



**CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED)**

THREE MONTHS ENDED MARCH 31, 2024

RUBELLITE ENERGY INC.
Condensed Interim Consolidated Statements of Financial Position

As at	March 31, 2024	December 31, 2023
<i>(Cdn\$ thousands, unaudited)</i>		
Assets		
Current assets		
Accounts receivable	\$ 10,795	\$ 10,830
Prepaid expenses and deposits	446	433
Product inventory	944	1,002
Risk management contracts (note 12)	279	8,796
	12,464	21,061
Property, plant and equipment (note 3)	204,938	202,203
Exploration and evaluation (note 4)	33,648	32,301
Deferred tax asset (note 10)	16,067	15,043
Risk management contracts (note 12)	181	545
Total assets	\$ 267,298	\$ 271,153
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 20,605	\$ 33,932
Risk management contracts (note 12)	4,952	—
Decommissioning obligations (note 5)	285	77
	25,842	34,009
Revolving bank debt (note 9)	37,079	29,317
Decommissioning obligations (note 5)	8,406	8,516
Risk management contracts (note 12)	77	—
Total liabilities	71,404	71,842
Equity		
Share capital (note 6)	143,048	143,033
Share purchase warrants (note 6)	2,000	2,000
Contributed surplus (note 7)	4,131	3,410
Retained earnings	46,715	50,868
Total equity	195,894	199,311
Total liabilities and equity	\$ 267,298	\$ 271,153
Commitments (note 3b)		
Subsequent events (note 12)		

See accompanying notes to the condensed interim consolidated financial statements.

RUBELLITE ENERGY INC.**Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)**

Three months ended March 31,

2024 2023*(Cdn\$ thousands, except per share amounts, unaudited)*

Revenue			
Oil (note 8)	\$	29,823	\$ 17,104
Royalties		(3,321)	(1,605)
		26,502	15,499
Realized gain on risk management contracts (note 12)		1,040	208
Unrealized loss on risk management contracts (note 12)		(13,910)	(451)
		13,632	15,256
Expenses			
Production and operating		2,610	1,641
Transportation		3,237	2,131
General and administrative		2,027	1,737
Share based payments (note 7)		736	595
Exploration and evaluation (note 4)		131	65
Depletion (note 3)		8,897	6,196
		(4,006)	2,891
Finance expense (note 11)		(1,171)	(482)
Income (loss) before income tax		(5,177)	2,409
Taxes			
Deferred tax (expense) recovery (note 10)		1,024	(710)
Net income (loss) and comprehensive income (loss)	\$	(4,153)	\$ 1,699
Net income (loss) per share (note 6)			
Basic	\$	(0.07)	\$ 0.03
Diluted	\$	(0.07)	\$ 0.03

See accompanying notes to the condensed interim consolidated financial statements.

RUBELLITE ENERGY INC.
Condensed Interim Consolidated Statements of Changes in Equity

	Share Capital		Share purchase warrants	Contributed surplus	Retained earnings	Total Equity
	(thousands)	(\$thousands)				
<i>(Cdn\$ thousands, except share amounts, unaudited)</i>						
Balance at December 31, 2023	62,456	\$ 143,033	\$ 2,000	\$ 3,410	\$ 50,868	\$ 199,311
Net loss	—	—	—	—	(4,153)	(4,153)
Common shares issued, share-based payment plan (note 6)	4	15	—	(15)	—	—
Share-based payments (note 7)	—	—	—	736	—	736
Balance at March 31, 2024	62,460	\$ 143,048	\$ 2,000	\$ 4,131	\$ 46,715	\$195,894

	Share Capital		Share purchase warrants	Contributed surplus	Retained earnings	Total Equity
	(thousands)	(\$thousands)				
<i>(Cdn\$ thousands, except share amounts, unaudited)</i>						
Balance at December 31, 2022	54,826	\$ 123,383	\$ 2,000	\$ 1,805	\$ 32,307	\$ 159,495
Net income	—	—	—	—	1,699	1,699
Flow-through shares issued, net of issue costs (note 6)	7,000	19,715	—	—	—	19,715
Deferred premium on flow-through shares (note 6)	—	(1,540)	—	—	—	(1,540)
Common shares issued, share-based payment plan (note 6)	—	2	—	(2)	—	—
Share-based payments (note 7)	—	—	—	595	—	595
Balance at March 31, 2023	61,826	\$ 141,560	\$ 2,000	\$ 2,398	\$ 34,006	\$179,964

See accompanying notes to the condensed interim consolidated financial statements.

RUBELLITE ENERGY INC.
Condensed Interim Consolidated Statements of Cash Flows

Three months ended March 31,
2024 2023

(Cdn\$ thousands, unaudited)

Cash flows from operating activities

Net income (loss)	\$	(4,153)	\$	1,699
Adjustments to add (deduct) non-cash items:				
Depletion (note 3)		8,897		6,196
Share-based payments (note 7)		736		595
Deferred tax expense (recovery) (note 10)		(1,024)		710
Unrealized loss on risk management contracts (note 12)		13,910		451
Finance - accretion on decommissioning obligations (note 11)		64		31
Exploration and evaluation expense (note 4)		22		—
Decommissioning obligations settled (note 5)		(121)		—
Change in non-cash working capital		(1,834)		(397)
Net cash flows from operating activities		16,497		9,285

Cash flows from financing activities

Common shares issued (note 6)		—		19,950
Share issue costs (note 6)		—		(252)
Change in revolving bank debt (note 9)		7,762		4,000
Change in non-cash working capital		—		252
Net cash flows from financing activities		7,762		23,950

Cash flows used in investing activities

Property, plant and equipment expenditures (note 3)		(11,423)		(8,103)
Exploration and evaluation expenditures (note 4)		(1,369)		(13,958)
Change in non-cash working capital		(11,467)		(5,661)
Net cash flows used in investing activities		(24,259)		(27,722)

Change in cash and cash equivalents		—		5,513
Cash and cash equivalents, beginning of period		—		1,950
Cash and cash equivalents, end of period	\$	—	\$	7,463

See accompanying notes to the condensed interim consolidated financial statements.

RUBELLITE ENERGY INC.
Notes to the Condensed Interim Consolidated Financial Statements (unaudited)
For the three months ended March 31, 2024
(All tabular amounts are in Cdn\$ thousands, except where otherwise noted)

1. REPORTING ENTITY

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

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

The condensed interim 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 condensed interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and do not include all of the information required for full annual financial statements. These condensed interim consolidated financial statements should be read in conjunction with the Company's financial statements as at and for the year ended December 31, 2023 which were prepared in conformity with IFRS Accounting Standards as issued by the International Accounting Standards Board.

The accounting policies, basis of measurement, critical accounting judgements and significant estimates used to prepare the annual consolidated financial statements as at and for the year ended December 31, 2023 have been applied in the preparation of these condensed interim consolidated financial statements.

These financial statements were approved and authorized for issue by the Board of Directors on May 13, 2024.

3. PROPERTY, PLANT AND EQUIPMENT

	Development and Production Assets	
Cost		
December 31, 2022	\$	151,309
Additions		43,660
Transfer from exploration and evaluation (note 4)		22,606
Acquisitions (note 3b)		28,647
Dispositions (note 3b)		(5,801)
Change in decommissioning obligations related to PP&E (note 5)		4,735
December 31, 2023	\$	245,156
Additions		11,423
Change in decommissioning obligations related to PP&E (note 5)		155
March 31, 2024	\$	256,734
Accumulated depletion		
December 31, 2022	\$	(15,360)
Depletion ⁽¹⁾		(27,593)
December 31, 2023	\$	(42,953)
Depletion ⁽¹⁾		(8,843)
March 31, 2024	\$	(51,796)
Carrying amount		
December 31, 2023	\$	202,203
March 31, 2024	\$	204,938

(1) During the period ended March 31, 2024, depletion includes \$0.1 million which has been capitalized to inventory (Q1 2023 - nominal amount).

As at March 31, 2024, future development costs of \$138.5 million (December 31, 2023 – \$145.1 million) associated with proved and probable oil and gas reserves were included in the depletion calculation and an estimated \$2.8 million (December 31, 2023 – \$3.4 million) of salvage value for production equipment was excluded.

a) Impairment

There were no indicators of impairment related to the Company's cash generating unit ("CGU") as at March 31, 2024 and December 31, 2023 and therefore, an impairment test was not performed.

b) Acquisitions and Dispositions

Effective November 8, 2023, Rubellite acquired Clearwater assets within the Greater Figure Lake area, as well as undeveloped land in the Nixon area of Northeast Alberta for net cash proceeds of \$33.2 million. The acquisition was 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. All of the assets acquired were included within the Company's Clearwater CGU. 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.

During 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, resulting in a gain of \$1.3 million. 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 March 31, 2024, the Company has drilled four (4.0 net) of the 59 wells that are required to meet the drilling commitment.

4. EXPLORATION AND EVALUATION

	March 31, 2024	December 31, 2023
Balance, beginning of period	\$ 32,301	\$ 30,252
Acquisitions (note 3b)	—	4,526
Dispositions (note 3b)	—	(899)
Additions	1,369	27,870
Transfer to property, plant, and equipment (note 3)	—	(22,606)
Exploration and evaluation expense	(22)	(6,842)
Balance, end of period	\$ 33,648	\$ 32,301

During the three months ended March 31, 2024, \$0.1 million was charged to exploration and evaluation ("E&E") expense in the consolidated statements of income (loss) and comprehensive income (loss) (Q1 2023- \$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 March 31, 2024, there were no triggers identified or transfers and therefore, an impairment test was not performed.

5. DECOMMISSIONING OBLIGATIONS

The following table summarizes changes in decommissioning obligations:

	March 31, 2024	December 31, 2023
Balance, beginning of period	\$ 8,593	\$ 3,733
Liabilities settled	(121)	(3)
Obligations incurred	323	2,143
Obligations acquired (note 3b)	—	385
Change in rate on acquisition (note 3b)	—	1,611
Revisions to estimates	(168)	596
Accretion	64	128
Total decommissioning obligations, end of period	\$ 8,691	\$ 8,593
Decommissioning obligations - current	\$ 285	\$ 77
Decommissioning obligations - non-current	8,406	8,516
Total decommissioning obligations	\$ 8,691	\$ 8,593

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 (loss) and comprehensive income (loss). Decommissioning obligations are further adjusted at each period end date for changes in the risk-free interest rate, after considering additions and dispositions of PP&E. Decommissioning obligations are also adjusted for revisions to future cost estimates and the estimated timing of costs to be incurred in future periods.

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

	March 31, 2024	December 31, 2023
Undiscounted obligations	\$ 11,760	\$ 11,443
Average risk-free rate	3.3%	3.0%
Inflation rate	1.8%	1.6%
Expected timing of settling obligations	1 to 25 years	1 to 25 years

6. SHARE CAPITAL

a) Authorized

Authorized capital consists of an unlimited number of common shares.

b) Issued and outstanding

	March 31, 2024		December 31, 2023	
	Shares (thousands)	Amount (\$thousands)	Shares (thousands)	Amount (\$thousands)
Balance, beginning of period	62,456	\$ 143,033	54,826	\$ 123,383
Flow-through shares issued pursuant to private placement	—	—	7,000	19,950
Deferred premium on flow-through shares	—	—	—	(1,540)
Issued pursuant to share-based plans	4	15	630	1,436
Share issue costs ⁽¹⁾	—	—	—	(196)
Balance, end of period	62,460	\$ 143,048	62,456	\$ 143,033

(1) Share issue costs for the period ended March 31, 2024 are net of deferred tax of nil (December 31, 2023 - \$0.1 million).

As of March 31, 2024, 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.

c) Per share information

(thousands, except per share amounts)	Three months ended March 31,	
	2024	2023
Net income (loss)	\$ (4,153)	\$ 1,699
Weighted average common shares outstanding – basic	62,457	55,060
Weighted average common shares outstanding – diluted	62,457	55,550
Net income (loss) per share – basic	\$ (0.07)	\$ 0.03
Net income (loss) per share – diluted	\$ (0.07)	\$ 0.03

Per share amounts have been calculated using the weighted average number of common shares outstanding. For the period ended March 31, 2024, 7.7 million common shares (Q1 2023 - 5.9 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.

7. 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, 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
Exercised	(2)	—	(3)	(5)
Forfeited	(21)	—	(12)	(33)
March 31, 2024	2,673	464	515	3,652

During the three month period ended March 31, 2024, the Company did not grant any share-based payment awards.

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

	Three months ended March 31,	
	2024	2023
Share options	\$ 275	\$ 261
Restricted share units	173	170
Performance share units	288	164
Share-based payment expense	\$ 736	\$ 595

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 uses the Black-Scholes pricing model to calculate the estimated fair value of the share options at the date of grant and the share-based payment expense is reduced by an estimated forfeiture rate of 5%. During the three month period ended March 31, 2024, there were no issuances of share options.

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 March 31, 2024, a performance multiplier of 1.9 have been assumed 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. During the three month period ended March 31, 2024, there were no issuances of performance share units.

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. During the three month period ended March 31, 2024, there were no issuances of restricted share units.

8. 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 March 31, 2024 is \$10.1 million of oil revenue related to March 2024 production (December 31, 2023 - \$7.5 million of oil revenue related to December 2023 production).

9. REVOLVING BANK DEBT

As at March 31, 2024, the Company's first lien Credit Facility had a borrowing limit of \$52.0 million (December 31, 2023 - \$57.0 million). The credit facility will continue to reduce by \$5.0 million at the end of each quarter during 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 March 31, 2024, \$37.1 million (December 31, 2023 - \$29.3 million) was drawn against the Credit Facility and \$2.7 million of letters of credit had been issued (December 31, 2023 - \$0.4 million). 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 March 31, 2024 was 9.9% per annum. For the period ended March 31, 2024, if interest rates changed by 1% with all other variables held constant, the impact on annual cash finance expense and net income (loss) and comprehensive income (loss) would be \$0.4 million.

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

At March 31, 2024, the Credit Facility was not subject to any financial covenants and the Company was in compliance with all customary non-financial covenants.

10. DEFERRED TAXES

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

	December 31, 2023	Recognized in earnings	March 31, 2024
Assets (liabilities):			
Property, plant and equipment	\$ 2,235	\$ (628)	\$ 1,607
Decommissioning obligations	1,977	22	1,999
Fair value of derivatives	(2,148)	3,198	1,050
Share and debt issue costs	562	(50)	512
Non-capital losses	12,417	(1,518)	10,899
Total deferred tax assets	\$ 15,043	\$ 1,024	\$ 16,067

11. FINANCE EXPENSE

	Three months ended March 31,	
	2024	2023
Interest expense	\$ 1,107	\$ 451
Accretion (note 5)	64	31
Finance expense	\$ 1,171	\$ 482

12. FINANCIAL RISK MANAGEMENT

The following table summarizes the mark to market value of outstanding risk management contract assets (liabilities):

	March 31, 2024	December 31, 2023
Financial oil contracts	\$ (5,028)	\$ 7,882
Financial foreign exchange contracts	459	1,459
Risk management contracts	\$ (4,569)	\$ 9,341
Risk management contracts – current asset	279	8,796
Risk management contracts – non-current asset	181	545
Risk management contracts – current liability	(4,952)	—
Risk management contracts – non-current liability	(77)	—
Risk management contracts	\$ (4,569)	\$ 9,341

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

	Three months ended March 31,	
	2024	2023
Unrealized loss on oil contracts	\$ (12,912)	\$ (571)
Unrealized gain (loss) on foreign exchange contracts	(998)	120
Unrealized loss on financial derivatives	\$ (13,910)	\$ (451)
Realized gain on oil contracts	949	217
Realized gain (loss) on foreign exchange contracts	91	(9)
Realized gain on financial derivatives	\$ 1,040	\$ 208
Change in fair value of derivatives	\$ (12,870)	\$ (243)

At March 31, 2024, 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)
Apr 2024 - Jun 2024	Fixed Swap	Sell	700	WTI	USD 78.17
Jul 2024 - Sep 2024	Fixed Swap	Sell	500	WTI	USD 76.30
Apr 2024 - Dec 2024	Fixed Swap	Sell	200	WTI	USD 78.75
Apr 2024 - Jun 2024	Fixed Differential Swap	Sell	700	WCS - WTI Differential	USD (13.80)
Jul 2024 - Sep 2024	Fixed Differential Swap	Sell	500	WCS - WTI Differential	USD (11.90)
Apr 2024 - Dec 2024	Fixed Differential Swap	Sell	350	WCS - WTI Differential	USD (13.95)
Jul 2024 - Sep 2024	Fixed Swap	Sell	200	WCS	USD 62.25
Apr 2024 - Dec 2024	Fixed Swap	Sell	350	WTI	CAD 100.80
Apr 2024 - Dec 2024	Fixed Swap	Sell	350	WTI	CAD 102.50
Apr 2024 - Dec 2024	Fixed Swap	Sell	200	WTI	CAD 106.87
Apr 2024 - Dec 2024	Fixed Swap	Sell	100	WTI	CAD 108.51
Apr 2024 - Dec 2024	Fixed Swap	Sell	200	WTI	CAD 108.90
Apr 2024 - Dec 2024	Fixed Swap	Sell	200	WTI	CAD 104.00
Apr 2024 - Dec 2024	Fixed Swap	Sell	200	WTI	CAD 105.00
Apr 2024 - Dec 2024	Fixed Swap	Sell	150	WTI	CAD 105.89
Apr 2024 - Dec 2024	Fixed Swap	Sell	100	WCS	CAD 87.15
Apr 2024 - Dec 2024	Fixed Swap	Sell	100	WCS	CAD 81.50
Jan 2025 - Dec 2025	Fixed Swap	Sell	200	WCS	CAD 80.00
Apr 2024 - Dec 2024	Fixed Swap	Sell	700	WCS - WTI Differential	CAD (20.50)
Apr 2024 - Dec 2024	Fixed Swap	Sell	200	WCS - WTI Differential	CAD (21.87)
Apr 2024 - Dec 2024	Fixed Swap	Sell	100	WCS - WTI Differential	CAD (21.92)
Apr 2024 - Dec 2024	Fixed Swap	Sell	200	WCS - WTI Differential	CAD (22.17)
Apr 2024 - Dec 2024	Fixed Swap	Sell	200	WCS - WTI Differential	CAD (24.00)
Apr 2024 - Dec 2024	Fixed Swap	Sell	200	WCS - WTI Differential	CAD (21.21)

As at March 31, 2024, if future WTI and WCS oil prices changed by \$5.00 per bbl with all other variables held constant, net income (loss) and comprehensive income (loss) for the period would change by \$4.9 million due to changes in the fair value of risk management contracts.

Subsequent to March 31, 2024, 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)
Jan 2025 - Dec 2025	Fixed Swap	Sell	200	WTI	USD 75.30
Jan 2025 - Dec 2025	Fixed Differential Swap	Sell	200	WCS - WTI Differential	USD (14.25)

At March 31, 2024, 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	Apr 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 March 31, 2024, if future CAD\$/US\$ exchange rate changed by \$0.05 with all other variables held constant, net income (loss) and comprehensive income (loss) for the period would change by \$1.4 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, accounts receivable, prepaid expenses and 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 March 31, 2024	Gross	Netting ⁽¹⁾	Carrying Amount	Fair value		
				Level 1	Level 2	Level 3
Financial assets						
Fair value through profit and loss						
Risk management contracts	\$ 525	\$ (65)	\$ 460	\$ —	\$ 460	\$ —
Financial liabilities						
Financial liabilities at amortized cost						
Revolving bank debt	(37,079)	—	(37,079)	(37,079)	—	—
Fair value through profit and loss						
Risk management contracts	(5,094)	65	(5,029)	—	(5,029)	—

(1) Risk management contract assets and liabilities presented in the condensed interim 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.

13. RELATED PARTIES

Rubellite and Perpetual are considered related parties due to the existence of the Management and Operating Service 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 month period ended March 31, 2024, Rubellite was billed by Perpetual for net transactions, which are considered to be normal course of oil and gas operations totaling \$2.4 million (Q1 2023 - \$1.6 million). Included within this amount are \$1.3 million (Q1 2023 - \$0.8 million) of costs charged to Rubellite through the MSA. The Company recorded accounts payable of \$1.6 million owing to Perpetual as at March 31, 2024 (December 31, 2023 - accounts payable of \$1.9 million).