



2024
CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S REPORT

The consolidated financial statements of Rubellite Energy Corp. ("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 2024 compared to 2023 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.

/s/ Susan L. Riddell Rose

Susan L. Riddell Rose

President &
Chief Executive Officer

/s/ Ryan A. Shay

Ryan A. Shay

Vice President, Finance &
Chief Financial Officer

March 10, 2025



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Rubellite Energy Corp.

Opinion

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

- the consolidated statements of financial position as at December 31, 2024 and December 31, 2023
- 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, 2024 and December 31, 2023, 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, 2024. 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 and deferred tax asset (DTA) acquired as part of the Perpetual Energy Inc. ("Perpetual") recombination transaction

Description of the matter

We draw attention to note 2, note 3, note 4, and note 15 to the financial statements. Effective October 31, 2024, the Entity and Perpetual effected a recombination transaction by way of an arrangement resulting in the recombination of the two entities ("recombination transaction"). The recombination transaction 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 October 31, 2024. 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. In connection with the recombination transaction, the Entity recorded a preliminary acquisition date fair value of the oil and gas interests of \$63.0 million and a DTA of \$31.6 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 production
- Forecasted oil and gas commodity prices
- Forecasted operating costs
- Forecasted royalty costs
- Forecasted future development costs

To estimate the preliminary acquisition date fair value of the acquired oil and gas interests, the Entity used cash flow estimates from December 31, 2023, prepared by independent third-party reserve evaluators. These cash flow estimates were updated by internal reserve evaluators to reflect activity and commodity price assumptions up to October 31, 2024. Additionally, the Entity engaged independent third-party reserve evaluators to estimate proved and probable reserves as of December 31, 2024.



Why the matter is a key audit matter

We identified the preliminary acquisition date fair value of oil and gas interests and DTA acquired as part of the Perpetual recombination transaction 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 and measurement of the DTA acquired 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:

With respect to the estimate of proved and probable oil and gas reserves at October 31, 2024:

- We evaluated the competence, capabilities and objectivity of the internal reserve evaluators
- 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 31, 2024 for forecasted production, operating costs, royalty costs and future development costs by comparing them to the corresponding amounts from proved and probable oil and gas reserves estimated by the independent third-party reserve evaluators as at December 31, 2024. We took into account changes in conditions and events affecting the Entity to assess the adjustments or lack of adjustments between October 31, 2024 and December 31, 2024

With respect to the estimate of proved and probable oil and gas reserves as at December 31, 2024:

- 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 2024 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 2024 historical results of the acquired oil and natural gas properties post acquisition. 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 assessed the recognition and measurement of the DTA for compliance with IFRS Accounting Standards.

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 appropriateness 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

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.

Evaluation of the acquisition date fair value of oil and gas interests acquired as part of the Buffalo Mission Energy Corp. ("Buffalo Mission") business combination

Description of the matter

We draw attention to note 2, note 3, and note 4 to the financial statements. Effective August 2, 2024, the Entity acquired all of the issued and outstanding common shares of Buffalo Mission (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 August 2, 2024. In connection with the Acquisition, the Entity recorded a preliminary acquisition date fair value of the oil and gas interests of \$110.8 million.

The determination of the 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 production
- Forecasted oil and gas commodity prices
- Forecasted operating costs
- Forecasted royalty costs
- Forecasted future development costs

For purposes of estimating the acquisition date fair value of the oil and gas interests acquired, the Entity engaged independent third-party reserve evaluators to provide an estimate of the proved and probable oil and gas reserves as at August 2, 2024 and December 31, 2024.

Why the matter is a key audit matter

We identified the evaluation of the acquisition date fair value of oil and gas interests acquired as part of the Buffalo Mission 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 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 August 2, 2024:

- 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 August 2, 2024 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, 2024. We took into account changes in conditions and events affecting the Entity to assess the adjustments or lack of adjustments between August 2, 2024 and December 31, 2024.

With respect to the estimate of proved and probable oil and gas reserves as at December 31, 2024:

- 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 2024 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 2024 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 acquisition date fair value of the oil and natural gas interests acquired in the Buffalo Mission 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 15 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 units (“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. 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.

The Entity has \$456.7 million of Development and Production Assets as of December 31, 2024.

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 \$50.3 million for the year ended December 31, 2024.

The Entity recognized a deferred tax asset of \$21.4 million at December 31, 2024. 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. Additionally, the measurement of the DTA requires the use of professionals with specialized skills and knowledge in 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, 2024:

- 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 2024 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 2024 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 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 "2024 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 "Annual Report" 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.

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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants

Calgary, Canada

March 10, 2025

RUBELLITE ENERGY CORP.
Consolidated Statements of Financial Position

As at	December 31, 2024	December 31, 2023
<i>(Cdn\$ thousands)</i>		
Assets		
Current assets		
Cash	\$ 2,555	\$ —
Accounts receivable	26,349	10,830
Prepaid expenses, deposits and other	2,752	433
Product inventory	3,275	1,002
Risk management contracts (note 18c)	9,783	8,796
	44,714	21,061
Property, plant and equipment (note 4, 5)	461,996	202,203
Exploration and evaluation (note 4a, 6)	29,106	32,301
Right-of-use asset (note 7)	4,930	—
Deferred tax asset (note 15)	21,437	15,043
Risk management contracts (note 18c)	429	545
Total assets	\$ 562,612	\$ 271,153
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 60,451	\$ 33,932
Risk management contracts (note 18c)	2,765	—
Lease liabilities (note 9)	357	—
Share-based compensation liability (note 11)	5,357	—
Other provision (note 8b)	3,750	—
Decommissioning obligations (note 8a)	2,000	77
	74,680	34,009
Bank debt (note 13)	108,500	29,317
Term loan (note 14)	19,027	—
Lease liabilities (note 9)	4,608	—
Risk management contracts (note 18c)	225	—
Share-based compensation liability (note 11)	914	—
Other provision (note 8b)	14,824	—
Decommissioning obligations (note 8a)	29,817	8,516
Total liabilities	252,595	71,842
Equity		
Share capital (note 10b)	206,313	143,033
Share purchase warrants (note 10b)	—	2,000
Contributed surplus (note 11)	2,863	3,410
Retained earnings	100,841	50,868
Total equity	310,017	199,311
Total liabilities and equity	\$ 562,612	\$ 271,153

Commitments (note 21)
Subsequent events (note 1, 18c)

See accompanying notes to the consolidated financial statements.

/s/ Holly Benson

Holly Benson
Director

/s/ Linda Dietsche

Linda Dietsche
Director

RUBELLITE ENERGY CORP.
Consolidated Statements of Income and Comprehensive Income

December 31, 2024

December 31, 2023

(Cdn\$ thousands, except per share amounts)

	December 31, 2024	December 31, 2023
Revenue		
Oil and natural gas (note 12)	\$ 168,384	\$ 88,968
Royalties	(20,272)	(8,513)
	148,112	80,455
Realized gain (loss) on risk management contracts (note 18c)	2,582	(318)
Unrealized gain (loss) on risk management contracts (note 18c)	(12,252)	8,652
Other income	178	—
	138,620	88,789
Expenses		
Production and operating	16,692	7,371
Transportation	16,328	9,045
General and administrative	10,616	7,318
Share based payments (note 11)	3,571	3,041
Exploration and evaluation (note 6)	541	7,018
Gain on acquisitions and dispositions (note 4)	(31,617)	(1,290)
Depletion and depreciation (note 5)	49,847	27,485
Transaction costs (note 4)	6,233	147
	66,409	28,654
Finance expense (note 16)	(7,376)	(2,051)
Income before income tax	59,033	26,603
Taxes		
Deferred tax expense (note 15)	(9,060)	(8,042)
Net income and comprehensive income	\$ 49,973	\$ 18,561
Net income per share (note 10c)		
Basic	\$ 0.73	\$ 0.31
Diluted	\$ 0.72	\$ 0.30

See accompanying notes to the consolidated financial statements.

RUBELLITE ENERGY CORP.
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)</i>						
Balance at December 31, 2023	62,456	\$ 143,033	\$ 2,000	\$ 3,410	\$ 50,868	\$ 199,311
Net income	—	—	—	—	49,973	49,973
Common shares issued, net of issue costs (note 4a, 10b)	30,359	61,713	—	—	—	61,713
Common shares issued, share-based payment plan (note 10b)	229	1,567	—	(2,140)	—	(573)
Cancellation of share purchase warrants (note 10b)	—	—	(2,000)	2,000	—	—
Reclassification of share-based compensation liability (note 11)	—	—	—	(3,696)	—	(3,696)
Share-based payments (note 11)	—	—	—	3,289	—	3,289
Balance at December 31, 2024	93,044	\$ 206,313	\$ —	\$ 2,863	\$100,841	\$310,017

	Share Capital		Share	Contributed	Retained	Total
	(thousands)	(\$thousands)	purchase	surplus	earnings	Equity
			warrants			
<i>(Cdn\$ thousands, except share amounts)</i>						
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 10)	7,000	19,754	—	—	—	19,754
Deferred premium on flow-through shares (note 10)	—	(1,540)	—	—	—	(1,540)
Common shares issued, share-based payment plan (note 10)	630	1,436	—	(1,436)	—	—
Share-based payments (note 11)	—	—	—	3,041	—	3,041
Balance at December 31, 2023	62,456	\$ 143,033	\$ 2,000	\$ 3,410	\$ 50,868	\$199,311

See accompanying notes to the consolidated financial statements.

RUBELLITE ENERGY CORP.
Consolidated Statements of Cash Flows

December 31, 2024

December 31, 2023

(Cdn\$ thousands)

Cash flows from operating activities

Net income	\$	49,973	\$	18,561
Adjustments to add (deduct):				
Depletion and depreciation (note 5)		49,847		27,485
Share-based payments (note 11)		3,571		3,041
Gain related to deferred tax on acquisition (note 4a)		(31,617)		—
Deferred tax expense (note 15)		9,060		8,042
Unrealized (gain) loss on risk management contracts (note 18c)		12,252		(8,652)
Non-cash finance expense (note 16)		472		128
Gain on dispositions (note 4b)		—		(1,290)
Exploration and evaluation expense (note 6)		220		6,842
Payment for share-based compensation (note 11)		(632)		—
Decommissioning obligations settled (note 8a)		(451)		(3)
Change in non-cash working capital (note 17)		3,093		1,237
Net cash flows from operating activities		95,788		55,391

Cash flows from financing activities

Common shares issued, net of fees		(624)		19,950
Term loan, net of issue costs (note 14)		18,964		(254)
Payment lease liabilities (note 9)		(71)		—
Repayment of acquired bank debt (note 4a)		(14,215)		—
Change in bank debt (note 13)		75,743		17,317
Net cash flows from financing activities		79,797		37,013

Cash flows used in investing activities

Development and production asset expenditures (note 5)		(90,680)		(43,660)
Corporate expenditures (note 5)		(3,097)		—
Exploration and evaluation expenditures (note 6)		(15,129)		(27,870)
Acquisitions (note 4)		(62,732)		(33,173)
Proceeds from dispositions (note 4b)		—		7,990
Change in non-cash working capital (note 17)		(1,392)		2,359
Net cash flows used in investing activities		(173,030)		(94,354)

Change in cash and cash equivalents		2,555		(1,950)
Cash and cash equivalents, beginning of year		—		1,950
Cash and cash equivalents, end of year	\$	2,555	\$	—

See accompanying notes to the consolidated financial statements.

RUBELLITE ENERGY CORP.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023.
(All tabular amounts are in Cdn\$ thousands, except where otherwise noted)

1. REPORTING ENTITY

Rubellite Energy Corp. ("Rubellite" or the "Company") is an oil and natural gas exploration and production company headquartered in Calgary, Alberta. On October 31, 2024, the Company, Rubellite Energy Inc. and Perpetual Energy Inc. ("Perpetual") closed a recombination transaction by way of an arrangement under Section 193 of the Business Corporations Act (Alberta) (the "Recombination Transaction").

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

The consolidated financial statements presented for the years ended December 31, 2024 represent the results of Rubellite Energy Corp. and its wholly owned subsidiaries Rubellite Energy Inc., Ukalta GP Inc., Ukalta Limited Partnership, Perpetual Energy Inc., Perpetual Operating Corp., Perpetual Energy Partnership and Perpetual Operating Trust. The consolidated financial statements presented for the year ended December 31, 2023 represent the results of Rubellite Energy Inc. and its wholly owned subsidiaries Ukalta GP Inc. and Ukalta Limited Partnership. On January 1, 2025, the subsidiary Perpetual Energy Inc. was amalgamated with Rubellite Energy Inc.

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 have been prepared on a historical cost basis, except as otherwise noted within these financial statements. These consolidated financial statements are presented in Canadian dollars which is also the Company's functional currency.

These consolidated financial statements of the Company were approved and authorized for issue by the Board of Directors on March 10, 2025.

a) 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.

b) 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. Judgment 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 reclassified from E&E assets to a separate category within property, plant and equipment referred to as development and production assets and are tested for impairment.

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 determining the accounting acquirer and the acquisition date for accounting purposes and then to determine the fair value of acquired entity.

c) 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 fair value oil and natural gas assets acquired in a business combination, 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 and the potential imposition of tariffs. 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 Canadian Oil and Gas Evaluation "COGE" Handbook. The Company obtained an annual evaluation from its independent third-party reserve evaluators to estimate proved and probable oil and gas reserves and the related cash flows on December 31, 2024.

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, deferred options and long-term incentive awards 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.

The estimate of share-based compensation expense related to the Company's Performance Share Units ("PSUs") is dependent on managements estimate of the period end performance multiplier.

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.

c) Jointly owned assets

Many of the Company's oil and gas activities involve jointly owned assets which are not conducted through a separate entity. The consolidated financial statements include the Company's proportionate share of these jointly owned assets, liabilities, revenues and expenses.

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 3. 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 acquisition date. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their acquisition date fair values with the exception of income taxes, right-of-use assets and lease liabilities. Any excess of the consideration paid greater than the fair value of the net assets received is recognized as goodwill on the consolidated statement of financial position. Any deficiency in the consideration transferred compared to the fair value of the net assets acquired is recognized in the consolidated statement of income. Any deferred tax asset or liability arising from a business combination is recognized at the acquisition date. Pre-existing relationships settled through a business combination are deemed to be settled immediately prior to acquisition date. Acquisition costs incurred are expensed through the consolidated statement of income and results of acquisitions are included in the consolidated financial statements from the closing date of the acquisition.

c) Financial instruments

Financial instruments comprise cash and cash equivalents, marketable securities, accounts receivable, deposits, accounts payable and accrued liabilities, fair value of risk management contract assets and liabilities, Term loan and 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

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at fair value through profit or loss ("FVTPL"):

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at fair value through other comprehensive income ("FVOCI") if it meets both of the following conditions and is not designated at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies apply to the subsequent measurement of financial assets:

a) Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

b) Financial assets amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

ii) Classification and measurement of financial liabilities

Financial liabilities are classified and measured at amortized cost or FVTPL. A financial liability is classified at FVTPL if it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

The Company has classified cash, accounts receivable, deposits, accounts payable and accrued liabilities, Term loan and bank debt as amortized cost. The marketable securities have been classified as FVTPL.

iii) 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 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, and the initial estimate of decommissioning costs.

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.

Capital expenditures are not depreciated or depleted until assets are substantially complete and are ready for their intended use.

e) Exploration and evaluation (E&E)

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 land, 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) Right-of-use assets

The Company recognizes right-of-use assets and lease liabilities at the lease commencement date. The assets are measured at the lease liability initially recognized, which comprises the present value of the future lease payments adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets are depreciated to the earlier of the end of the useful life of the asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The Company presents right-of-use assets as its own line item on the consolidated statements of financial position. In determining the lease term, management considers the non-cancellable period along with all the facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. In addition, the right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liabilities. The depreciation term of the right-of-use assets is between two and five years.

g) Lease Liabilities

Lease liabilities are initially measured at the present value of the future lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate, which is determined based on judgements about the economic environment in which the Company operates and theoretical analyses about the security provided by the underlying leased asset, the amount of funds required to be borrowed in order to meet the future lease payments associated with the lease asset, and the term for which these funds would be borrowed.

The lease liabilities are measured at amortized cost using the effective interest rate method. They are remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liabilities are remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use assets, or is recorded in statement of income and other comprehensive income if the carrying amount of the right-of-use assets has been reduced to zero. Lease payments are applied against the lease liabilities, with a portion allocated as cash finance expense using the effective interest rate method. The Company presents lease liabilities as their own line item on the consolidated statements of financial position.

h) 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 two CGUs, the Eastern Heavy Oil CGU and the West Central 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.

i) 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.

Rubellite's share-based compensation plans were modified, on December 31, 2024, from equity-settled to cash-settled awards following the guidance of IFRS 2 *share based payments*.

Liabilities associated with cash-settled awards are determined based on the fair value of the award at the grant date and are subsequently revalued at each period end. These values are determined by means of an option pricing model using the period-end share price, the number of awards outstanding at each period end date, the expected life of the grant based on the vesting date, estimates of share price volatility, interest rates in effect at the end of the reporting period, estimated forfeiture rates and certain management estimates, such as performance multipliers.

The costs of the cash-settled, share-based payments is recognized in the statements of income and other comprehensive income over the relevant service period with an corresponding increase or decrease in accrued liabilities. Classification of the associated short-term and long-term liabilities is dependent on the expected payout dates of the individual awards.

j) Provisions

Provisions are recognized when the Company has a current legal or constructive obligation as a result of a past event, which can be reliably estimated, and will require the outflow of economic resources to settle the obligation. A non-current provision is determined using the estimated future cash flows discounted at a rate that reflects current market conditions and obligation specific risks.

(i) 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.

(ii) Other provisions

Other provisions 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 other provision are charged against the provision to the extent the provision was established.

k) Revenue

Revenue from the sale of heavy crude oil, natural gas and natural gas liquids ("NGLs") 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.

l) 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.

m) 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.

n) 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.

o) Changing Regulation

Emissions, carbon taxes and other regulations regarding climate-related matters are constantly evolving. With respect to environmental, social and governance 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 Canadian Sustainability Standards Board ("CSSB") released final versions of the sustainability standards in December 2024. The Canadian Securities Administrators will begin their own consultation process to determine how the reporting standards will be transitioned into reporting requirements for reporting issuers and the timing of such implementation. The Company is evaluating the potential effects of the CSSB sustainability standards, and at this time, is not able to determine the impact on future financial statements. The cost to comply with these standards and others that may be developed over time has not yet been quantified.

p) New Accounting Standards

On January 1, 2024 the Company adopted the amendments to IAS 1 *Presentation of Financial Statements* ("IAS 1") as issued by the IASB that clarify its requirements for the presentation of liabilities as current and 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. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

q) Future Accounting Pronouncements

In August 2023, the IASB issued amendments to IAS 21 *The effects of Changes in Foreign Exchange Rates* ("IAS 21") related the definition of exchangeable currency and provided further guidance on estimating the spot exchange rate when a currency is not exchangeable. These amendments will be effective on January 1, 2025, and are not expected to have a material impact on the Company's consolidated financial statements.

In April 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements* ("IFRS 18"), which will replace IAS 1 and includes requirements for all entities applying IFRS Accounting Standards for the presentation and disclosure of information in the financial statements. IFRS 18 will introduce new totals, subtotals and categories for income and expenses in the statement of income and comprehensive income, as well as requiring disclosure about management defined performance measures and additional requirements regarding the aggregation and disaggregation of certain information. It will be effective on January 1, 2027, with earlier adoption permitted and it must be adopted on a retrospective basis. Rubellite is currently evaluating the impact of this standard on its consolidated financial statements.

In May 2024, the IASB issued amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* relating to settling financial liabilities using an electronic payment system and assessing contractual cash flow characteristics of financial assets. The amendments will be effective on January 1, 2026, and are not expected to have a material impact on the Company's consolidated financial statements.

4. ACQUISITIONS AND DISPOSITIONS

a) 2024 Acquisitions

Perpetual Energy Inc. ("Perpetual")

Effective October 31, 2024, Rubellite Energy Inc. and Perpetual effected a Recombination Transaction by way of an arrangement resulting in the recombination of the two entities into a new entity being Rubellite Energy Corp., creating a larger, financial stronger company with increased free funds flow, enhanced liquidity and a well defined growth profile. In accordance with the Recombination Transaction, (i) holders of common shares of Rubellite Energy Inc. received (1) common share of the Company for every (1) common share of Rubellite Energy Inc. held, (ii) holders of common shares of Perpetual received (1) common share of the Company for every (5) Perpetual shares held, and (iii) Perpetual's outstanding senior notes (\$26.2 million in face value) were converted into 11.6 million common shares of the Company at a conversion price of \$2.25 per common share.

Judgement is required to determine which entity is the acquirer in the Recombination Transaction. When identifying Rubellite as the acquirer for accounting purposes, management analyzed voting rights of all instruments, the intended corporate structure, the intended composition of management of the recombined Company and the size of each of the companies. No single factor was a sole determinant in the overall conclusion that Rubellite Energy Inc. is the acquirer for accounting purposes resulting in the Recombination Transaction being accounted for in accordance with IFRS 3 *Business Combinations*.

The Recombination Transaction 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 the estimated fair value on the acquisition date of October 31, 2024 with the exception of income taxes, right-of-use asset and lease liability. There were \$4.2 million of transaction costs incurred by the Company which were expensed through the consolidated statement of income and comprehensive income. The conventional natural gas assets acquired in this transaction are included in a new West Central CGU.

The Recombination Transaction resulted in the issuance of 25.4 million common shares issued at Rubellite's closing share price on October 31, 2024, of \$2.04 per share for a total purchase price of \$47.7 million (note 10b).

The following preliminary purchase price is based on management's estimates of fair values, which is subject to change, is as follows:

Assets acquired		
Oil and natural gas interests (note 5)	\$	63,038
Net working capital deficiency (note 17)		(6,356)
Right-of-use asset (note 7)		5,036
Exploration and evaluation assets (note 6)		2,692
Corporate assets (note 5)		2,737
Risk management contracts (note 18c)		10,132
Lease liability (note 9)		(5,036)
Share-based compensation liability (note 11)		(2,925)
Other provision (note 8b)		(18,481)
Decommissioning provisions (note 8a)		(3,128)
Deferred tax asset (note 15)		31,569
Gain on acquisition (note 15)		(31,569)
Net assets acquired	\$	47,709
Consideration		
Shares (note 10b)		51,732
Settlement of pre-existing relationship ⁽¹⁾	\$	(4,023)
Total consideration paid	\$	47,709

(1) Until the Recombination Transaction, Rubellite and Perpetual were considered related parties due to the existence of a Management and Operating Services Agreement ("MSA"). Included within working capital was \$4.0 million accounts payable related to a contractual pre-existing relationship which was deemed to be settled as a result of the Recombination Transaction.

Results from the operations of Perpetual are included in the Company's consolidated financial statements from the closing date of the acquisition. The estimated acquisition date fair value attributed to the oil and natural gas interests was derived from the estimate of proved and probable oil and gas reserves and the related cash flows prepared at December 31, 2023 by independent third-party reserve evaluators and updated by internal reserve evaluators to reflect activity and commodity price assumptions up to October 31, 2024. The estimated proved and probable oil and gas reserves and related cash flows were discounted using rates between 20% and 35%. The fair value of decommissioning obligations was initially estimated using a credit adjusted risk-free rate of 11.5%.

Oil and natural gas revenue of \$4.2 million and net income of \$1.8 million are included in the consolidated statements of income and comprehensive income since the closing of the Recombination Transaction on October 31, 2024. If the Recombination Transaction had occurred on January 1, 2024 the estimated incremental oil and natural gas revenue and net income would have been \$24.3 million and \$11.0 million, respectively.

Buffalo Mission Energy Corp. ("Buffalo Mission")

Effective August 2, 2024, Rubellite Energy Inc. acquired all of the issued and outstanding common shares of Buffalo Mission for a total purchase price of \$96.6 million, inclusive of \$23.5 million of Buffalo Mission's assumed net debt⁽¹⁾, which consisted of \$62.7 million in cash and the issuance of 5.0 million of common shares (note 10b) of Rubellite to certain shareholders of Buffalo Mission valued at \$10.4 million using Rubellite Energy Inc.'s closing share price on August 2, 2024 of \$2.07 per share (the "BMEC Acquisition"). Rubellite funded the transaction through; an expanded credit facility which increased from \$60.0 million to \$100.0 million (note 13), a \$20.0 million bank syndicate term loan which was repaid on October 31, 2024 (note 13), and a new second lien term loan ("Term Loan") placed, directly or indirectly, with certain directors and officers of Rubellite and the Company's significant shareholder for \$20.0 million which bears interest at 11.5% (note 14).

The BMEC 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 the estimated fair value on the acquisition date of August 2, 2024. There were \$2.0 million of transaction costs incurred by the Company which were expensed through the consolidated statement of income and comprehensive income. The assets acquired in this transaction are included in the Eastern Heavy Oil CGU.

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

Assets acquired		
Oil and gas interests (note 5)	\$	110,780
Net working capital deficiency ⁽¹⁾		(21,204)
Deferred tax liabilities (note 15)		(15,795)
Decommissioning provisions (note 8a)		(699)
Net assets acquired	\$	73,082
Consideration		
Cash	\$	62,732
Share (note 10b)		10,350
Total consideration paid	\$	73,082

(1) Assumed net debt excluded inventory and other items which are included in net working capital.

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 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 as at August 2, 2024. 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 11.5%.

Oil and gas revenue of \$26.3 million and net income of \$15.2 million are included in the consolidated statements of income and comprehensive income since the closing of the BMEC Acquisition on August 2, 2024. If the BMEC Acquisition had occurred on January 1, 2024 the estimated incremental revenues would have been \$37.3 million and estimated net income would have been \$22.9 million.

b) 2023 Acquisitions and Dispositions

Acquisitions

Effective November 8, 2023, Rubellite acquired Clearwater assets within the Greater Figure Lake area, as well as undeveloped land in the Calling Lake 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. 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 were included within the Company's Eastern Heavy Oil 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 8a)		(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%. 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.

Dispositions

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		Corporate Assets	Total
Cost				
December 31, 2022	\$	151,309	\$ —	\$ 151,309
Additions		43,660	—	43,660
Transfer from exploration and evaluation (note 6)		22,606	—	22,606
Acquisitions (note 4b)		28,647	—	28,647
Dispositions (note 4b)		(5,801)	—	(5,801)
Change in decommissioning obligations related to PP&E (note 8a)		4,735	—	4,735
December 31, 2023	\$	245,156	\$ —	\$ 245,156
Additions ⁽¹⁾		90,680	3,097	93,777
Transfer from exploration and evaluation (note 6)		20,796	—	20,796
Acquisitions (note 4a) ⁽²⁾		173,818	2,737	176,555
Change in decommissioning obligations related to PP&E (note 8a)		19,532	—	19,532
December 31, 2024	\$	549,982	\$ 5,834	\$ 555,816
Accumulated depletion and depreciation				
December 31, 2022	\$	(15,360)	\$ —	\$ (15,360)
Depletion		(27,593)	—	(27,593)
December 31, 2023	\$	(42,953)	\$ —	\$ (42,953)
Depletion and depreciation ⁽³⁾		(50,317)	(550)	(50,867)
December 31, 2024	\$	(93,270)	\$ (550)	\$ (93,820)
Carrying amount				
December 31, 2023	\$	202,203	\$ —	\$ 202,203
December 31, 2024	\$	456,712	\$ 5,284	\$ 461,996

- (1) In Q2 2024, prior to the Recombination Transaction, \$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") were recorded as additions to PP&E (note 20).
- (2) Included in corporate assets acquired from Perpetual in the Recombination Transaction are \$2.7 million (December 31, 2023 - nil) related to the Company's corporate office space (note 4a) that were previously shared under the MSA.
- (3) During the year ended December 31, 2024, depletion included \$1.1 million which has been capitalized to inventory (December 31, 2023 - \$0.6 million).

As at December 31, 2024, future development costs of \$436.3 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 \$8.7 million (December 31, 2023 - \$3.4 million) of salvage value for production equipment and \$7.2 million (December 31, 2023 - nil) related to assets under construction were excluded as the assets were not substantially complete and ready for their intended use as at December 31, 2024. Depletion expense was \$50.3 million (December 31, 2023 - \$27.6 million) on development and production assets for the year ended December 31, 2024.

During the year ended December 31, 2024, the Company added \$5.8 million of corporate assets (December 31, 2023 - nil) and recorded depreciation expense of \$0.6 million (December 31, 2023 - nil).

a) Impairment

There were no indicators of impairment related to the Company's CGUs as at December 31, 2024 and December 31, 2023.

During 2024, the Company transferred \$20.8 million of E&E to PP&E. The Company performed the required impairment test and 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. It was determined that the recoverable amount of the CGU exceeded its carrying value, resulting in no impairment in 2023.

6. EXPLORATION AND EVALUATION

	December 31, 2024		December 31, 2023
Balance, beginning of year	\$	32,301	\$ 30,252
Acquisitions (note 4a, 4b)		2,692	4,526
Dispositions (note 4b)		—	(899)
Additions		15,129	27,870
Transfer to property, plant, and equipment (note 5)		(20,796)	(22,606)
Exploration and evaluation expense		(220)	(6,842)
Balance, end of year	\$	29,106	\$ 32,301

During the year ended December 31, 2024, \$0.5 million (December 31, 2023 - \$7.0 million) was charged to exploration and evaluation ("E&E") expense in the consolidated statements of income and comprehensive income. This includes \$0.2 million related to land expiries previously recorded as E&E (December 31, 2023 - \$6.8 million of exploration drilling previously recorded to E&E).

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, 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.

7. RIGHT-OF-USE ASSETS

The Company leases several assets including office space, vehicles, and other leases, which were assumed from Perpetual in the Recombination Transaction (see note 4a). Information about leases for which the Company is a lessee is presented below:

	Head office	Vehicles	Other leases	Total
Cost				
December 31, 2023	\$ —	\$ —	\$ —	\$ —
Acquisitions (note 4a)	4,782	190	64	5,036
December 31, 2024	\$ 4,782	\$ 190	\$ 64	\$ 5,036
Accumulated depreciation				
December 31, 2023	\$ —	\$ —	\$ —	\$ —
Depreciation	(77)	(23)	(6)	(106)
December 31, 2024	\$ (77)	\$ (23)	\$ (6)	\$ (106)
Carrying amount				
December 31, 2023	\$ —	\$ —	\$ —	\$ —
December 31, 2024	\$ 4,705	\$ 167	\$ 58	\$ 4,930

8. PROVISIONS

a) Decommissioning Obligations

The following table summarizes changes in decommissioning obligations:

	December 31, 2024	December 31, 2023
Balance, beginning of year	\$ 8,593	\$ 3,733
Liabilities settled	(451)	(3)
Obligations incurred	3,535	2,143
Obligations acquired (note 4a, 4b)	3,827	385
Change in rate on acquisition (note 4a, 4b) ⁽¹⁾	13,586	1,611
Revisions to estimates	2,411	596
Accretion (note 16)	316	128
Total decommissioning obligations, end of year	\$ 31,817	\$ 8,593
Decommissioning obligations - current	\$ 2,000	\$ 77
Decommissioning obligations - non-current	29,817	8,516
Total decommissioning obligations	\$ 31,817	\$ 8,593

(1) The decommissioning obligations acquired were initially valued using a credit adjusted risk-free rate of 11.5% on the acquisition date and revalued at December 31, 2024 using a risk free rate of 3.3%.

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, 2024	December 31, 2023
Undiscounted obligations	\$ 42,085	\$ 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

b) Other Provision

	December 31, 2024	December 31, 2023
Balance, beginning of year	\$ —	\$ —
Provision acquired (note 4a)	18,481	—
Accretion (note 16)	93	—
Total other provision, end of year	\$ 18,574	\$ —
Other provision - current	\$ 3,750	\$ —
Other provision - non-current	14,824	—
Total other provision	\$ 18,574	\$ —

The other provision was assumed as part of the Recombination Transaction. The provision relates to a "Settlement Agreement" Perpetual entered into to resolve litigation by providing amounts to settle asset retirement obligations related to the estate of Sequoia Resources Corp. The Company will make annual installment payments of \$3.75 million on March 27 of each year until the outstanding Settlement Principal of \$19.9 million is paid. Subject to the payment of all amounts under the Settlement Agreement, interest prior to March 27, 2026 will be forgiven. As of March 28, 2026, interest will accrue and be payable on the outstanding Settlement Principal at an interest rate equal to the applicable Bank of Canada prime rate on the date of payment. The Company is able to pre-pay all, or any portion, of the outstanding balance of the Settlement Principal at any time without bonus or penalty. The other provision is a second-lien obligation of the Company.

The following assumptions were used to estimate the Company's other provision:

	December 31, 2024
Undiscounted obligations	\$ 19,941
Average risk-free rate	3.0%
Expected timing of settling obligations	5.3 years

9. LEASE LIABILITIES

The lease liability was assumed as part of the Recombination Transaction with Perpetual (note 4a) and relates to several leased assets including office space, vehicles, and other leases.

The following table summarizes changes in lease liabilities:

	December 31, 2024	December 31, 2023
Balance, beginning of year	\$ —	\$ —
Acquisition (note 4a)	5,036	—
Interest on lease liabilities (note 16)	55	—
Payments	(126)	—
Total lease liabilities	\$ 4,965	\$ —
Current	\$ 357	\$ —
Non-current	4,608	—
Total lease liabilities	\$ 4,965	\$ —

Lease terms are negotiated on an individual basis and contain a wide range of terms and conditions. Incremental borrowing rates used to measure the present value of the future lease payments at the date of acquisition were between 4.3% and 6.6% (December 31, 2023 - nil).

10. SHARE CAPITAL

a) Authorized

Authorized capital consists of an unlimited number of common shares.

b) Issued and outstanding

	December 31, 2024		December 31, 2023	
	Shares (thousands)	Amount (\$thousands)	Shares (thousands)	Amount (\$thousands)
Balance, beginning of year	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)
Common shares issued, net of issue costs (note 4a)	30,359	62,082	—	—
Issued pursuant to share-based plans	229	1,567	630	1,436
Share issue costs ⁽¹⁾	—	(369)	—	(196)
Balance, end of year	93,044	\$ 206,313	62,456	\$ 143,033

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

On October 31, 2024, in conjunction with the closing of the Recombination Transaction (note 4a), Rubellite issued 25.4 million common shares which consisted of 11.6 million common shares issued to the holders of Perpetual senior notes based on a share conversion price of \$2.25 per share and 13.7 million common shares issued to holders of Perpetual common shares on the closing date of the Recombination Transaction. The common shares issued of 25.4 million were valued at \$51.7 million using the Company's share price on the closing date of the transaction of \$2.04 per share. At closing of the Recombination Transaction, 4.0 million Share Purchase Warrants, which were issued to Perpetual on September 3, 2021 valued at 2.0 million, were cancelled on October 31, 2024 and are no longer outstanding.

On August 2, 2024, in conjunction with the closing of the BMEC Acquisition (note 4a), Rubellite issued 5.0 million common shares to certain shareholders of Buffalo Mission, which were valued at \$10.4 million using Rubellite Energy Inc.'s share price on the closing date of the transaction of \$2.07 per share.

At December 31, 2023, there were 4.0 million Rubellite common share purchase warrants exercisable at \$3.00 per share with an expiry 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)	December 31, 2024		December 31, 2023	
Net income	\$	49,973	\$	18,561
Weighted average shares				
Issued common shares		93,044		62,456
Effect of shares held in trust		(167)		—
Issued common shares, net of shares held in trust ⁽¹⁾		92,877		62,456
Weighted average common shares outstanding – basic		68,667		60,346
Weighted average common shares outstanding – diluted		69,716		61,075
Net income per share – basic	\$	0.73	\$	0.31
Net income per share – diluted	\$	0.72	\$	0.30

(1) As result of the Recombination Transaction (note 4a), the Company has compensation agreements in place with employees whereby they may be entitled to receive shares of the Company purchased on the open market by a trustee (note 11). Share capital is presented net of the shares held by the Trustee that have not been issued to employees. As at December 31, 2024 there were \$0.2 million shares held in trust (December 31, 2023 - nil).

Per share amounts have been calculated using the weighted average number of common shares outstanding. For the year ended December 31, 2024, 8.3 million common shares (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.

11. SHARE-BASED PAYMENTS

Previously, awards issued had been accounted for as equity-settled under IFRS 2 *Share-based Payment*. During the year ended December 31, 2024, the Company modified its share-based payment awards from equity-settled to cash-settled. As a result of this modification to the Company's outstanding share options, performance share units and restricted share units have been modified from equity-settled to cash-settled accounting and the fair value of the awards previously expensed has been reclassified from contributed surplus to share-based compensation liabilities. Subsequent to the modification, the grant date fair value is used to record the cost of the share options and any subsequent measurement of the liability is recognized in the consolidated statement of income and comprehensive income.

Share-based payment awards that were included as part of the Recombination Transaction with Perpetual (note 4a) were initially recorded at their fair value on the closing date of October 31, 2024 using the cash-settled accounting method under IFRS 2 and subsequently revalued at December 31, 2024.

The following table summarizes the changes in the share-based compensation liability:

	December 31, 2024	December 31, 2023
Balance, beginning of year	\$ —	\$ —
Reclassified from contributed surplus	3,696	—
Share-based compensation liability acquired (note 4a)	2,925	—
Fair value adjustment	282	—
Cash settlements	(632)	—
Balance, end of year	\$ 6,271	\$ —
Share-based compensation liability - current	\$ 5,357	\$ —
Share-based compensation liability - non-current	914	—
Total share-based compensation liabilities	\$ 6,271	\$ —

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

	December 31, 2024	December 31, 2023
Share options	\$ 993	\$ 1,109
Restricted share units	963	718
Performance share units	1,333	1,214
Fair value adjustment	282	—
Share-based payment expense	\$ 3,571	\$ 3,041

The following tables summarize information about options, rights and awards outstanding:

Compensation awards

<i>(number of awards, thousands)</i>	Share options	Performance share units	Restricted share units	Total
December 31, 2023	2,696	464	530	3,690
Granted	395	492	2,333	3,220
Exercised for common shares	(17)	(351)	(85)	(453)
Exercised for cash ⁽¹⁾	—	—	(237)	(237)
Forfeited	(22)	—	(15)	(37)
December 31, 2024	3,052	605	2,526	6,183

(1) During the year ended December 31, 2024, 0.2 million restricted share rights were exercised for a cash payment of \$0.5 million (year ended December 31, 2023 - nil).

Compensation awards - Recombination Transaction⁽¹⁾

<i>(number of awards, thousands)</i>	Deferred Options	Deferred Shares	Share options	Performance share units	Restricted share units	Total
December 31, 2023	—	—	—	—	—	—
Acquired ⁽¹⁾	1,192	722	902	532	5	3,353
Exercised for common shares	—	(26)	—	—	(5)	(31)
Exercised for shares held in trust	—	(46)	—	—	—	(46)
Exercised for cash ⁽²⁾	(3)	(82)	—	—	—	(85)
December 31, 2024	1,189	568	902	532	—	3,191

(1) Recognized as part of the Recombination Transaction which closed on October 31, 2024 (note 4a).

(2) During the year ended December 31, 2024, 0.1 million deferred options and deferred shares were exercised for a cash payment of \$0.1 million (year ended December 31, 2023 - nil).

During the year ended December 31, 2024, the Company granted 3.2 million share-based compensation awards, comprised of share options, performance share units and restricted share units under the Company's share-based compensation plans.

a) Deferred options

As a result of the Recombination Transaction, the Company has a deferred option plan which includes agreements with certain employees whereby they may be entitled to receive cash or shares of the Company purchased on the open market by an independent trustee if they remain employees of the Company during such time and exercise their options. Deferred options generally vest over four years, one quarter on each year of the term, with expiry occurring five years after issuance. The shares purchased by the independent trustee are reported as shares held in trust (note 10c).

The Company accounts for the deferred options and performance based long-term incentive awards using the cash-settled method under IFRS 2 and uses the Black-Scholes pricing model to calculate the estimated fair value of the deferred options at the end of each reporting period. The following assumptions were used to arrive at the estimate of fair value:

	December 31, 2024	October 31, 2024 ⁽¹⁾
Dividend yield (%)	—	—
Forfeiture rate (%)	5.00	5.00
Expected volatility (%)	48.61	48.08
Risk-free interest rate (%)	2.89	3.03
Contractual life (years)	5.0	5.0
Weighted average share price at grant date	\$ 0.81	\$ 0.81
Closing share price on December 31, 2024	\$ 2.12	\$ 2.04

(1) Fair value assumptions used in the fair value calculation of the deferred option share-based compensation liability included in the Recombination Transaction (note 4a).

The following table summarizes information about the deferred options and performance-based long-term incentive awards outstanding:

Range of exercise prices	Deferred options outstanding			Deferred options exercisable	
	Number of deferred options (thousands)	Average contractual life (years)	Weighted average exercise price (\$/share)	Number of deferred options (thousands)	Weighted average exercise price (\$/share)
\$0.00 to \$1.00	914	2.2	0.02	560	0.04
\$1.01 to \$2.25	132	1.7	1.70	87	1.70
\$2.26 to \$3.50	9	1.8	3.05	6	3.05
\$3.51 to \$5.00	16	2.5	4.55	8	4.55
\$5.01 to \$6.65	118	2.6	5.23	59	5.23
Total	1,189	2.1	0.81	720	0.74

b) Deferred shares

As a result of the Recombination Transaction with Perpetual, the Company has a deferred share plan which includes agreements in place with directors and certain employees. In the case of directors, the deferred shares granted vest upon retirement from the Board of Directors and for employees, the deferred shares vest over a two year period if they remain employees of the Company during such time. Upon vesting, directors and employees may be entitled to receive, at the discretion of the Board of Directors, cash, a grant of restricted rights (note 11e), or shares of the Company purchased on the open market by an independent trustee. The shares purchased by the independent trustee are reported as shares held in trust (note 10c).

The Company accounts for the deferred options using the cash-settled method under IFRS 2 and uses an intrinsic pricing model to calculate the estimated fair value of the deferred shares at the end of each reporting period. The share-based compensation liability is reduced by an estimated forfeiture rate of 5% for outstanding awards and the Company's closing share price. The closing share price on October 31, 2024 of \$2.04 per share was used in the initial fair value calculation in the purchase price allocation (note 4a). The deferred shares were revalued at December 31, 2024 using Rubellite's closing share price of \$2.12 per share.

c) 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. Share options include options that were from the Recombination Transaction with Perpetual. Share options issued previously by Perpetual, acquired as part of the Recombination Transaction, were done under the same terms.

Share options compensation plan

The Company uses the Black-Scholes pricing model to calculate the estimated fair value of the share option awards. The following assumptions were used to arrive at the estimate of fair value as at December 31, 2024:

	December 31, 2024	December 31, 2023 ⁽¹⁾
Dividend yield (%)	—	—
Forfeiture rate (%)	5.00	5.00
Expected volatility (%)	51.68	64.00
Risk-free interest rate (%)	2.89	4.12
Contractual life (years)	5.0	5.0
Weighted average share price at grant date	\$ 2.33	\$ 2.09
Closing share price ⁽²⁾	\$ 2.12	\$ 2.01

(1) Share options were accounted for as equity-settled share-based compensation awards at December 31, 2023. The Black-Scholes assumptions used are based on the grant date fair value and were not subsequently re-valued.

(2) The closing share price at December 31, 2023 was not used in the Black-Scholes model under the equity-settled share based compensation as awards were not re-valued after the grant date. The weighted average fair value at grant date of share option awards at December 31, 2023 were \$1.11 per share.

The following tables summarize information about the share option awards outstanding:

Range of exercise prices	Options outstanding			Options exercisable	
	Number of share options (thousands)	Average contractual life (years)	Weighted average exercise price (\$/share)	Number of share options (thousands)	Weighted average exercise price (\$/share)
\$1.01 to \$2.00	716	1.8	1.99	509	2.00
\$2.01 to \$3.00	2,249	3.5	2.40	677	2.60
\$3.01 to \$3.65	87	2.5	3.65	43	3.65
Total	3,052	3.0	2.34	1,229	2.39

Share option compensation plan from the Recombination Transaction

The Company uses the Black-Scholes pricing model to calculate the estimated fair value of the share option awards from the Recombination Transaction. The following assumptions were used to arrive at the estimate of fair value as at December 31, 2024:

	December 31, 2024	October 31, 2024 ⁽¹⁾
Dividend yield (%)	—	—
Forfeiture rate (%)	5.00	5.00
Expected volatility (%)	49.79	49.45
Risk-free interest rate (%)	2.89	3.02
Contractual life (years)	5.0	5.0
Weighted average share price at grant date	\$ 2.83	\$ 2.83
Closing share price	\$ 2.12	\$ 2.04

(1) Fair value assumptions used in the fair value calculation of the share option share-based compensation liability acquired from Perpetual in the Recombination Transaction which closed on October 31, 2024.

The following tables summarize information about the acquired share option awards outstanding:

Range of exercise prices	Options outstanding			Options exercisable	
	Number of share options (thousands)	Average contractual life (years)	Weighted average exercise price (\$/share)	Number of share options (thousands)	Weighted average exercise price (\$/share)
\$0.00 to \$1.00	112	0.3	0.35	112	0.35
\$1.01 to \$2.25	236	1.5	1.54	177	1.54
\$2.26 to \$3.50	298	3.8	2.75	75	2.75
\$3.51 to \$5.00	7	2.2	4.60	4	4.60
\$5.01 to \$6.65	249	2.6	5.23	124	5.23
Total	902	2.4	2.83	492	2.40

d) Performance share units

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

share units include awards that were acquired in the Recombination Transaction with Perpetual (note 4a). The terms of performance share units issued previously by Perpetual were done under the same terms.

The fair value of a performance share unit award is determined at the date of grant by using the closing price of common shares multiplied by the estimated performance multiplier. A performance factor of 1.9 was applied to performance share units granted in 2022 that vested in the second quarter of 2024. As at December 31, 2024, a performance factor of 2.0 and 1.0 has been assumed for unvested performance share units granted in 2023 and 2024, respectively. A performance factor of 0.5 has been assumed for unvested performance share units granted in 2023 and 2024 acquired through the Recombination Transaction. Fluctuations in share-based payments may occur due to changes in estimates of performance outcomes.

The Company accounts for the performance share units using the cash-settled method under IFRS 2 and uses an intrinsic pricing model to calculate the estimated fair value of the performance share units at the end of each reporting period. The share-based compensation liability is reduced by an estimated forfeiture rate of 5% for outstanding awards and the Company's closing share price. The closing share price on October 31, 2024 of \$2.04 per share was used in the initial fair value calculation in the purchase price allocation (note 4a). The performance share units were revalued at December 31, 2024 using Rubellite's closing share price of \$2.12 per share.

e) Restricted share units

The Company has a restricted share unit plan for directors, officers, employees or consultants. The restricted share units vest proportionately annually over a two year period for units granted prior to November 1, 2024 and vest proportionately annually over a three year period for units granted after November 1, 2024. The restricted share units that vest can be settled in cash or in common shares, at the discretion of the Company.

The Company accounts for the restricted share units using the cash-settled method under IFRS 2 and uses an intrinsic pricing model to calculate the estimated fair value of the restricted share units at the end of each reporting period. The share-based compensation liability is reduced by an estimated forfeiture rate of 5% for outstanding awards and the Company's closing share price on December 31, 2024 of \$2.12 per share.

12. OIL AND GAS REVENUE

The Company sells its 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 heavy crude oil, natural gas or NGL as may be applicable to the contract counterparty. Revenue is recognized when a unit of production is delivered to the contract counterparty. The amount of revenue recognized is based on the agreed transaction price, whereby any variability in revenue relates specifically to the Company's efforts to transfer production, therefore the resulting revenue is allocated to the sales production delivered in the period during which the variability occurs. As a result, none of the variable revenue is considered constrained.

The Company's properties currently produce heavy crude oil, natural gas and NGL volumes which are mostly sold under floating contracts of varying price and volume terms of up to one year. Revenues are typically collected on the 25th day of the month following production and delivery to sales points. Included in accounts receivable at December 31, 2024 is \$22.0 million of revenue related to December 2024 sales production (December 31, 2023 - \$7.5 million of revenue related to December 2023 sales production). At December 31, 2024, two commodity purchasers accounted for 75 percent of revenue recorded in accounts receivable (December 31, 2023 - one purchaser accounted for 78 percent), related to December 2024 sales production, none of which is considered to be a credit risk as Rubellite enters into sales contracts with established creditworthy counterparties.

	December 31, 2024	December 31, 2023
Oil and natural gas revenue		
Oil	\$ 164,206	\$ 88,968
Natural gas	2,627	—
NGL	1,551	—
Total oil and natural gas revenue	\$ 168,384	\$ 88,968

13. BANK DEBT

As at December 31, 2024, the Company's first lien credit facility, upon closing of the Recombination Transaction, had a borrowing limit of \$140.0 million (December 31, 2023 - \$57.0 million). The initial term is to May 31, 2025 and 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 May 31, 2025.

On August 2, 2024, the Company's lenders provided a \$20.0 million (December 31, 2023 - nil) bank syndicate term loan bearing interest at the lenders prime rate or Canadian Overnight Repo Rate Average ("CORRA") rates, plus applicable margins and standby fees. The bank syndicate term loan was repaid in full in conjunction with the closing of the Recombination Transaction on October 31, 2024.

As at December 31, 2024, \$108.5 million was drawn against the credit facility (December 31, 2023 - \$29.3 million) and \$3.6 million (December 31, 2023 - \$0.4 million) of letters of credit have been issued. Borrowings under the credit facility bear interest at the lenders' prime rate or CORRA rates, plus applicable margins and standby fees. The applicable CORRA margins range between 2.8% and 6.3%. The effective aggregate interest rate on the credit facility at December 31, 2024 was 8.2% per annum. For the year ended December 31, 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 \$0.8 million.

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

At December 31, 2024, the credit facility was not subject to any financial covenants and the Company was in compliance with all customary non-financial covenants.

14. TERM LOAN

	Maturity date	Interest rate	December 31, 2024		December 31, 2023	
			Principal	Carrying Amount	Principal	Carrying amount
Term loan	August 2, 2029	11.5%	\$ 20,000	\$ 19,027	\$ —	\$ —

On August 2, 2024, Rubellite entered into a senior secured second-lien Term Loan which was placed, directly or indirectly, with certain directors and officers of Rubellite and the Company's significant shareholder for \$20.0 million. The Term Loan bears interest at 11.5% annually with interest payments to be paid quarterly, matures in five years from the date of issue, and can be repaid by the Company without penalty at any time. In conjunction with the closing of the Recombination Transaction, the Term Loan was converted to a third-lien obligation of the Company without any other modifications.

During the year ended December 31, 2024, Rubellite paid \$1.0 million in cash interest payments to the holders of the Term Loan (year ended December 31, 2023 - nil).

At December 31, 2024, the Term Loan has been recorded at the present value of future cash flows, net of \$1.0 million in issue and discount costs which are amortized over the remaining term using a weighted average effective interest rate of 12.9%.

The Term Loan is not subject to any financial covenants and the Company was in compliance with all customary non-financial covenants.

At December 31, 2024, entities controlled or directed by the Company's Chief Executive Officer ("CEO") hold \$18.4 million of the outstanding Term Loan.

15. 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 tax. The difference results from the following items:

	December 31, 2024	December 31, 2023
Income before income tax	\$ 59,033	\$ 26,603
Combined federal and provincial tax rate	23%	23%
Computed income tax expense	13,577	6,119
Increase (decrease) in income taxes resulting from:		
Non-deductible expenses	763	700
Non-taxable gain on acquisition	(7,272)	—
Flow-through shares - tax pools renounced	—	3,048
Other	(550)	(377)
Change in unrecognized deferred tax assets	2,542	(1,448)
Deferred tax expense	\$ 9,060	\$ 8,042

The following table summarizes the continuity of the net deferred tax asset (liability) of the Company:

	December 31, 2023	Recognized in earnings	Recognized in equity	Acquisitions	December 31, 2024
Assets (liabilities):					
Property, plant and equipment	\$ 2,235	\$ (12,638)	\$ —	\$ (20,500)	\$ (30,903)
Decommissioning obligations	1,977	4,622	—	719	7,318
Fair value of derivatives	(2,148)	2,818	—	(2,331)	(1,661)
Other liabilities	—	(202)	—	4,251	4,049
Share and debt issue costs	562	380	(369)	96	669
Non-capital losses	12,417	(4,040)	—	33,588	41,965
Total deferred tax assets	\$ 15,043	\$ (9,060)	\$ (369)	\$ 15,823	\$ 21,437

	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

The deductible temporary differences included in the Company's unrecognized deferred tax assets relate to resource tax pools and amount to \$48.6 million at December 31, 2024 (December 31, 2023 - \$37.5 million).

As at December 31, 2024, the Company had approximately \$182.5 million (December 31, 2023 – \$53.9 million) of non-capital losses available for future use. The unused non-capital losses expire between 2036 and 2044.

The development and production assets and facilities owned by the Company have an approximate tax basis of \$401.6 million (December 31, 2023 – \$278.3 million) available for future use as deductions from taxable income, as indicated below:

	December 31, 2024	December 31, 2023
Canadian oil & gas properties	\$ 116,894	\$ 120,430
Canadian development expense	232,759	125,696
Canadian exploration expense	—	8,157
Undepreciated capital cost	51,903	23,983
Total tax pools	\$ 401,556	\$ 278,266

Deferred tax assets have not been recognized in respect of capital losses of \$143.8 million (December 31, 2023 - nil) and 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.

16. FINANCE EXPENSE

	December 31, 2024	December 31, 2023
Interest on bank debt (note 13)	\$ 5,897	\$ 1,923
Interest on term loan (note 14)	952	—
Interest on lease liabilities (note 9)	55	—
Total cash finance expense	6,904	1,923
Amortization of debt issue costs (note 14)	63	—
Accretion on decommissioning obligations (note 8a)	316	128
Accretion on other provision (note 8b)	93	—
Total non-cash finance expense	472	128
Finance expense	\$ 7,376	\$ 2,051

17. SUPPLEMENTAL CASH FLOW INFORMATION

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

	December 31, 2024	December 31, 2023
Accounts receivable	\$ (15,519)	\$ (2,308)
Prepaid expenses and deposits	(2,319)	91
Product inventory	(2,273)	(66)
Accounts payable and accrued liabilities	26,519	5,879
Working capital acquired (note 4a) ⁽¹⁾	(4,707)	—
Working capital deficit	\$ 1,701	\$ 3,596
Related to operating activities	3,093	1,237
Related to investing activities	(1,392)	2,359
Working capital deficit	\$ 1,701	\$ 3,596

(1) Working capital acquired includes \$6.4 million and \$21.2 million from the initial fair value acquired in the Recombination Transaction with Perpetual and the acquisition of BMEC (note 4a), respectively (December 31, 2023 - nil) adjusted for cash settlements to December 31, 2024.

18. 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 adhere 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 that are members of its bank syndicate.

The combined carrying amount of cash and cash equivalents, accounts receivable and fair value of derivative assets at December 31, 2024 was \$39.1 million (December 31, 2023 - \$20.2 million), representing the Company's maximum credit exposure. The total amount of accounts receivable 90 days past due is \$0.1 million at December 31, 2024 (December 31, 2023 - \$0.2 million).

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet 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 by maintaining sufficient cash flow from other sources of capital consisting of cash from operating activities and available credit facilities.

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 contract assets (liabilities):

	December 31, 2024	December 31, 2023
Financial oil contracts	\$ 3,332	\$ 7,882
Financial natural gas contracts ⁽¹⁾	6,625	—
Financial foreign exchange contracts	(2,735)	1,459
Risk management contracts	\$ 7,222	\$ 9,341
Risk management contracts – current asset	9,783	8,796
Risk management contracts – non-current asset	429	545
Risk management contracts – current liability	(2,765)	—
Risk management contracts – non-current liability	(225)	—
Risk management contracts	\$ 7,222	\$ 9,341

(1) Financial natural gas contracts for periods after December 31, 2024 included in the Recombination Transaction with Perpetual were initially fair valued at \$10.1 million at October 31, 2024 and revalued to \$6.6 million at December 31, 2024.

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

	December 31, 2024	December 31, 2023
Unrealized gain (loss) on oil contracts	\$ (4,550)	\$ 6,715
Unrealized loss on natural gas contracts ⁽¹⁾	(3,508)	—
Unrealized gain (loss) on foreign exchange contracts	(4,194)	1,937
Unrealized gain (loss) on financial derivatives	\$ (12,252)	\$ 8,652
Realized gain (loss) on oil contracts	397	(383)
Realized gain on natural gas contracts ⁽²⁾	2,338	—
Realized gain (loss) on foreign exchange contracts	(153)	65
Realized gain (loss) on financial derivatives	\$ 2,582	\$ (318)
Change in fair value of derivatives	\$ (9,670)	\$ 8,334

(1) Financial natural gas contracts included in the Recombination Transaction with Perpetual were initially fair valued at \$10.1 million at October 31, 2024 and revalued to \$6.6 million at December 31, 2024.

(2) Realized gains on natural gas risk management contracts relate to contracts acquired from Perpetual in the Recombination Transaction for the November 1, 2024 to December 31, 2024 time period.

Oil risk management contracts

At December 31, 2024, the Company had in place the following oil commodity risk management contracts:

Commodity	Volumes Sold	Term	Reference/Index	Contract Traded Bought/Sold	Average Price (\$/bbl)
Crude Oil	2,400 bbl/d	Jan 2025 - Mar 2025	WTI (US\$/bbl)	Swap - sold	\$74.41
Crude Oil	2,250 bbl/d	Apr 2025 - Jun 2025	WTI (US\$/bbl)	Swap - sold	\$72.47
Crude Oil	1,600 bbl/d	Jul 2025 - Sep 2025	WTI (US\$/bbl)	Swap - sold	\$72.20
Crude Oil	400 bbl/d	Oct 2025 - Dec 2025	WTI (US\$/bbl)	Swap - sold	\$74.86
Crude Oil	2,300 bbl/d	Jan 2025 - Mar 2025	WTI (CAD\$/bbl)	Swap - sold	\$99.54
Crude Oil	1,900 bbl/d	Apr 2025 - Jun 2025	WTI (CAD\$/bbl)	Swap - sold	\$99.16
Crude Oil	1,400 bbl/d	Jul 2025 - Sep 2025	WTI (CAD\$/bbl)	Swap - sold	\$98.89
Crude Oil	2,400 bbl/d	Jan 2025 - Mar 2025	WCS Differential (US\$/bbl)	Swap - sold	(\$14.65)
Crude Oil	2,650 bbl/d	Apr 2025 - Jun 2025	WCS Differential (US\$/bbl)	Swap - sold	(\$14.20)
Crude Oil	2,400 bbl/d	Jul 2025 - Sep 2025	WCS Differential (US\$/bbl)	Swap - sold	(\$14.29)
Crude Oil	1,900 bbl/d	Oct 2025 - Dec 2025	WCS Differential (US\$/bbl)	Swap - sold	(\$14.71)
Crude Oil	2,300 bbl/d	Jan 2025 - Mar 2025	WCS Differential (CAD\$/bbl)	Swap - sold	(\$20.63)
Crude Oil	1,900 bbl/d	Apr 2025 - Jun 2025	WCS Differential (CAD\$/bbl)	Swap - sold	(\$18.72)
Crude Oil	1,400 bbl/d	Jul 2025 - Sep 2025	WCS Differential (CAD\$/bbl)	Swap - sold	(\$18.29)
Crude Oil	600 bbl/d	Jan 2025 - Mar 2025	WCS (CAD\$/bbl)	Swap - sold	\$79.69
Crude Oil	850 bbl/d	Apr 2025 - Jun 2025	WCS (CAD\$/bbl)	Swap - sold	\$80.19
Crude Oil	700 bbl/d	Jul 2025 - Sep 2025	WCS (CAD\$/bbl)	Swap - sold	\$80.00
Crude Oil	200 bbl/d	Oct 2025 - Dec 2025	WCS (CAD\$/bbl)	Swap - sold	\$80.00

As at December 31, 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 year would change by \$2.2 million due to changes in the fair value of risk management contracts.

Subsequent to December 31, 2024, the Company entered into the following oil commodity risk management contracts:

Commodity	Volumes Sold	Term	Reference/Index	Contract Traded Bought/Sold	Average Price (\$/bbl)
Crude Oil	300 bbl/d	Jul 2025 - Sep 2025	WCS (CAD\$/bbl)	Swap - sold	\$81.60
Crude Oil	400 bbl/d	Apr 2025 - Jun 2025	WTI (US\$/bbl)	Swap - sold	\$70.90
Crude Oil	200 bbl/d	Jul 2025 - Sep 2025	WTI (US\$/bbl)	Swap - sold	\$70.26
Crude Oil	300 bbl/d	Jul 2025 - Sep 2025	WTI (CAD\$/bbl)	Swap - sold	\$100.20
Crude Oil	200 bbl/d	Jul 2025 - Sep 2025	WCS Differential (US\$/bbl)	Swap - sold	(\$12.70)
Crude Oil	400 bbl/d	Jul 2025 - Sep 2025	WCS Differential (US\$/bbl)	Swap - sold	(\$12.75)
Crude Oil	100 bbl/d	Jul 2025 - Sep 2025	WCS Differential (US\$/bbl)	Swap - sold	(\$12.25)
Crude Oil	300 bbl/d	Jul 2025 - Sep 2025	WCS Differential (CAD\$/bbl)	Swap - sold	(\$18.75)

Natural gas risk management contracts

At December 31, 2024, the Company had in place the following natural gas commodity risk management contracts:

Commodity	Volumes Sold	Term	Reference/Index	Contract Traded Bought/Sold	Average Price (\$/GJ)
Natural gas	5,000 GJ/d	Jan 2025 - Mar 2025	AECO 5A (CAD\$/GJ)	Swap - sold	\$7.31
Natural gas	10,000 GJ/d	Apr 2025 - Oct 2025	AECO 5A (CAD\$/GJ)	Swap - sold	\$3.82
Natural gas	10,000 GJ/d	Nov 2025 - Dec 2025	AECO 5A (CAD\$/GJ)	Swap - sold	\$3.90
Natural gas	5,000 GJ/d	Jan 2026 - Mar 2026	AECO 5A (CAD\$/GJ)	Swap - sold	\$4.00

As at December 31, 2024, if future AECO gas prices changed by \$0.25 per GJ with all other variables held constant, net income and comprehensive income for the year would change by \$2.0 million due to changes in the fair value of risk management contracts.

Subsequent to December 31, 2024, the Company entered into the following natural gas commodity risk management contracts:

Commodity	Volumes Sold	Term	Reference/Index	Contract Traded Bought/Sold	Average Price (\$/GJ)
Natural gas	5,000 GJ/d	Apr 2025 - Oct 2025	AECO 5A (CAD\$/GJ)	Swap - bought	\$2.00
Natural gas	2,638 GJ/d	Apr 2025 - Oct 2025	AECO 7A / NYMEX Differential (US\$/GJ)	Swap - bought	(\$2.56)
Natural gas	2,500 GJ/d	Nov 2025 - Mar 2026	AECO 5A (CAD\$/GJ)	Swap - bought	\$2.98

Foreign exchange risk management contracts

At December 31, 2024, the Company had in place the following CAD/USD foreign exchange risk management contracts:

Contract	Notional amount	Term	Price (CAD\$/US\$)
Average rate forward (CAD\$/US\$)	\$4,361,000 US\$/month	Jan - Mar 2025	1.3628
Average rate forward (CAD\$/US\$)	\$3,700,000 US\$/month	Apr - Jun 2025	1.3674
Average rate forward (CAD\$/US\$)	\$3,050,000 US\$/month	Jul - Sep 2025	1.3680
Average rate forward (CAD\$/US\$)	\$1,300,000 US\$/month	Oct - Dec 2025	1.3785
Average rate forward (CAD\$/US\$)	\$2,500,000 US\$/month	Jan - Dec 2026	1.4066

Contract	Notional amount	Term	Floor Price (CAD\$/US\$)	Ceiling Price (CAD\$/US\$)	Reset Price (CAD\$/US\$)
Knock-in Collar (CAD\$/US\$)	\$500,000 US\$/month	Jan - Dec 2025	1.3700	1.4375	1.3875
Knock-in Collar (CAD\$/US\$)	\$500,000 US\$/month	Jul - Dec 2025	1.3700	1.4300	1.4000
Knock-in Collar (CAD\$/US\$)	\$2,500,000 US\$/month	Jan - Dec 2026	1.3900	1.4670	1.4050

As at December 31, 2024, 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 \$1.3 million due to changes in the fair value of risk management contracts.

Subsequent to December 31, 2024, the Company entered into the following CAD/USD foreign exchange risk management contracts:

Contract	Notional amount	Term	Price (CAD\$/US\$)
Average rate forward (CAD\$/US\$)	\$250,000 US\$/month	Apr - Jun 2025	1.4500
Average rate forward (CAD\$/US\$)	\$353,000 US\$/month	Jul - Sep 2025	1.4130

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, 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 FVTPL, 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, 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	\$ 12,216	\$ (2,004)	\$ 10,212	\$ —	\$ 10,212	\$ —
Financial liabilities						
Financial liabilities at amortized cost						
Bank debt	(108,500)	—	(108,500)	(108,500)	—	—
Term loan	(19,027)	—	(19,027)	(19,027)	—	—
Fair value through profit and loss						
Risk management contracts	(4,994)	2,004	(2,990)	—	(2,990)	—

(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, 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						
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.

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 to offset production declines. 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 \$140.0 million (December 31, 2023 - \$57.0 million) first lien credit facility with a syndicate of lenders, under which \$30.4 million (December 31, 2023 - \$27.3 million) was available at December 31, 2024, comprised of current borrowings of \$108.5 million (December 31, 2023 - \$29.3 million), letters of credit of \$3.6 million (December 31, 2023 - \$0.4 million) and cash and cash equivalents of \$2.6 million (December 31, 2023 - nil).

19. 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, 2024	December 31, 2023
Short-term compensation	\$ 2,797	\$ 1,056
Share-based payments	2,194	1,507
Total	\$ 4,991	\$ 2,563

Prior to Recombination Transaction, short-term compensation for key management personnel was recognized through the MSA (note 20) with Perpetual and recognized in general and administrative expense. Effective October 31, 2024, after the completion of the Recombination Transaction with Perpetual, compensation expense related to key management personnel was recorded directly within Rubellite's general and administrative expenses.

20. RELATED PARTIES

Until the Recombination Transaction in the fourth quarter of 2024, Rubellite and Perpetual were considered related parties due to the existence of an MSA. Further, certain officers and directors were key management of and had significant influence over Rubellite while also being key management of and having deemed control over Perpetual. Under the MSA, Rubellite reimbursed 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 year ended December 31, 2024, until the closing of the Recombination Transaction, Rubellite was billed by Perpetual for net transactions, which are considered to be normal course of oil and gas operations totaling \$12.7 million (year ended December 31, 2023 - \$6.9 million). Included within this amount are \$5.0 million (year ended December 31, 2023 - \$3.4 million) of costs charged to Rubellite through the MSA prior to the closing of the Recombination Transaction.

21. CONTRACTUAL OBLIGATIONS

As at December 31, 2024, the Company's minimum contractual obligations over the next five years and thereafter, excluding estimated interest payments, are as follows:

	2025	2026	2027	2028	Thereafter	Total
Contractual obligations						
Accounts payable and accrued liabilities	\$ 60,451	\$ —	\$ —	\$ —	\$ —	\$ 60,451
Term loan (note 14)	—	—	—	—	20,000	20,000
Bank debt (note 13)	—	108,500	—	—	—	108,500
Pipeline transportation commitment	2,716	2,716	538	538	3,232	9,740
Lease payments (note 9)	670	629	564	615	4,465	6,943
Other provision (note 8b)	3,750	3,750	3,750	3,750	4,941	19,941
Total	\$ 67,587	\$ 115,595	\$ 4,852	\$ 4,903	\$ 32,638	\$ 225,575

The Company has a drilling commitment on certain 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, 2024, the Company has drilled sixteen (16.0 net) of the 59 wells that are required to meet the drilling commitment.