024, 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 ($/bbl)
Crude Oil	200 bbl/d	Mar 2024 - Dec 2024	WTI (USD$/bbl)	Swap - sold	$78.75
Crude Oil	350 bbl/d	Apr 2024 - Dec 2024	WCS Differential (USD$/bbl)	Swap - sold	($13.95)
Crude Oil	700 bbl/d	Apr 2024 - Jun 2024	WCS (USD$/bbl)	Swap - sold	$64.37
Crude Oil	700 bbl/d	Jul 2024 - Sep 2024	WCS (USD$/bbl)	Swap - sold	$63.79
Crude Oil	1,750 bbl/d	Mar 2024 - Dec 2024	WTI (CAD$/bbl)	Swap - sold	$104.48
Crude Oil	1,600 bbl/d	Mar 2024 - Dec 2024	WCS Differential (CAD$/bbl)	Swap - sold	($21.50)
Crude Oil	200 bbl/d	Mar 2024 - Dec 2024	WCS (CAD$/bbl)	Swap - sold	$84.33

Foreign exchange risk management

As at March 14, 2024, the Company entered into the following foreign exchange risk management contracts:

Contract	Notional amount	Term	Price (CAD$/US$)
Average rate forward (CAD$/US$)	$1,775,000 US$/month	Mar 1 - Dec 31, 2024	1.3659
Average rate forward (CAD$/US$)	$1,000,000 US$/month	Jan 1 - Dec 31, 2025	1.3660

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

During the fourth quarter of 2023, the Company sold a 1.5% non-convertible GORR before payout, reverting to a 1.0% non-convertible GORR after payout, effective December 4, 2023 with royalties payable as of October 1, 2023. The Company has a drilling commitment on the GORR lands that must be fulfilled by June 30, 2026 (the "Commitment Date"). In the event the Company fails to fulfill the drilling commitment, the Company is required to pay $0.1 million per well not spud by the Commitment Date. As at December 31, 2023, the Company has drilled two (2.0 net) of the 59 wells that are required to meet the drilling commitment.

OFF BALANCE SHEET ARRANGEMENTS

Rubellite has no material off balance sheet arrangements.

RELATED PARTY TRANSACTIONS

Rubellite and Perpetual are considered related parties due to the existence of the management and operating services agreement ("MSA"). Further, certain officers and directors are key management of and have significant influence over Rubellite while also being key management of and having deemed control over Perpetual. During the three and twelve months ended December 31, 2023, Rubellite was billed by Perpetual for net transactions, which are considered to be normal course of oil and gas operations, totaling $2.4 million and $6.9 million, respectively (three and twelve months ended December 31, 2022 - $1.1 million and 5.6 million, respectively). Included within this amount are $0.8 million and $3.4 million (three and twelve months ended December 31, 2022 - $0.6 million and $1.9 million, respectively) of costs charged to Rubellite through the MSA. The Company recorded accounts payable of $1.9 million owing to Perpetual as at December 31, 2023 (December 31, 2022 - accounts payable of $0.6 million).

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,	
	2023	2022	**2023**	2022
Net cash flows used in investing activities	**(38,813)**	(31,222)	**(94,354)**	(86,266)
Acquisitions	**(33,173)**	—	**(33,173)**	—
Dispositions	**7,990**	—	**7,990**	—
Change in non-cash working capital	**12,689**	(7,707)	**2,359**	7,941
Capital expenditures, including land	**(26,319)**	(23,515)	**(71,530)**	(94,207)
Property, plant and equipment additions	**(13,231)**	(19,438)	**(43,660)**	(67,626)
Exploration and evaluation additions	**(13,088)**	(4,077)	**(27,870)**	(26,581)
Capital expenditures, including land	**(26,319)**	(23,515)	**(71,530)**	(94,207)

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*)	**2023**	2022	**2023**	2022
Production and operating	**2,191**	1,226	**7,371**	4,399
Transportation	**2,588**	1,690	**9,045**	4,448
General and administrative	**2,323**	936	**7,318**	3,316
Cash finance expense	**831**	215	**1,923**	343
Cash costs	**7,933**	4,067	**25,657**	12,506
Cash costs per boe	**20.49**	20.27	**21.29**	20.51

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 period and 2022 comparative information.

Net Debt: Rubellite uses net debt as an alternative measure of outstanding debt. Management considers net debt as an important measure in assessing the liquidity of the Company. Net debt 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 as reported in the Company's statements of financial position:

	As of December 31, 2023	As of December 31, 2022
Current assets	**21,061**	13,262
Current liabilities	**(34,009)**	(28,802)
Working capital deficit	**12,948**	15,540
Risk management contracts – current asset	**8,796**	1,437
Risk management contracts – current liability	**—**	(749)
Decommissioning liabilities - current liability	**77**	—
Adjusted working capital deficit	**21,667**	16,228
Bank indebtedness	**29,317**	12,000
Net debt	**50,984**	28,228

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

Adjusted funds flow pre-transaction costs is calculated as adjusted funds flow less transaction costs. Management has excluded transaction costs from the calculation as these are not related to cash flow from operating activities as they relate to the acquisition of Clearwater assets.

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 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)	**2023**	2022	**2023**	2022
Net cash flows from operating activities	**18,963**	14,950	**55,391**	23,870
Change in non-cash working capital	**(2,040)**	(6,805)	**(1,237)**	(834)
Decommissioning obligations settled	**—**	—	**3**	—
Adjusted funds flow	**16,923**	8,145	**54,157**	23,036
Transaction Costs	**147**	—	**147**	—
Adjusted funds flow - pre transaction costs	**17,070**	8,145	**54,304**	23,036
Adjusted funds flow per share - basic	**0.27**	0.15	**0.90**	0.44
Adjusted funds flow per share - diluted	**0.27**	0.15	**0.89**	0.44
Adjusted funds flow per boe	**43.71**	40.60	**44.93**	37.79
Adjusted funds flow per share - pre transaction costs - basic	**0.27**	0.15	**0.90**	0.44
Adjusted funds flow per share - pre transaction costs - diluted	**0.27**	0.15	**0.89**	0.44
Adjusted funds flow per boe - pre transaction costs	**44.09**	40.60	**45.06**	37.79

Available Liquidity: Available liquidity is defined as the borrowing limit under the Company's credit facility, 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, 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 oil price 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 oil 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 (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 ($/boe)" is comprised of royalties, as determined in accordance with IFRS, divided by the Company's total sales oil production.

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

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

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

"Depletion expense ($/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 ($/bbl)” represents the differential the Company receives for selling its heavy crude oil production relative to the Western Canadian Select reference price (CAD$/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 condensed interim consolidated financial statements.

Sustainability Disclosures

On June 26, 2023, the International Sustainability Standards Board (“ISSB”) issued IFRS S1 “General Requirements for Disclosure of Sustainability-related Financial Information” and IFRS S2 “Climate-related Disclosures”. IFRS S1 and IFRS S2 are effective for annual reporting periods beginning on or after January 1, 2024. The sustainability standards as issued by the ISSB provide for transition relief in IFRS S1 that allow a reporting entity to report only on climate-related risks and opportunities, as set out in IFRS S2, in the first year of reporting under the sustainability standards.

The Canadian Securities Administrators (“CSA”) are responsible for determining the reporting requirements for public companies in Canada and are responsible for decisions related to the adoption of the sustainability disclosure standards, including the effective annual reporting dates. The CSA issued proposed National Instrument (“NI 51-107 – Disclosure of Climate-related Matters”) in October 2021. The CSA has indicated it will consider the ISSB sustainability standards and developments in the United States in its decisions related to developing climate-related disclosure requirements for reporting issuers in Canada. The CSA will involve the Canadian Sustainability Standards Board (“CSSB”) for their combined review of the ISSB issued sustainability standards for their suitability for adoption in Canada. Until such time as the CSA and CSSB make decisions on sustainability standard adoption here in Canada, there is no requirement for public companies in Canada to adopt the sustainability standards. The Company is actively evaluating the potential effects of the ISSB issued sustainability standards; however, at this time, the Company is not able to determine the impact on future financial statements, nor the potential costs to comply with these sustainability standards.

Amendments to IAS 1 *Presentation of Financial Statements*

In January 2020, The IASB issued amendments to IAS 1 *Presentation of Financial Statements* ("IAS 1"), to clarify its requirements for the presentation of liabilities as current or non-current in the statement of financial position. In October 2022, the IASB issued further amendments to IAS 1, which specify the classification and disclosure of a liability with covenants. These amendments to IAS 1 will be effective January 1, 2024.

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 2023 Annual Information Form available on the Corporation’s website at www.rubelliteenergy.com or on SEDAR+ at www.sedarplus.ca.

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, 2023, 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, 2023 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, 2023, 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, 2023 and ended December 31, 2023 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 2023 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 news release 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: the expectation that one drilling rig will run continuously at Figure Lake until break-up in late March; the number of wells to be drilled during the first quarter of 2024; the expectation that the Company will continue with a one rig program through break-up to drill six additional wells on the BLMS 5-32 Pad; the plan to monitor production performance through the winter operating season prior to investing in construction of an all-weather road to allow for year-round operations; the plan to continue exploration activities to pursue additional prospective land capture and de-risk acreage during the first quarter of 2024; anticipated exploration and development capital spending levels in the first quarter of 2024; the expectation that forecast activities will be funded from adjusted funds flow, with excess free funds flow applied to reduce net debt; expectations respecting Rubellite's future exploration, development and drilling activities and Rubellite's business plan; and including the other information and statements contained under the heading "Outlook and Guidance" and "About Rubellite".

Forward-looking information is based on current expectations, estimates and projections that involve a number of known and unknown risks, which could cause actual results to vary and in some instances to differ materially from those anticipated by Rubellite and described in the forward-looking information contained in this news release. In particular and without limitation of the foregoing, material factors or assumptions on which the forward-looking information in this news release is based include: the 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 successful and timely implementation of capital projects; ability to generate sufficient cash flow to meet current and future obligations and future capital funding requirements (equity or debt); Rubellite's ability to operate under the management of Perpetual Energy Inc. pursuant to the management and operating services agreement; the ability of Rubellite to obtain and retain qualified staff and equipment in a timely and cost-efficient manner, as applicable; the retention of key properties; forecast inflation, 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; failure to obtain required regulatory and other approvals including drilling permits and the impact of not receiving such approvals on the Company's long-term planning; climate change risks; severe weather (including wildfires and drought); risks of wars or other hostilities or geopolitical events, civil insurrection and pandemics; risks relating to Indigenous land claims and duty to consult; data breaches and cyber attacks; risks relating to the use of artificial intelligence; changes in legislation, including but not limited to tax laws, royalties and environment regulations (including greenhouse gas emission reduction requirements and other decarbonization or social policies) and general economic and business conditions and markets.

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, 2023 and in other reports on file with Canadian securities regulatory authorities which may be accessed through the SEDAR+ website www.sedarplus.ca 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	barrels of oil equivalent
boe/d	barrels of oil equivalent per day

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.

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)	**2023**	2022	2021[1]
Financial			
Oil revenue	**88,968**	54,491	4,923
Net income	**18,561**	24,605	7,702
Per share – basic[4]	**0.31**	0.47	0.34
Per share – diluted[4]	**0.30**	0.47	0.33
Total Assets	**271,153**	204,030	115,862
Cash flow from operating activities	**55,391**	23,870	1,115
Adjusted funds flow, including transaction costs[2]	**54,157**	23,036	1,595
Per share – basic[3][4]	**0.90**	0.44	0.07
Per share – diluted[3][4]	**0.89**	0.44	0.07
Common shares (thousands)			
Weighted average – basic	**60,346**	52,093	22,702
Weighted average – diluted	**61,075**	52,471	23,228
Operating			
Daily average oil sales production (bbl/d)[5]	**3,302**	1,670	593
Rubellite average realized oil price[3]			
Average realized oil price ($/bbl)	**73.82**	89.38	69.76
Average realized oil price – after risk management contracts($/bbl)	**73.56**	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 2023	Q3 2023	Q2 2023	Q1 2023
Financial				
Oil revenue	**27,224**	25,777	18,863	17,104
Net income and comprehensive income	**9,523**	3,942	3,397	1,699
Per share – basic(3)	**0.15**	0.06	0.05	0.03
Per share – diluted(3)	**0.15**	0.06	0.05	0.03
Total assets	**271,153**	223,353	218,218	222,747
Cash flow from operating activities	**18,963**	14,957	12,186	9,285
Adjusted funds flow, including transaction costs(1)	**16,923**	15,554	11,998	9,682
Per share – basic(2)(3)	**0.27**	0.25	0.19	0.18
Per share – diluted(2)(3)	**0.27**	0.25	0.19	0.17
Common shares (thousands)				
Weighted average – basic	**62,440**	61,956	61,830	55,060
Weighted average – diluted	**62,958**	62,597	62,432	55,550
Operating				
Daily average oil sales production (bbl/d)(4)	**4,209**	3,154	2,844	2,990
Rubellite average realized oil price(2)				
Average realized oil price ($/bbl)	**70.31**	88.85	72.88	63.56
Average realized oil price – after risk management contracts ($/bbl)	**72.12**	82.15	75.65	64.33

($ thousands, except as noted)	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Financial				
Oil revenue	14,329	13,654	15,632	10,876
Net income (loss) and comprehensive income (loss)	18,725	10,426	4,726	(9,272)
Per share – basic(3)	0.34	0.19	0.09	(0.21)
Per share – diluted(3)	0.34	0.19	0.08	(0.21)
Total assets	204,030	170,206	160,202	164,009
Cash flow from (used in) operating activities	14,950	(745)	6,473	3,192
Adjusted funds flow(1)	8,145	6,459	4,597	3,835
Per share – basic(2)(3)	0.15	0.12	0.09	0.09
Per share – diluted(2)(3)	0.15	0.12	0.09	0.09
Common shares (thousands)				
Weighted average – basic	54,824	54,748	54,725	43,930
Weighted average – diluted	55,202	55,265	55,797	43,930
Operating				
Daily average oil sales production (bbl/d)(4)	2,181	1,760	1,478	1,251
Rubellite average realized oil price(2)				
Average realized oil price ($/bbl)	71.42	84.31	116.21	96.61
Average realized oil price – after risk management contracts ($/bbl)	68.05	65.82	70.09	67.57

(1) Non-GAAP measure. See "Non-GAAP and Other Financial Measures".
(2) Non-GAAP ratio. See "Non-GAAP and Other Financial Measures".
(3) Per share amounts are calculated using the weighted average number of basic or diluted common shares.
(4) Conventional heavy oil sales production excludes tank inventory volumes.

MANAGEMENT'S REPORT

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

The consolidated financial statements are audited and have been prepared using accounting policies in accordance with IFRS Accounting Standards. The preparation of Management's Discussion and Analysis is based on the Company's financial results which have been prepared in accordance with IFRS Accounting Standards. It examines the Company's financial performance in 2023 to 2022 and should be read in conjunction with the consolidated financial statements and accompanying notes.

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

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

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

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

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

Susan Riddell Rose

Susan L. Riddell Rose

President &
Chief Executive Officer

Ryan Shay

Ryan A. Shay

Vice President, Finance &
Chief Financial Officer

March 14, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Rubellite Energy Inc.

Opinion

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

- the consolidated statements of financial position as at December 31, 2023 and December 31, 2022
- the consolidated statements of income and comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Evaluation of the preliminary acquisition-date fair value of oil and gas interests acquired as part of a business combination

Description of the matter

We draw attention to note 2, note 3, and note 4, to the financial statements. Effective November 8, 2023, the Entity acquired Clearwater assets for net cash proceeds of $33.2 million (the "Acquisition"). The acquisition has been accounted for as a business combination using the acquisition method of accounting, whereby the assets acquired and the liabilities assumed are recorded at their estimated fair value on the acquisition date of November 8, 2023. In connection with the Acquisition, the Entity recorded a preliminary acquisition-date fair value of the oil and gas interests of $29.0 million.

The determination of the preliminary acquisition-date fair value of oil and gas interests involves significant estimates and assumptions, including:

- The cash flows associated with the estimate of proved and probable oil and gas reserves
- The discount rates

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

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

For purposes of estimating the preliminary acquisition-date fair value of the oil and gas interests acquired, the Entity engaged its independent third-party reserve evaluators to provide an estimate of the proved and probable oil and gas reserves as at October 1, 2023 and December 31, 2023.

Why the matter is a key audit matter

We identified the preliminary acquisition-date fair value of oil and gas interests acquired as part of a business combination as a key audit matter. Significant auditor judgment was required to evaluate the results of our audit procedures regarding the estimate of proved and probable oil and gas reserves and the discount rates. Additionally, the evaluation of the preliminary acquisition-date fair value of the oil and gas interests acquired requires the use of professionals with specialized skills and knowledge in valuation.

How the matter was addressed in the audit

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

With respect to the estimate of proved and probable oil and gas reserves at October 31, 2023:

- We evaluated the competence, capabilities and objectivity of the independent third-party reserve evaluators engaged by the Entity
- We compared forecasted oil and gas commodity prices to those published by other independent third-party reserve evaluators
- We evaluated the appropriateness of the estimate of cash flows from proved and probable oil and gas reserves as at October 1, 2023 by comparing them to the corresponding cash flows from proved and probable oil and gas reserves estimated by the independent third-party reserve evaluators as at December 31, 2023. We took into account changes in conditions and events affecting the Entity to assess the adjustments or lack of adjustments between October 1, 2023 and December 31, 2023.

With respect to the estimate of proved and probable oil and gas reserves as at December 31, 2023:

- We evaluated the competence, capabilities and objectivity of the independent third-party reserve evaluators engaged by the Entity
- We compared forecasted oil and gas commodity prices to those published by other independent third-party reserve evaluators
- We compared the 2023 actual production, operating costs, royalty costs and development costs of the Entity to those estimates used in the prior year's estimate of proved oil and gas reserves to assess the Entity's ability to accurately forecast
- We evaluated the appropriateness of forecasted production and forecasted operating costs, royalty costs and future development costs assumptions by comparing to 2023 historical results. We took into account changes in conditions and events affecting the Entity to assess the adjustments or lack of adjustments in arriving at the assumptions.

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

- Evaluating the appropriateness of the discount rates by comparing the discount rate to market and other external data

- Assessing the reasonableness of the Entity's estimated preliminary acquisition-date fair value of the oil and natural gas interests acquired in a business combination by comparing the Entity's estimate to market metrics and other external data.

Assessment of the impact of estimated proved and probable oil and gas reserves on property, plant and equipment ("PP&E") and the deferred tax asset ("DTA")

Description of the matter

We draw attention to note 2, note 3, note 5, note 6, and note 12 to the financial statements. The Entity uses estimates of proved and probable oil and gas reserves to deplete its development and production assets included in PP&E, to assess for indicators of impairment on the Entity's cash generating unit ("CGU") and if any such indicators exist, to perform an impairment test to estimate the recoverable amount of the CGU, to assess exploration and evaluation ("E&E") costs for impairment when transferred to PP&E and to determine if it is probable that future taxable profits will be sufficient to utilize the underlying deductible temporary differences and unused tax losses associated with the DTA.

The Entity has $202.2 million of Development and Production Assets as of December 31, 2023.

The Entity transferred $22.6 million of E&E to PP&E during 2023 and performed the required impairment test to estimate the recoverable amount of the CGU. It was determined the recoverable amount of the CGU exceeded its carrying value, resulting in no impairment.

The estimated recoverable amount of the CGU involves significant estimates including:

- The estimate of proved and probable oil and gas reserves
- The discount rates.

The Entity depletes its net carrying value of development and production assets using the unit-of-production method by reference to the ratio of production in the period to the related proved and probable oil and gas reserves, taking into account estimated forecasted future development costs necessary to bring those reserves into production. Depletion expense on development and production assets was $27.6 million for the year ended December 31, 2023.

The Entity recognized a deferred tax asset of $15.0 million at December 31, 2023. The determination of probable future taxable profits involves significant estimates, including proved and probable oil and gas reserves.

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

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

The Entity engages independent third-party reserve evaluators to estimate proved and probable oil and gas reserves.

Why the matter is a key audit matter

We identified the assessment of the impact of estimated proved and probable oil and gas reserves on PP&E and the DTA as a key audit matter. Significant auditor judgment was required to evaluate the results of our audit procedures regarding the estimate of proved and probable oil and gas reserves and discount rate. Additionally, the assessment of the recoverable amount for impairment and the measurement of the DTA requires the use of professionals with specialized skills and knowledge in valuation and tax.

How the matter was addressed in the audit

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

We assessed the depletion expense calculation and measurement of the DTA for compliance with IFRS Accounting Standards.

With respect to the estimate of proved and probable oil and gas reserves as at December 31, 2023:

- We evaluated the competence, capabilities and objectivity of the independent third-party reserve evaluators engaged by the Entity
- We compared forecasted oil and gas commodity prices to those published by other independent third-party reserve evaluators
- We compared the 2023 actual production, operating costs, royalty costs and development costs of the Entity to those estimates used in the prior year's estimate of proved oil and gas reserves to assess the Entity's ability to accurately forecast
- We evaluated the appropriateness of forecasted production and forecasted operating costs, royalty costs and future development costs assumptions by comparing to 2023 historical results. We took into account changes in conditions and events affecting the Entity to assess the adjustments or lack of adjustments in arriving at the assumptions.

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

- Evaluating the appropriateness of the discount rate by comparing the discount rate to market and other external data
- Assessing the reasonableness of the Entity's estimate of the recoverable amount by comparing the Entity's estimate to market metrics and other external data.

We involved income tax professionals with specialized skills and knowledge who assisted in evaluating the application of relevant tax laws and regulations and the appropriateness of the Entity's estimate of future taxable profits used in the measurement of the DTA.

Other Information

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

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "2023 Annual Results".

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

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

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

We have nothing to report in this regard.

The information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "2023 Annual Results" is expected to be made available to us after the date of this auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

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

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

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

KPMG

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this auditor's report is Jasmeet Kang.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
March 14, 2024

RUBELLITE ENERGY INC.
Consolidated Statements of Financial Position

As at	**December 31, 2023**	December 31, 2022
(*Cdn$ thousands*)		
Assets		
Current assets		
Cash and cash equivalents	**$ —**	$ 1,950
Accounts receivable (note 14)	**10,830**	8,522
Prepaid expenses and deposits (note 14)	**433**	524
Product inventory (note 14)	**1,002**	829
Risk management contracts (note 15)	**8,796**	1,437
	21,061	13,262
Property, plant and equipment (note 4 and 5)	**202,203**	135,949
Exploration and evaluation (note 4 and 6)	**32,301**	30,252
Deferred tax asset (note 12)	**15,043**	24,567
Risk management contracts (note 15)	**545**	—
Total assets	**$ 271,153**	$ 204,030
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 14)	**$ 33,932**	$ 28,053
Risk management contracts (note 15)	**—**	749
Decommissioning obligations (note 7)	**77**	—
	34,009	28,802
Revolving bank debt (note 11)	**29,317**	12,000
Decommissioning obligations (note 7)	**8,516**	3,733
Total liabilities	**71,842**	44,535
Equity		
Share capital (note 8)	**143,033**	123,383
Share purchase warrants (note 8)	**2,000**	2,000
Contributed surplus (note 9)	**3,410**	1,805
Retained earnings	**50,868**	32,307
Total equity	**199,311**	159,495
Total liabilities and equity	**$ 271,153**	$ 204,030
Commitments (note 18)		

See accompanying notes to the consolidated financial statements.

Holly Benson
Director

Bruce Shultz
Director

RUBELLITE ENERGY INC.
Consolidated Statements of Income and Comprehensive Income

Years Ended		**December 31, 2023**		December 31, 2022
(Cdn$ thousands, except per share amounts)				
Revenue				
Oil (note 10)	**$**	**88,968**	$	54,491
Royalties		**(8,513)**		(5,713)
		80,455		48,778
Realized loss on risk management contracts (note 15)		**(318)**		(13,142)
Unrealized gain on risk management contracts (note 15)		**8,652**		2,025
		88,789		37,661
Expenses				
Production and operating		**7,371**		4,399
Transportation		**9,045**		4,448
General and administrative		**7,318**		3,316
Share based payments (note 9)		**3,041**		1,724
Exploration and evaluation (note 6)		**7,018**		94
Gain on dispositions (note 4b)		**(1,290)**		—
Depletion (note 5)		**27,485**		13,462
Transaction costs (note 4a)		**147**		—
		28,654		10,218
Finance expense (note 13)		**(2,051)**		(410)
Income before income tax		**26,603**		9,808
Taxes				
Deferred tax (expense) recovery (note 12)		**(8,042)**		14,797
Net income and comprehensive income	**$**	**18,561**	$	24,605
Net income per share (note 8)				
Basic	**$**	**0.31**	$	0.47
Diluted	**$**	**0.30**	$	0.47

See accompanying notes to the consolidated financial statements.

RUBELLITE ENERGY INC.
Consolidated Statements of Changes in Equity

(Cdn$ thousands, except share amounts)	Share Capital (thousands)	Share Capital ($thousands)	Share purchase warrants	Contributed surplus	Retained earnings	Total Equity
Balance at December 31, 2022	54,826	$ 123,383	$ 2,000	$ 1,805	$ 32,307	$ 159,495
Net income	—	—	—	—	18,561	18,561
Flow-through shares issued, net of issue costs (note 8)	7,000	19,754	—	—	—	19,754
Deferred premium on flow-through shares (note 8)	—	(1,540)	—	—	—	(1,540)
Common shares issued, share-based payment plan (note 8)	630	1,436	—	(1,436)	—	—
Share-based payments (note 9)	—	—	—	3,041	—	3,041
Balance at December 31, 2023	**62,456**	**$ 143,033**	**$ 2,000**	**$ 3,410**	**$ 50,868**	**$199,311**

(Cdn$ thousands, except share amounts)	Share Capital (thousands)	Share Capital ($thousands)	Share purchase warrants	Contributed surplus	Retained earnings	Total Equity
Balance at December 31, 2021	43,809	$ 85,474	$ 2,000	$ 307	$ 7,702	$ 95,483
Net income	—	—	—	—	24,605	24,605
Common shares issued, net of issue costs (note 8)	10,914	37,687	—	—	—	37,687
Common shares issued, share-based payment plan (note 8)	103	222	—	(226)	—	(4)
Share-based payments (note 9)	—	—	—	1,724	—	1,724
Balance at December 31, 2022	**54,826**	**$ 123,383**	**$ 2,000**	**$ 1,805**	**$ 32,307**	**$159,495**

See accompanying notes to the consolidated financial statements.

RUBELLITE ENERGY INC.
Consolidated Statements of Cash Flows

Years Ended	**December 31, 2023**	December 31, 2022
(*Cdn$ thousands*)		
Cash flows from operating activities		
Net income	**$ 18,561**	$ 24,605
Adjustments to add (deduct) non-cash items:		
Depletion (note 5)	**27,485**	13,462
Share-based payments (note 9)	**3,041**	1,724
Deferred tax expense (recovery) (note 12)	**8,042**	(14,797)
Unrealized gain on risk management contracts (note 15)	**(8,652)**	(2,025)
Finance - accretion on decommissioning obligations (note 7)	**128**	67
Gain on dispositions (note 4b)	**(1,290)**	—
Exploration and evaluation expense (note 6)	**6,842**	—
Decommissioning obligations settled (note 7)	**(3)**	—
Change in non-cash working capital (note 14)	**1,237**	834
Net cash flows from operating activities	**55,391**	23,870
Cash flows from financing activities		
Common shares issued (note 8)	**19,950**	38,744
Share issue costs (note 8)	**(254)**	(1,685)
Change in revolving bank debt (note 11)	**17,317**	12,000
Net cash flows from financing activities	**37,013**	49,059
Cash flows used in investing activities		
Property, plant and equipment expenditures (note 5)	**(43,660)**	(67,626)
Exploration and evaluation expenditures (note 6)	**(27,870)**	(26,581)
Acquisition (note 4a)	**(33,173)**	—
Proceeds from dispositions (note 4b)	**7,990**	—
Change in non-cash working capital (note 14)	**2,359**	7,941
Net cash flows used in investing activities	**(94,354)**	(86,266)
Change in cash and cash equivalents	**(1,950)**	(13,337)
Cash and cash equivalents, beginning of year	**1,950**	15,287
Cash and cash equivalents, end of year	**$ —**	$ 1,950

See accompanying notes to the consolidated financial statements.

1. REPORTING ENTITY

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

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

The consolidated financial statements of the Company are comprised of the accounts of Rubellite Energy Inc. and its wholly owned subsidiaries: Ukalta LP Inc., Ukalta GP Inc., and Ukalta Limited Partnership.

2. BASIS OF PREPARATION

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

These consolidated financial statements of the Company were approved and authorized for issue by the Board of Directors on March 14, 2024.

a) Basis of Measurement

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

b) Critical accounting judgements and significant estimates

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

c) Critical accounting judgements

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

i) Cash-generating units ("CGUs")

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

ii) Identification of impairment indicators

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

iii) Exploration and evaluation ("E&E") expenditures

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

iv) Joint arrangements

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

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

v) Deferred taxes

Deferred tax assets are recognized only to the extent it is considered probable that future taxable profits will be sufficient to utilize the underlying deductible temporary differences and unused tax losses associated with the deferred tax asset. This involves an assessment of when those deferred tax assets are likely to reverse and judgment as to whether there will be sufficient taxable profits available to offset the tax assets when they do reverse. The determination of probable future taxable profits involves significant estimates, including proved and probable oil and gas reserves. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized within the consolidated statements of income and comprehensive income in the period in which the change occurs.

vi) Business Combinations

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

d) Significant estimates

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

i) Reserves

The Company uses estimates of proved and probable oil and gas reserves to deplete its development and production assets included in PP&E, to assess for indicators of impairment on the Company's CGU and if any such indicators exist, to perform an impairment test to estimate the recoverable amount of the CGU, to assess E&E costs for impairment when transferred to PP&E and to determine if it is probable that future taxable profits will be sufficient to utilize the underlying deductible temporary differences and unused tax losses associated with the deferred tax asset. Estimates of proved and probable oil and gas reserves and their related cash flows are based upon a number of significant assumptions, such as forecasted production, oil and gas commodity prices, operating costs, royalty costs, and future development costs. Additional estimates are made in relation to the marketability of oil and gas, and the assumed effects of regulation by government agencies. The geological, economic and technical factors used to estimate reserves may change from period to period. Changes in the reported reserves could have a material impact on the carrying values of the Company's development and production assets, the calculation of depletion and depreciation, and the timing of decommissioning expenditures.

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

ii) Business combinations

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

iii) Provisions for decommissioning obligations

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

iv) Derivative financial instruments

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

v) Share-based payments

Share options issued by the Company are recorded at fair value using the Black Scholes option pricing model. In assessing the fair value of share options, estimates have to be made regarding the expected volatility in share price, option life, dividend yield, risk-free rate and estimated forfeitures at the initial grant date.

3. MATERIAL ACCOUNTING POLICIES

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

a) Basis of Consolidation

a) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are considered. The consolidated financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

b) Transactions eliminated on consolidation

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

b) Business combinations

The acquisition method of accounting is used to account for acquisitions of businesses and assets that meet the definition of a business under IFRS. The cost of an acquisition is measured as the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their acquisition date fair values. Any excess of the consideration paid greater than the fair value of the net assets received, the difference is recognized as goodwill on the consolidated statement of financial position or as a gain on bargain purchase price within the consolidated statements of income and comprehensive income. Any deficiency in the consideration transferred compared to the fair value of the net assets acquired is recognized in the consolidated statement of income. Acquisition costs incurred are expensed.

c) Financial instruments

Financial instruments comprise cash and cash equivalents, accounts receivable, deposits, accounts payable and accrued liabilities, fair value of derivative assets and liabilities and revolving bank debt. These financial instruments are recognized initially at fair value, net of any directly attributable transaction costs.

i) Classification and measurement of financial assets and liabilities

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

ii) Derivative assets and liabilities

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

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

i) Development and production costs

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

Gains and losses on disposition of an item of property, plant and equipment, including development and production assets, are determined by comparing the proceeds from disposition with the carrying amount of property, plant and equipment and are recognized within the consolidated statements of income and comprehensive income. Proceeds may include cash, or other non-cash consideration such as retained drilling rights which are fair valued at the time of disposition. The carrying amount of any replaced or disposed item of property, plant and equipment is derecognized.

ii) Subsequent costs

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

iii) Depletion and depreciation

The Company depletes its net carrying value of development and production assets using the unit-of-production method by reference to the ratio of production in the period to the related proved and probable oil and gas reserves, taking into account estimated forecasted future development costs necessary to bring those reserves into production. The forecasted future development cost estimates are reviewed by independent third-party reserve evaluators at least annually.

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

e) Exploration and evaluation expenditures

Pre-license costs, geological and geophysical costs, and lease rentals of undeveloped properties are recognized within the consolidated statements of income and comprehensive income as incurred.

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

The Company's E&E assets consist of undeveloped lands, drilling, completions and other facility expenditures. Gains and losses on disposition of E&E assets are determined by comparing the proceeds from disposition with the carrying amount and are recognized within the consolidated statements of income and comprehensive income.

f) Impairment

i) Financial assets

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

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

ii) Non-financial assets

The carrying amounts of the Company's property, plant and equipment, which includes development and production assets, are reviewed at each period end date to determine whether there are any internal or external indicators of impairment or impairment reversal. If any such indicator exists, then the recoverable amount is estimated.

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

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

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

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

g) Share-based payments

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

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

h) Decommissioning obligations

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

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

i) Revenue

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

j) Income tax

Income tax expense comprises current and deferred components. Income tax expense is recognized in the consolidated statements of income and comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

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

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

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be sufficient to utilize the underlying deductible temporary differences and unused tax losses associated with the deferred tax asset. The determination of probable future taxable profits involves significant estimates, including proved and probable oil and gas reserves. Deferred tax assets are reviewed at each period end date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

k) Flow-through shares

Flow-through shares permit an investor to claim deductions for tax purposes related to qualifying expenditures incurred by the issuer. The issuer renounces the right to claim the income tax deductions in favor of the investor. Proceeds from the issuance are presented net of directly attributable share issuance costs.

Proceeds from the issuance of flow-through shares are allocated between the offering of shares and the sale of tax benefits when the shares are offered. The allocation is made based on the difference between the quoted price of the existing shares and the amount the investor pays to acquire the flow-through shares, with a deferred liability being recognized for the difference. The liability is drawn down as the qualifying expenditures are incurred with a deferred tax liability recognized equal to the deferred tax payable. Any difference between the draw down of the deferred liability set up for the premium on the flow-through shares and the deferred tax effect on the expenditures is recognized in the consolidated statements of income and comprehensive income.

l) Income per share amounts

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

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

m) Changing Regulation

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

n) New Accounting Standards

In January 2020, The IASB issued amendments to IAS 1 *Presentation of Financial Statements* ("IAS 1"), to clarify its requirements for the presentation of liabilities as current or non-current in the statement of financial position. In October 2022, the IASB issued further amendments to IAS 1, which specify the classification and disclosure of a liability with covenants. These amendments to IAS 1 will be effective January 1, 2024 and the Company plans to adopt the amendments for annual periods beginning on or after January 1, 2024. The adoption of these amendments is not expected to have an impact of the Company's consolidated financial statements.

4. ACQUISITION AND DISPOSITION

a) Acquisition

Effective November 8, 2023, Rubellite acquired Clearwater assets within the Figure Lake and Edwand areas, as well as undeveloped land in the Nixon area of Northeast Alberta for net cash proceeds of $33.2 million. The acquisition was funded through the expanded credit facility (note 11). The acquisition has been accounted for as a business combination using the acquisition method of accounting, whereby the assets acquired and the liabilities assumed are recorded at their estimated fair value on the acquisition date of November 8, 2023. Rubellite incurred transaction costs of $0.1 million which have been recognized in the consolidated statements of income and comprehensive income. All of the assets acquired are included within the Company's Clearwater CGU.

The preliminary purchase price, based on management's estimates of fair values, is as follows:

Assets acquired		
Oil and gas interests (note 5)	$	29,032
Exploration and evaluation assets (note 6)		4,526
Decommissioning provisions (note 7)		(385)
Net assets acquired	**$**	**33,173**

Consideration		
Cash	$	33,173
Total consideration paid	**$**	**33,173**

The Company used estimated proved and probable reserves from an independent third-party reserve evaluation to estimate the acquisition date fair value of oil and gas interests acquired. For the purposes of estimating the preliminary acquisition date fair value of the oil and gas interests acquired, the Company engaged its independent third-party reserve evaluator to provide an estimate of proved and probable oil and gas reserves both as at October 1, 2023 and December 31, 2023. Management took into account production, conditions and events to assess adjustments to the estimated reserve value both at October 1, 2023 and December 31, 2023 as compared to the estimated reserves at November 8, 2023. Exploration and evaluation assets were fair valued based on an internally prepared report reflecting the estimated market value of undeveloped land. The estimated proved and probable oil and gas reserves and related cash flows were discounted using rates between 15% and 30%. The fair value of decommissioning obligations was initially estimated using a credit adjusted risk-free rate of 11.7% and an implied inflation rate of 1.6%. The purchase price allocation is not final as the Company continues to obtain and verify the information required to finalize the fair value of the oil and gas interests acquired.

Oil and gas revenue of $2.5 million and net income of $1.5 million are included in the consolidated statements of income and comprehensive income since the closing of the acquisition on November 8, 2023. If the acquisition had occurred on January 1, 2023 the estimated contributed revenues would have been $10.5 million and estimated net income before tax would have been $6.5 million.

b) Disposition

On December 4, 2023 the Company disposed of a 1.5% non-convertible gross overriding royalty ("GORR"), which reverts to a 1.0% GORR after payout for cash consideration of $8.0 million. A gain of $1.3 million was recorded in the consolidated statements of income and comprehensive income.

5. PROPERTY, PLANT AND EQUIPMENT

		Development and Production Assets
Cost		
December 31, 2021	$	74,050
Additions		67,626
Transfer from exploration and evaluation (note 6)		7,943
Change in decommissioning obligations related to PP&E (note 7)		1,690
December 31, 2022	$	151,309
Additions		**43,660**
Transfer from exploration and evaluation (note 6)		**22,606**
Acquisitions (note 4a)		**28,647**
Dispositions (note 4b)		**(5,801)**
Change in decommissioning obligations related to PP&E (note 7)		**4,735**
December 31, 2023	**$**	**245,156**
Accumulated depletion		
December 31, 2021	$	(1,389)
Depletion		(13,971)
December 31, 2022	$	(15,360)
Depletion(1)		**(27,593)**
December 31, 2023	**$**	**(42,953)**
Carrying amount		
December 31, 2022	$	135,949
December 31, 2023	**$**	**202,203**

(1) During the year ended December 31, 2023, depletion includes $0.1 million which has been capitalized to inventory (December 31, 2022 - $0.5 million).

As at December 31, 2023, forecast future development costs of $145.1 million (December 31, 2022 – $105.6 million) associated with proved and probable oil and gas reserves were included in the depletion calculation and an estimated $3.4 million (December 31, 2022 – $0.8 million) of salvage value for production equipment was excluded. Depletion expense was $27.6 million (December 31, 2022 - $14.0 million) on development and production assets for the year ended December 31, 2023.

a) Impairment

There were no indicators of impairment related to the Company's CGU as at December 31, 2023 and December 31, 2022.

The Company transferred $22.6 million of E&E to PP&E during 2023 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.

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.

6. EXPLORATION AND EVALUATION

		December 31, 2023		December 31, 2022
Balance, beginning of year	**$**	**30,252**	$	11,614
Acquisitions (note 4a)		**4,526**		—
Dispositions (note 4b)		**(899)**		—
Additions		**27,870**		26,581
Transfer to property, plant, and equipment (note 5)		**(22,606)**		(7,943)
Exploration and evaluation expense		**(6,842)**		—
Balance, end of year	**$**	**32,301**	$	30,252

During the year ended December 31, 2023, $7.0 million was charged to E&E expense in the consolidated statements of income and comprehensive income. This includes $6.8 million related to exploration drilling on four (4.0 net) wells that were previously recorded as E&E as well as $0.2 million of costs charged directly to E&E expense (December 31, 2022 - $0.1 million).

Impairment of E&E assets

E&E assets are tested for impairment when internal or external indicators of impairment exist as well as upon reclassification to oil and gas interests in PP&E. At December 31, 2023, the Company conducted an assessment of indicators of impairment for the Company's E&E assets. In performing the assessment, management determined there were no indicators of impairment.

7. DECOMMISSIONING OBLIGATIONS

The following table summarizes changes in decommissioning obligations:

		December 31, 2023		December 31, 2022
Balance, beginning of year	**$**	**3,733**	$	1,976
Liabilities settled		**(3)**		—
Obligations incurred		**2,143**		2,661
Obligations acquired (note 4)		**385**		—
Change in rate on acquisition (note 4)		**1,611**		—
Revisions to estimates		**596**		(971)
Accretion		**128**		67
Total decommissioning obligations, end of year	**$**	**8,593**	$	3,733
Decommissioning obligations - current	**$**	**77**	$	—
Decommissioning obligations - non-current		**8,516**		3,733
Total decommissioning obligations	**$**	**8,593**	$	3,733

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

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

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

		December 31, 2023		December 31, 2022
Undiscounted obligations	**$**	**6,029**	$	4,859
Average risk-free rate		**3.0%**		3.3%
Inflation rate		**1.6%**		2.1%
Expected timing of settling obligations		**1 to 25 years**		1 to 25 years

8. SHARE CAPITAL

a) Authorized

Authorized capital consists of an unlimited number of common shares.

b) Issued and outstanding

	December 31, 2023		December 31, 2022	
	Shares *(thousands)*	**Amount *($thousands)***	Shares *(thousands)*	Amount *($thousands)*
Balance, beginning of year	**54,826**	**$ 123,383**	43,809	$ 85,474
Flow-through shares issued pursuant to private placement	**7,000**	**19,950**	—	—
Deferred premium on flow-through shares	**—**	**(1,540)**	—	—
Issued pursuant to private placement	**—**	**—**	3,784	13,432
Issued pursuant to public offering	**—**	**—**	7,130	25,312
Issued pursuant to share-based plans	**630**	**1,436**	103	226
Share issue costs[1]	**—**	**(196)**	—	(1,061)
Balance, end of year	**62,456**	**$ 143,033**	54,826	$ 123,383

(1) Share issue costs for the year ended December 31, 2023 are net of $0.1 million of deferred tax (December 31, 2022 - $0.6 million).

As of December 31, 2023, there were 4.0 million Rubellite common share purchase warrants exercisable at $3.00 per share which expire in September 2026.

On March 28, 2023, the Company issued 7.0 million flow-through shares at $2.85 per share, through a private placement for gross proceeds of $20.0 million. Certain directors and officers of the Company subscribed for $13.3 million of the flow-through shares issued. Rubellite incurred share issuance costs of $0.2 million, net of deferred taxes. A deferred liability of $1.5 million was initially recognized for the premium on the flow-through shares, of which $1.5 million has been realized and included in the deferred tax recovery, leaving a remaining liability of nil as at December 31, 2023. The gross proceeds of the offering were used to incur eligible qualified expenditures which the Company renounced to the purchasers of the flow-through shares as of December 31, 2023. As of December 31, 2023, the Company has spent and renounced the $20.0 million of eligible qualifying expenditures, satisfying its commitment for 2023.

During the first quarter of 2022, the Company closed a public offering resulting in the issuance of 7.1 million common shares at $3.55 per Rubellite common share for total gross proceeds of $25.3 million. The Company also closed a concurrent private placement resulting in the issuance of 3.8 million common shares at $3.55 per Rubellite common share for total gross proceeds of $13.4 million.

c) Per share information

(*thousands, except per share amounts*)	**December 31, 2023**	December 31, 2022
Net income	**$ 18,561**	$ 24,605
Weighted average common shares outstanding – basic	**60,346**	52,093
Weighted average common shares outstanding – diluted	**61,075**	52,471
Net income per share – basic	**$ 0.31**	$ 0.47
Net income per share – diluted	**$ 0.30**	$ 0.47

Per share amounts have been calculated using the weighted average number of common shares outstanding. For the year ended December 31, 2023, 7.0 million common shares issuable upon the exercise and/or settlement of warrants, share options, restricted share units and performance share units were excluded from the diluted weighted average number of common shares outstanding as they were anti-dilutive.

9. SHARE-BASED PAYMENTS

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

Compensation awards

(thousands)	**Share options**	**Performance share units**	**Restricted share units**	**Total**
December 31, 2021	757	185	203	1,145
Granted	927	163	285	1,375
Exercised	—	—	(104)	(104)
Forfeited	(14)	—	(13)	(27)
December 31, 2022	1,670	348	371	2,389
Granted	1,080	486	411	1,977
Exercised	(31)	(370)	(233)	(634)
Forfeited	(23)	—	(19)	(42)
December 31, 2023	**2,696**	**464**	**530**	**3,690**

During the year ended December 31, 2023, the Company granted 2.0 million share-based payment awards, comprised of share options, performance share units and restricted share units.

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

	December 31, 2023	December 31, 2022
Share options	**$ 1,109**	$ 659
Restricted share units	**718**	484
Performance share units	**1,214**	581
Share-based payment expense	**$ 3,041**	$ 1,724

a) Share options

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

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

	December 31, 2023	December 31, 2022
Dividend yield (%)	—	—
Forfeiture rate (%)	**5.00**	5.00
Expected volatility (%)	**64.00**	72.50
Risk-free interest rate (%)	**4.12**	3.16
Contractual life (years)	**5.0**	5.0
Weighted average share price at grant date	**$ 2.09**	$ 2.97
Weighted average fair value at grant date	**$ 1.11**	$ 1.88

b) Performance share units

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

The fair value of a performance share units award is determined at the date of grant by using the closing price of common shares multiplied by the estimated performance multiplier. As at December 31, 2023, a performance multiplier of 2.0 was assigned for performance share units that vested in 2023 related to 2021 grants, 1.9 for performance share units granted in 2022 and 1.0 for performance share units granted in 2023. Fluctuations in share-based payments may occur due to changes in estimates of performance outcomes. The amount of share-based payment expense is reduced by an estimated forfeiture rate of 5% for outstanding awards. The weighted average fair value per share of performance share rights granted during the year ended December 31, 2023 was $2.20 per award.

c) Restricted share units

The Company has a restricted share unit plan for directors, officers, employees or consultants. The restricted share units vest evenly over a two year period after the date upon which the restricted share units were granted. The restricted share units that vest can be settled in cash or in common shares, at the discretion of the Company.

This fair value is recognized as share-based payment expense with a corresponding increase to contributed surplus. The weighted average fair value per share of restricted rights granted during the year ended December 31, 2023 was $1.97 per award.

10. OIL REVENUE

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

The Company's properties currently produce heavy crude oil and volumes are mostly sold under floating contracts of varying price and volume terms of up to one year. Oil revenues are typically collected on the 25th day of the month following production. Included in accounts receivable at December 31, 2023 is $7.5 million of oil revenue related to December 2023 production (December 31, 2022 - $3.9 million of oil revenue related to December 2022 production).

11. REVOLVING BANK DEBT

As at December 31, 2023, the Company's first lien Credit Facility had a borrowing limit of $57.0 million (December 31, 2022 - $40.0 million). The credit facility will reduce by $5.0 million at the end of each quarter during 2024, starting on March 31, 2024 to $40.0 million at December 31, 2024. The initial term is to May 31, 2024, and may be extended for a further twelve months to May 31, 2025 subject to lender approval. If not extended by May 31, 2024, all outstanding advances would be repayable on May 31, 2025. The next semi-annual borrowing base redetermination is scheduled on or before May 31, 2024.

As at December 31, 2023, $29.3 million (December 31, 2022 - $12.0 million) was drawn against the Credit Facility and $0.4 million of letters of credit has been issued (December 31, 2022 - nil). Borrowings under the Credit Facility bear interest at the 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, 2023 was 10.1% per annum. For the year ended December 31, 2023, if interest rates changed by 1% with all other variables held constant, the impact on annual cash finance expense and net income and comprehensive income would be $0.3 million.

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

At December 31, 2023, the Credit Facility was not subject to any financial covenants and the Company was in compliance with all customary non-financial covenants.

12. DEFERRED TAXES

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

		December 31, 2023		December 31, 2022
Income before income tax	**$**	**26,603**	$	9,808
Combined federal and provincial tax rate		**23%**		23%
Computed income tax expense	**$**	**6,119**	$	2,256
Increase (decrease) in income taxes resulting from:				
Non-deductible expenses		**700**		398
Flow-through shares - tax pools renounced		**3,048**		—
Other		**(377)**		(86)
Change in unrecognized deferred tax assets		**(1,448)**		(17,365)
Deferred tax expense (recovery)	**$**	**8,042**	$	(14,797)

The following table summarizes the continuity of the net deferred tax assets of the Company:

		December 31, 2022		Recognized in earnings		Recognized in equity		**December 31, 2023**
Assets (liabilities):								
Property, plant and equipment	$	13,503	$	(9,728)	$	(1,540)	**$**	**2,235**
Decommissioning obligations		859		1,118		—		**1,977**
Fair value of derivatives		(158)		(1,990)		—		**(2,148)**
Share purchase warrants		460		(460)		—		**—**
Share and debt issue costs		(148)		652		58		**562**
Non-capital losses		10,051		2,366		—		**12,417**
Total deferred tax assets	$	24,567	$	(8,042)	$	(1,482)	**$**	**15,043**

	December 31, 2021	Recognized in earnings	Recognized in equity	December 31, 2022
Assets (liabilities):				
Property, plant and equipment	$ 6,397	$ 7,106	$ —	$ 13,503
Decommissioning obligations	455	404	—	859
Fair value of derivatives	308	(466)	—	(158)
Share purchase warrants	460	—	—	460
Share and debt issue costs	46	(818)	624	(148)
Non-capital losses	1,480	8,571	—	10,051
Total deferred tax assets	$ 9,146	$ 14,797	$ 624	$ 24,567

The deductible temporary differences included in the Company's unrecognized deferred tax assets relate to resource tax pools and amount to $37.5 million at December 31, 2023 (December 31, 2022 - $44.0 million).

As at December 31, 2023, the Company had approximately $53.9 million (December 31, 2022 – $44.2 million) of non-capital losses available for future use. The unused non-capital losses expire between 2041 and 2043.

The development and production assets and facilities owned by the Company have an approximate tax basis of $278.3 million (December 31, 2022 – $265.7 million) available for future use as deductions from taxable income, as indicated below:

	December 31, 2023	December 31, 2022
Canadian oil & gas properties	**$ 120,430**	$ 67,537
Canadian development expense	**125,696**	164,993
Canadian exploration expense	**8,157**	16,276
Undepreciated capital cost	**23,983**	16,851
Total tax pools	**$ 278,266**	$ 265,657

Deferred tax assets have not been recognized in respect of certain resource pools included above, because it is not probable that future taxable income will be available against which the Company can utilize the benefits.

13. FINANCE EXPENSE

	December 31, 2023	December 31, 2022
Interest expense	**$ 1,923**	$ 343
Accretion (note 7)	**128**	67
Finance expense	**$ 2,051**	$ 410

14. SUPPLEMENTAL CASH FLOW INFORMATION

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

	December 31, 2023	December 31, 2022
Accounts receivable	**$ (2,308)**	$ (1,677)
Prepaid expenses and deposits	**91**	(277)
Product Inventory	**(66)**	(320)
Accounts payable and accrued liabilities	**5,879**	11,049
	$ 3,596	$ 8,775
Related to operating activities	**1,237**	834
Related to investing activities	**2,359**	7,941
	$ 3,596	$ 8,775

15. FINANCIAL RISK MANAGEMENT

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

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

a) Credit risk

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

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

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

The combined carrying amount of cash and cash equivalents, accounts receivable and fair value of derivative assets at December 31, 2023 was $20.2 million (December 31, 2022 - $11.9 million), representing the Company's maximum credit exposure. The total amount of accounts receivable 90 days past due is $0.2 million at December 31, 2023 (December 31, 2022 - nominal).

b) Liquidity risk

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

c) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, commodity prices, and interest rates will affect the Company's net income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

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

The following table summarizes the mark to market value of outstanding risk management contracts:

	December 31, 2023	December 31, 2022
Financial oil contracts	**$ 7,882**	$ 738
Financial foreign exchange contracts	**1,459**	(50)
Risk management contracts	**$ 9,341**	$ 688
Risk management contracts – current asset	**8,796**	1,437
Risk management contracts – non-current asset	**545**	—
Risk management contracts – current liability	**—**	(749)
Risk management contracts	**$ 9,341**	$ 688

The following table details the gains (losses) on risk management contracts:

	December 31, 2023	December 31, 2022
Unrealized gain on oil contracts	**$ 6,715**	$ 2,075
Unrealized gain (loss) on foreign exchange contracts	**1,937**	(50)
Unrealized gain on financial derivatives	**$ 8,652**	$ 2,025
Realized loss on oil contracts	**(383)**	(13,039)
Realized gain (loss) on foreign exchange contracts	**65**	(103)
Realized loss on financial derivatives	**$ (318)**	$ (13,142)
Change in fair value of derivatives	**$ 8,334**	$ (11,117)

At December 31, 2023, the Company had entered into the following oil risk management contracts:

Remaining Period	Type of Contract	Sell/Buy	Quantity (*bbl/d*)	Pricing Point	Contract Price (*$/bbl*)	Mark-to-Market Asset (Liability) (*$000's*)
Jan 2024 - Dec 2024	Fixed Swap	Sell	200	WTI	USD 78.75	696
Jan 2024 - Dec 2024	Fixed Swap	Sell	350	WTI	CAD 100.80	841
Jan 2024 - Dec 2024	Fixed Swap	Sell	350	WTI	CAD 102.50	1,053
Jan 2024 - Dec 2024	Fixed Swap	Sell	200	WTI	CAD 106.87	913
Jan 2024 - Dec 2024	Fixed Swap	Sell	100	WTI	CAD 108.51	515
Jan 2024 - Dec 2024	Fixed Swap	Sell	200	WTI	CAD 108.90	1,057
Jan 2024 - Dec 2024	Fixed Swap	Sell	200	WTI	CAD 104.00	709
Jan 2024 - Dec 2024	Fixed Swap	Sell	200	WTI	CAD 105.00	780
Jan 2024 - Dec 2024	Fixed Swap	Sell	150	WTI	CAD 105.89	617
Jan 2024 - Dec 2024	Fixed Swap	Sell	700	WCS - WTI Differential	CAD (20.50)	212
Jan 2024 - Dec 2024	Fixed Swap	Sell	200	WCS - WTI Differential	CAD (21.87)	(37)
Jan 2024 - Dec 2024	Fixed Swap	Sell	100	WCS - WTI Differential	CAD (21.92)	(20)
Jan 2024 - Dec 2024	Fixed Swap	Sell	200	WCS - WTI Differential	CAD (22.17)	(58)
Jan 2024 - Dec 2024	Fixed Swap	Sell	200	WCS - WTI Differential	CAD (24.00)	(189)
Jan 2024 - Dec 2024	Fixed Swap	Sell	200	WCS - WTI Differential	CAD (21.21)	10
Jan 2024 - Dec 2024	Fixed Differential Swap	Sell	100	WCS	CAD 87.15	492
Jan 2024 - Dec 2024	Fixed Differential Swap	Sell	100	WCS	CAD 81.50	291

As at December 31, 2023, if future WTI and WCS oil prices changed by $5.00 per bbl with all other variables held constant, net income and comprehensive income for the year would change by $4.0 million due to changes in the fair value of risk management contracts.

Subsequent to December 31, 2023, the Company has entered into the following oil risk management contracts:

Remaining Period	Type of Contract	Sell/Buy	Quantity (*bbl/d*)	Pricing Point	Contract Price (*$/bbl*)
Apr 2024 - Dec 2024	Fixed Differential Swap	Sell	350	WCS - WTI Differential	USD (13.95)
Apr 2024 - Jun 2024	Fixed Swap	Sell	700	WCS	USD 64.37
Jul 2024 - Sep 2024	Fixed Swap	Sell	500	WCS	USD 64.40
Jul 2024 - Sep 2024	Fixed Swap	Sell	200	WCS	USD 62.25

At December 31, 2023, the Company has entered into the following USD/CAD foreign exchange swaps:

Contract	Notional amount	Term	Price (CAD$/US$)
Average rate forward (CAD$/US$)	$1,775,000 US$/month	Jan 1, 2024 – Dec 31, 2024	1.3659
Average rate forward (CAD$/US$)	$1,000,000 US$/month	Jan 1, 2025 – Dec 31, 2025	1.3660

As at December 31, 2023, if future CAD$/US$ exchange rate changed by $0.05 with all other variables held constant, net income and comprehensive income for the year would change by $1.8 million due to changes in the fair value of risk management contracts.

Fair value of financial assets and liabilities

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

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

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

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

The Company aims to maximize the use of observable inputs when preparing calculations of fair value. Classification of each measurement into the fair value hierarchy is based on the lowest level of input that is significant to the fair value calculation.

The fair value of cash and cash equivalents, accounts receivable, deposits, and accounts payable and accrued liabilities approximate their carrying amounts due to their short terms to maturity. They are classified as amortized cost, level 1.

The fair value of risk management contracts are classified as fair value through profit and loss ("FTPL"), level 2.

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

As of December 31, 2023	Gross	Netting[(1)]	Carrying Amount	Fair value Level 1	Level 2	Level 3
Financial assets						
Fair value through profit and loss						
Risk management contracts	9,645	(304)	9,341	—	9,341	—
Financial liabilities						
Financial liabilities at amortized cost						
Revolving bank debt	(29,317)	—	(29,317)	(29,317)	—	—
Fair value through profit and loss						
Risk management contracts	(304)	304	—	—	—	—

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

As of December 31, 2022	Gross	Netting[(1)]	Carrying Amount	Fair value Level 1	Level 2	Level 3
Financial assets						
Fair value through profit and loss						
Risk management contracts	1,437	—	1,437	—	1,437	—
Financial liabilities						
Financial liabilities at amortized cost						
Revolving bank debt	(12,000)	—	(12,000)	(12,000)	—	—
Fair value through profit and loss						
Risk management contracts	(749)	—	(749)	—	(749)	—

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

d) Capital risk

The Company's policy is to maintain a strong but flexible capital structure so as to maintain investor, creditor and market confidence and to sustain its future development. The Company manages its capital structure and adjusts it in light of changes in economic conditions. The Company's capital structure consists of shareholders' equity and working capital. The Company also has access to its $57.0 million first lien credit facility with a syndicate of lenders, under which $27.3 million was available at December 31, 2023, comprised of current borrowings of $29.3 million (December 31, 2022 - $12.0 million), letters of credit of $0.4 million (December 31, 2022 - nil) and cash and cash equivalents of nil (December 31, 2022 - $2.0 million).

16. KEY MANAGEMENT PERSONNEL

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

	December 31, 2023	December 31, 2022
Short-term compensation	**$ 1,056**	$ 125
Share-based payments	**1,507**	1,135
Total	**$ 2,563**	$ 1,260

Short-term compensation for key management personnel is recognized through the Management and Operating Service Agreement ("MSA") with Perpetual and is recognized in general and administrative expense.

17. RELATED PARTIES

Rubellite and Perpetual are considered related parties due to the existence of the MSA. Further, certain officers and directors are key management of and have significant influence over Rubellite while also being key management of and having deemed control over Perpetual. During the year ended December 31, 2023, Rubellite was billed by Perpetual for net transactions, which are considered to be normal course of oil and gas operations totaling $6.9 million (December 31, 2022 - $5.6 million). Included within this amount are $3.4 million (December 31, 2022 - $1.9 million) of costs charged to Rubellite through the MSA. The Company recorded accounts payable of $1.9 million owing to Perpetual as at December 31, 2023 (December 31, 2022 - accounts payable of $0.6 million).

18. CONTRACTUAL OBLIGATIONS

As at December 31, 2023, the Company's minimum contractual obligations over the next five years and thereafter, excluding estimated interest payments, are as follows:

	2024	2025	Thereafter	Total
Contractual obligations				
Accounts payable and accrued liabilities	33,932	—	—	**33,932**
Revolving bank debt	—	29,317	—	**29,317**
Total	**33,932**	**29,317**	**—**	**63,249**

During the fourth quarter of 2023, the Company sold a 1.5% non-convertible GORR before payout, reverting to a 1.0% non-convertible GORR after payout, effective December 4, 2023 with royalties payable as of October 1, 2023. The Company has a drilling commitment on the GORR lands that must be fulfilled by June 30, 2026 (the "Commitment Date"). In the event the Company fails to fulfill the drilling commitment, the Company is required to pay $0.1 million per well not spud by the Commitment Date. As at December 31, 2023, the Company has drilled two (2.0 net) of the 59 wells that are required to meet the drilling commitment.

DIRECTORS

Holly A. Benson
Independent Director[(1)(2)(3)(4)]
Tamara L. MacDonald
Independent Director[(1)(2)(3)(4)]
Susan L. Riddell Rose
President, Chief Executive Officer and Director
Ryan A. Shay
Vice President, Finance and Chief Financial Officer and Director
Bruce C. Shultz
Independent Director[(1)(2)(3)(4)]

(1) Member of Audit Committee
(2) Member of Reserves Committee
(3) Member of Compensation and Corporate Governance Committee
(4) Member of Environmental, Health & Safety Committee

OFFICERS

Susan L. Riddell Rose
President, Chief Executive Officer and Director
Ryan A. Shay
Vice President, Finance and Chief Financial Officer and Director
Ryan M. Goosen
Vice President, Business Development and Land
Jeffrey R. Green
Vice President, Corporate and Engineering Services
Marcello M. Rapini
Vice President, Marketing
Karl H. Rumpf
Vice President, Exploration and New Ventures

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AUDITORS

KPMG LLP

BANKERS

ATB Financial
Bank of Montreal

RESERVE EVALUATION CONSULTANTS

McDaniel & Associates Consultants Ltd.

REGISTRAR AND TRANSFER AGENT

Odyssey Trust Company