



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

THREE AND SIX MONTHS ENDED JUNE 30, 2024

RUBELLITE ENERGY INC.
Condensed Interim Consolidated Statements of Financial Position

As at	June 30, 2024	December 31, 2023
<i>(Cdn\$ thousands, unaudited)</i>		
Assets		
Current assets		
Accounts receivable	\$ 12,225	\$ 10,830
Prepaid expenses and deposits	610	433
Product inventory	1,512	1,002
Risk management contracts (note 12)	49	8,796
	14,396	21,061
Property, plant and equipment (note 3)	220,454	202,203
Exploration and evaluation (note 4)	33,270	32,301
Deferred tax asset (note 10)	13,357	15,043
Risk management contracts (note 12)	72	545
Total assets	\$ 281,549	\$ 271,153
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 32,599	\$ 33,932
Risk management contracts (note 12)	1,102	—
Decommissioning obligations (note 5)	285	77
	33,986	34,009
Revolving bank debt (note 9)	30,831	29,317
Decommissioning obligations (note 5)	8,683	8,516
Total liabilities	73,500	71,842
Equity		
Share capital (note 6b)	143,556	143,033
Share purchase warrants (note 6b)	2,000	2,000
Contributed surplus (note 7)	3,410	3,410
Retained earnings	59,083	50,868
Total equity	208,049	199,311
Total liabilities and equity	\$ 281,549	\$ 271,153
Commitments (note 3b)		
Subsequent events (note 3b, 12, 14)		

See accompanying notes to the condensed interim consolidated financial statements.

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

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
<i>(Cdn\$ thousands, except per share amounts, unaudited)</i>				
Revenue				
Oil (note 8)	\$ 35,798	\$ 18,863	\$ 65,621	\$ 35,967
Royalties	(3,949)	(1,654)	(7,270)	(3,259)
	31,849	17,209	58,351	32,708
Realized gain (loss) on risk management contracts (note 12)	(1,786)	718	(746)	926
Unrealized gain (loss) on risk management contracts (note 12)	3,588	304	(10,322)	(147)
	33,651	18,231	47,283	33,487
Expenses				
Production and operating	2,734	1,869	5,344	3,510
Transportation	3,142	2,042	6,379	4,173
General and administrative	2,399	1,624	4,426	3,361
Share based payments (note 7)	643	574	1,379	1,169
Exploration and evaluation (note 4)	144	6,843	275	6,908
Depletion and depreciation (note 3)	8,744	6,146	17,641	12,342
	15,845	(867)	11,839	2,024
Finance expense (note 11)	(1,049)	(378)	(2,220)	(860)
Income (loss) before income tax	14,796	(1,245)	9,619	1,164
Taxes				
Deferred tax (expense) recovery (note 10)	(2,428)	4,642	(1,404)	3,932
Net income and comprehensive income	\$ 12,368	\$ 3,397	\$ 8,215	\$ 5,096
Net income per share (note 6c)				
Basic	\$ 0.20	\$ 0.05	\$ 0.13	\$ 0.09
Diluted	\$ 0.19	\$ 0.05	\$ 0.13	\$ 0.09

See accompanying notes to the condensed interim consolidated financial statements.

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

	Share Capital		Share	Contributed	Retained	Total
	(thousands)	(\$thousands)	purchase	surplus	earnings	Equity
			warrants			
<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 income	—	—	—	—	8,215	8,215
Common shares issued, share-based payment plan (note 6)	137	523	—	(1,379)	—	(856)
Share-based payments (note 7)	—	—	—	1,379	—	1,379
Balance at June 30, 2024	62,593	\$ 143,556	\$ 2,000	\$ 3,410	\$ 59,083	\$208,049

	Share Capital		Share	Contributed	Retained	Total
	(thousands)	(\$thousands)	purchase	surplus	earnings	Equity
			warrants			
<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	—	—	—	—	5,096	5,096
Flow-through shares issued, net of issue costs (note 6)	7,000	19,827	—	—	—	19,827
Deferred premium on flow-through shares (note 6)	—	(1,540)	—	—	—	(1,540)
Common shares issued, share-based payment plan (note 6)	13	51	—	(51)	—	—
Share-based payments (note 7)	—	—	—	1,169	—	1,169
Balance at June 30, 2023	61,839	\$ 141,721	\$ 2,000	\$ 2,923	\$ 37,403	\$184,047

See accompanying notes to the condensed interim consolidated financial statements.

RUBELLITE ENERGY INC.
Condensed Interim Consolidated Statements of Cash Flows

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
<i>(Cdn\$ thousands, unaudited)</i>				
Cash flows from operating activities				
Net income	\$ 12,368	\$ 3,397	\$ 8,215	\$ 5,096
Adjustments to add (deduct) non-cash items:				
Depletion and depreciation (note 3)	8,744	6,146	17,641	12,342
Share-based payments (note 7)	643	574	1,379	1,169
Deferred tax expense (recovery) (note 10)	2,428	(4,642)	1,404	(3,932)
Unrealized gain (loss) on risk management contracts (note 12)	(3,588)	(304)	10,322	147
Finance - accretion on decommissioning obligations (note 11)	69	29	133	60
Exploration and evaluation expense (note 4)	—	6,798	22	6,798
Decommissioning obligations settled (note 5)	(27)	—	(148)	—
Change in non-cash working capital	(721)	188	(2,555)	(209)
Net cash flows from operating activities	19,916	12,186	36,413	21,471
Cash flows from (used in) financing activities				
Payment for share-based compensation (note 7)	(574)	—	(574)	19,950
Share issue costs (note 6)	—	15	—	(237)
Change in revolving bank debt (note 9)	(6,248)	(3,722)	1,514	278
Change in non-cash working capital	—	(252)	—	—
Net cash flows from (used in) financing activities	(6,822)	(3,959)	940	19,991
Cash flows used in investing activities				
Development and production asset expenditures (note 3)	(18,439)	(11,149)	(29,767)	(19,252)
Corporate expenditures (note 3)	(2,822)	—	(2,917)	—
Exploration and evaluation expenditures (note 4)	(2,666)	(671)	(4,035)	(14,629)
Change in non-cash working capital	10,833	(3,870)	(634)	(9,531)
Net cash flows used in investing activities	(13,094)	(15,690)	(37,353)	(43,412)
Change in cash and cash equivalents	—	(7,463)	—	(1,950)
Cash and cash equivalents, beginning of period	—	7,463	—	1,950
Cash and cash equivalents, end of period	\$ —	\$ —	\$ —	\$ —

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 and six months ended June 30, 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 August 8, 2024.

3. PROPERTY, PLANT AND EQUIPMENT

	Development and Production Assets		Corporate Assets	Total
Cost				
December 31, 2022	\$	151,309	\$ —	\$ 151,309
Additions		43,660	—	43,660
Transfer from exploration and evaluation (note 4)		22,606	—	22,606
Acquisitions (note 3b)		28,647	—	28,647
Dispositions (note 3b)		(5,801)	—	(5,801)
Change in decommissioning obligations related to PP&E (note 5)		4,735	—	4,735
December 31, 2023	\$	245,156	\$ —	\$ 245,156
Additions		29,767	2,917	32,684
Transfer from exploration and evaluation (note 4)		3,044	—	3,044
Change in decommissioning obligations related to PP&E (note 5)		390	—	390
June 30, 2024	\$	278,357	\$ 2,917	\$ 281,274
Accumulated depletion				
December 31, 2022	\$	(15,360)	\$ —	(15,360)
Depletion		(27,593)	—	(27,593)
December 31, 2023	\$	(42,953)	\$ —	(42,953)
Depletion and depreciation ⁽¹⁾		(17,725)	(142)	(17,867)
June 30, 2024	\$	(60,678)	\$ (142)	(60,820)
Carrying amount				
December 31, 2023	\$	202,203	\$ —	202,203
June 30, 2024	\$	217,679	\$ 2,775	220,454

(1) During the period ended June 30, 2024, depletion includes \$0.2 million which has been capitalized to inventory (June 30, 2023 - nominal amount).

As at June 30, 2024, future development costs of \$132.8 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 and \$1.9 million (December 31, 2023 - nil) related to assets under construction were excluded. Depletion expense was \$17.7 million (December 31, 2023 - \$27.6 million) on development and production assets for the six months ended June 30, 2024.

During the period ended June 30, 2024 the Company added \$2.8 million of corporate assets (December 31, 2023 - nil) related to leasehold improvements for the shared office space under the Management and Operating Services Agreement ("MSA") in place with Perpetual Energy Inc. ("Perpetual") (note 13). Depreciation expense was \$0.1 million (December 31, 2023 - nil) on corporate assets for the six months ended June 30, 2024.

a) Impairment

There were no indicators of impairment related to the Company's cash generating unit ("CGU") as at June 30, 2024 and December 31, 2023. During the second quarter of 2024, the Company transferred \$3.0 million of E&E to PP&E 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 \$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.

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.

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 June 30, 2024, the Company has drilled four (4.0 net) of the 59 wells that are required to meet the drilling commitment. Subsequent to June 30, 2024, the Company has drilled another three (3.0 net) for a total of seven (7.0 net) wells required to meet the drilling commitment.

4. EXPLORATION AND EVALUATION

	June 30, 2024	December 31, 2023
Balance, beginning of period	\$ 32,301	\$ 30,252
Acquisitions (note 3b)	—	4,526
Dispositions (note 3b)	—	(899)
Additions	4,035	27,870
Transfer to property, plant, and equipment (note 3)	(3,044)	(22,606)
Exploration and evaluation expense	(22)	(6,842)
Balance, end of period	\$ 33,270	\$ 32,301

During the three and six months ended June 30, 2024, an incremental \$0.1 million and \$0.3 million, respectively was charged directly to exploration and evaluation ("E&E") expense in the consolidated statements of income and comprehensive income (three and six months ended June 30, 2023 - \$6.8 million and \$6.9 million, respectively).

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 June 30, 2024, the Company conducted an assessment of indicators of impairment for the Company's E&E assets. In performing the assessment, management has determined that there were no indicators of impairment.

5. DECOMMISSIONING OBLIGATIONS

The following table summarizes changes in decommissioning obligations:

	June 30, 2024	December 31, 2023
Balance, beginning of period	\$ 8,593	\$ 3,733
Liabilities settled	(148)	(3)
Obligations incurred	746	2,143
Obligations acquired (note 3b)	—	385
Change in rate on acquisition (note 3b)	—	1,611
Revisions to estimates	(356)	596
Accretion (note 11)	133	128
Total decommissioning obligations, end of period	\$ 8,968	\$ 8,593
Decommissioning obligations - current	\$ 285	\$ 77
Decommissioning obligations - non-current	8,683	8,516
Total decommissioning obligations	\$ 8,968	\$ 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 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:

	June 30, 2024	December 31, 2023
Undiscounted obligations	\$ 12,321	\$ 11,443
Average risk-free rate	3.4%	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

	June 30, 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	137	805	630	1,436
Share issue costs ⁽¹⁾	—	(282)	—	(196)
Balance, end of period	62,593	\$ 143,556	62,456	\$ 143,033

(1) Share issue costs for the period ended June 30, 2024 are net of \$0.3 million of deferred tax (December 31, 2023 - \$0.1 million).

As of June 30, 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

<i>(thousands, except per share amounts)</i>	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Net income	\$ 12,368	\$ 3,397	\$ 8,215	\$ 5,096
Weighted average common shares outstanding – basic	62,494	61,830	62,476	58,464
Weighted average common shares outstanding – diluted	63,446	62,432	63,446	59,042
Net income per share – basic	\$ 0.20	\$ 0.05	\$ 0.13	\$ 0.09
Net income per share – diluted	\$ 0.19	\$ 0.05	\$ 0.13	\$ 0.09

Per share amounts have been calculated using the weighted average number of common shares outstanding. For the three and six month period ended June 30, 2024, 6.9 million common shares and 6.8 million common shares, respectively (three and six months ended June 30, 2023 - 6.1 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

<i>(thousands)</i>	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
Granted	20	492	16	528
Exercised ⁽¹⁾	(9)	(351)	(7)	(367)
Forfeited	(22)	—	(15)	(37)
June 30, 2024	2,685	605	524	3,814

(1) During the three and six months ended June 30, 2024 0.1 million performance share rights were exercised for a cash payment of \$0.6 million (three and six months ended June 30, 2023 - nil).

During the three and six months ended June 30, 2024, the Company granted 0.5 million share-based compensation awards, comprised of share options, performance share units and restricted share units.

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

	Three months ended June 30,		Six months ended June 30,	
	2024		2024	
	2024	2023	2024	2023
Share options	\$ 279	\$ 266	\$ 554	\$ 527
Restricted share units	183	166	356	336
Performance share units	181	142	469	306
Share-based payment expense	\$ 643	\$ 574	\$ 1,379	\$ 1,169

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. The following assumptions were used to arrive at the estimate of fair value as at the grant date:

	June 30, 2024	December 31, 2023
Dividend yield (%)	—	—
Forfeiture rate (%)	5.00	5.00
Expected volatility (%)	57.69	64.00
Risk-free interest rate (%)	3.31	4.12
Contractual life (years)	5.0	5.0
Weighted average share price at grant date	\$ 2.24	\$ 2.09
Weighted average fair value at grant date	\$ 1.20	\$ 1.11

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 unit awards is determined at the date of grant by using the closing price of common shares multiplied by the estimated performance multiplier. As at June 30, 2024, a performance factor of 1.9 was applied to performance share units that vested in the second quarter of 2024 and a performance factor of 1.0 has been assumed for unvested performance share units granted in 2023 and 2024. 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 period ended June 30, 2024 was \$2.52 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 performance share rights granted during the period ended June 30, 2024 was \$2.27 per award.

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 June 30, 2024 is \$11.7 million of oil revenue related to June 2024 production (December 31, 2023 - \$7.5 million of oil revenue related to December 2023 production).

9. REVOLVING BANK DEBT

During the period ended June 30, 2024, the Company's first lien credit facility had its borrowing limit increased to \$60.0 million (December 31, 2023 - \$57.0 million) and was extended with an initial term to May 31, 2025. The initial term may be extended for a further twelve months to May 31, 2026 subject to lender approval. If not extended by May 31, 2025, all outstanding advances would be repayable on May 31, 2026. The next semi-annual borrowing base redetermination is scheduled on or before November 30, 2024.

As at June 30, 2024, \$30.8 million (December 31, 2023 - \$29.3 million) was drawn against the credit facility and \$2.4 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 Canadian Overnight Repo Rate Average ("CORRA") rates, plus applicable margins and standby fees. The applicable CORRA margins range between 2.8% and 6.3%. The effective interest rate on the credit facility at June 30, 2024 was 8.0% per annum. For the period ended June 30, 2024, 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 and \$0.2 million, respectively.

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

At June 30, 2024, the credit facility was not subject to any financial covenants and the Company was in compliance with all customary non-financial covenants.

Subsequent to June 30, 2024 the Company's credit facility has been increased to \$100.0 million. In addition, the Company's lenders have provided a \$20.0 million bank syndicate term loan that matures on or before December 15, 2024. See note 14 for additional information.

10. DEFERRED TAXES

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

	December 31, 2023	Recognized in earnings	Recognized in equity	June 30, 2024
Assets (liabilities):				
Property, plant and equipment	\$ 2,235	\$ (2,373)	\$ —	\$ (138)
Decommissioning obligations	1,977	86	—	2,063
Fair value of derivatives	(2,148)	2,374	—	226
Share and debt issue costs	562	181	(282)	461
Non-capital losses	12,417	(1,672)	—	10,745
Total deferred tax assets	\$ 15,043	\$ (1,404)	\$ (282)	\$ 13,357

11. FINANCE EXPENSE

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Interest expense	\$ 980	\$ 349	\$ 2,087	\$ 800
Accretion (note 5)	69	29	133	60
Finance expense	\$ 1,049	\$ 378	\$ 2,220	\$ 860

12. FINANCIAL RISK MANAGEMENT

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

	June 30, 2024	December 31, 2023
Financial oil contracts	\$ (1,096)	\$ 7,882
Financial foreign exchange contracts	115	1,459
Risk management contracts	\$ (981)	\$ 9,341
Risk management contracts – current asset	49	8,796
Risk management contracts – non-current asset	72	545
Risk management contracts – current liability	(1,102)	—
Risk management contracts	\$ (981)	\$ 9,341

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

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Unrealized gain (loss) on oil contracts	\$ 3,932	\$ 15	\$ (8,978)	\$ (556)
Unrealized gain (loss) on foreign exchange contracts	(344)	289	(1,344)	409
Unrealized gain (loss) on financial derivatives	\$ 3,588	\$ 304	\$ (10,322)	\$ (147)
Realized gain (loss) on oil contracts	(1,772)	660	(823)	877
Realized gain (loss) on foreign exchange contracts	(14)	58	77	49
Realized gain (loss) on financial derivatives	\$ (1,786)	\$ 718	\$ (746)	\$ 926
Change in fair value of derivatives	\$ 1,802	\$ 1,022	\$ (11,068)	\$ 779

At June 30, 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)
Jul 2024 - Sep 2024	Fixed Swap	Sell	700	WTI	USD 77.00
Oct 2024 - Dec 2024	Fixed Swap	Sell	900	WTI	USD 77.80
Jan 2025 - Mar 2025	Fixed Swap	Sell	600	WTI	USD 75.51
Apr 2025 - Dec 2025	Fixed Swap	Sell	400	WTI	USD 74.86
Jul 2024 - Dec 2024	Fixed Swap	Sell	1,750	WTI	CAD 104.48
Jul 2024 - Sep 2024	Fixed Differential Swap	Sell	850	WCS - WTI Differential	USD (12.74)
Oct 2024 - Dec 2024	Fixed Differential Swap	Sell	350	WCS - WTI Differential	USD (13.95)
Jan 2025 - Dec 2025	Fixed Differential Swap	Sell	400	WCS - WTI Differential	USD (15.05)
Jul 2024 - Dec 2024	Fixed Differential Swap	Sell	1,600	WCS - WTI Differential	CAD (21.50)
Jul 2024 - Dec 2024	Fixed Swap	Sell	200	WCS	CAD 84.33
Jan 2025 - Dec 2025	Fixed Swap	Sell	200	WCS	CAD 80.00
Jul 2024 - Sep 2024	Fixed Swap	Sell	200	WCS	USD 62.25

As at June 30, 2024, 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 period would change by \$2.9 million due to changes in the fair value of risk management contracts.

Subsequent to June 30, 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)
Sep 2024 - Oct 2024	Fixed Swap	Sell	200	WTI	CAD 104.82
Sep 2024 - Oct 2024	Fixed Swap	Sell	200	WCS - WTI Differential	CAD (22.50)
Oct 2024 - Dec 2024	Fixed Swap	Sell	400	WTI	USD 79.25
Oct 2024 - Dec 2024	Fixed Swap	Sell	1,100	WCS - WTI Differential	USD (16.40)
Jan 2025 - Mar 2025	Fixed Swap	Sell	200	WTI	USD 77.25
Jan 2025 - Sep 2025	Fixed Swap	Sell	400	WTI	CAD 103.43
Jan 2025 - Dec 2025	Fixed Swap	Sell	1,500	WCS - WTI Differential	USD (14.71)
Jan 2025 - Sep 2025	Fixed Swap	Sell	400	WCS - WTI Differential	CAD (21.35)

At June 30, 2024, the Company has entered into the following CAD/USD foreign exchange swaps:

Contract	Notional amount	Term	Price (CAD\$/US\$)
Average rate forward (CAD\$/US\$)	\$1,775,000 US\$/month	Jul 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 June 30, 2024, if future CAD\$/US\$ exchange rate changed by \$0.05 with all other variables held constant, net income and comprehensive income for the period would change by \$0.9 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 June 30, 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	\$ 818	\$ (697)	\$ 121	\$ —	\$ 121	\$ —
Financial liabilities						
Financial liabilities at amortized cost						
Revolving bank debt	(30,831)	—	(30,831)	(30,831)	—	—
Fair value through profit and loss						
Risk management contracts	(1,799)	697	(1,102)	—	(1,102)	—

(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 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. Under the MSA Rubellite reimburses Perpetual for certain technical and administrative services provided to Rubellite split on a relative production basis. Effective June 1, 2024, the MSA was amended to split shared costs on a 80% Rubellite and 20% Perpetual basis. During the three and six month period ended June 30, 2024, Rubellite was billed by Perpetual for net transactions, which are considered to be normal course of oil and gas operations totaling \$5.9 million and \$8.3 million, respectively (three and six ended June 30, 2023 - \$1.6 million and \$3.1 million, respectively). Included within this amount are \$4.3 million and \$5.7 million (three and six ended June 30, 2023 - \$0.9 million and \$1.6 million, respectively) of costs charged to Rubellite through the MSA. The Company recorded accounts payable of \$4.6 million owing to Perpetual as at June 30, 2024 (December 31, 2023 - accounts payable of \$1.9 million), which included \$2.8 million related to the corporate asset additions for leasehold improvements.

14. SUBSEQUENT EVENTS

On July 31, 2024 the Company entered into a definitive Share Purchase Agreement, to acquire all of the issued and outstanding common shares of Buffalo Mission Energy Corp. ("Buffalo Mission") for total consideration of \$97.5 million (the "Acquisition"), inclusive of \$23.5 million of assumed net debt, which consisted of \$62.7 million in cash and the issuance of 5.0 million common shares of Rubellite to certain shareholders of Buffalo Mission, having a deemed value of \$11.3 million. The Acquisition closed on August 2, 2024.

Rubellite funded the cash portion of the Acquisition through (a) expanded bank credit facilities; and (b) a new senior secured second-lien term loan placed, directly or indirectly, with certain directors and officers of Rubellite and the Company's significant shareholder for \$20.0 million (the "Second-Lien Term Loan"). The Company's borrowing base increased to \$100.0 million from \$60.0 million as at June 30, 2024, until the next scheduled semi-annual borrowing base redetermination on or before November 30, 2024. In addition, the Company's lenders provided a \$20.0 million bank syndicate term loan that matures on or before December 15, 2024, and bears interest at the lenders prime rate or CORRA rates, plus applicable margins and standby fees. CORRA margins applicable to the bank syndicate term loan range between 4.3% and 7.8%. The Second-Lien Term Loan bears interest at 11.5% with interest to be paid quarterly, and matures in five years from the date of issue, and can be repaid by the Company without penalty at any time.