During the first quarter of 2025 and subsequently, Rubellite positively advanced its 2025 strategic priorities which include:

1. Optimize Development of Base Assets for Heavy Oil Growth;
2. Drive Top Quartile Capital Efficiencies;
3. Advance Enhanced Oil Recovery on Core Assets;
4. De-risk Exploration Prospects and Expand Portfolio;
5. Grow Land Base and Prospect Inventory for Chosen Play Strategies;
6. Increase Reserve-Based Net Asset Value and Potential Asset Value per Share;
7. Re-Establish Pristine Balance Sheet and Manage Risk; and
8. Drive Operational Excellence and Capture Cost Efficiencies.

FIRST QUARTER 2025 HIGHLIGHTS

- Rubellite delivered record first quarter conventional heavy oil sales production of 8,339 bbl/d that exceeded the high end of guidance (3% above the mid-point of the guidance range) and was up 8% relative to the fourth quarter of 2024 (Q4 2024 - 7,754 bbl/d) and 85% relative to the first quarter of 2024 (Q1 2024 - 4,514 bbl/d). First quarter total sales production of 12,383 boe/d (70% heavy oil and NGL) was up 19% from the fourth quarter of 2024 (174% relative to Q1 2024) while also exceeding the high end of guidance (2% above the mid-point of the guidance range). Production growth quarter over quarter was driven by the successful drilling program at Figure Lake and Frog Lake and a full quarter impact of the Recombination Transaction which added an average of 3,708 boe/d to sales volumes (20.0 MMcf/d of conventional natural gas and 371 bbl/d of NGL). Ten (8.0 net) new wells were brought on production from the heavy oil drilling program and at Figure Lake the newly constructed gas plant commenced operations on January 23, 2025 and added an average of 2.0 MMcf/d of solution gas sales in the first quarter of 2025.

- Exploration and development capital expenditures[(1)] totaled $22.3 million for the first quarter of 2025, in line with guidance of $22 to $24 million. First quarter spending included costs to drill, complete, equip and tie-in four (4.0 net) multi-lateral horizontal development wells at Figure Lake, six (4.5 net) multi-lateral horizontal development wells at Frog Lake, one (0.3 net) waterflood injection well at Marten Hills and one (1.0 net) exploratory well. Included in first quarter development capital spending was $1.1 million for the Figure Lake gas conservation project.

- Land and other spending totaled $2.5 million in the first quarter of 2025 to acquire 13.0 net sections of land and included $0.4 million of spending on seismic purchases. An additional $0.8 million (Q1 2024 - $0.1 million) was spent on decommissioning, abandonment and reclamation activities.

- Adjusted funds flow[(1)] was up 94% to $35.9 million, and up 30% on a per share basis to $0.39 per share, relative to the first quarter of 2024 (Q1 2024 - $18.5 million; $0.30 per share). Quarter-over-quarter, adjusted funds flow, after transaction costs was up 14% and 8% on a per share basis (Q4 2024 - $31.6 million; $0.36 per share), which marks another consecutive quarter of growth in adjusted funds flow per share since the inception of Rubellite.

- Cash costs[(1)] were $20.9 million or $18.76/boe in the first quarter of 2025 (Q1 2024 - $9.0 million or $21.86/boe; Q4 2024 - $18.6 million or 19.45/boe).

- Net income was $1.2 million ($0.01 per share) in the first quarter of 2025 (Q1 2024 - $4.2 million net loss; Q4 2024 - $26.7 million net income).

- Free funds flow[(1)] of $11.0 million was driven by adjusted funds flow of $35.9 million exceeding capital expenditures including land and other spending of $24.9 million, and was used to reduce net debt and other balance sheet obligations.

- As at March 31, 2025, net debt[(1)] was $147.7 million, a reduction in net debt of $6.3 million from $154.0 million as at December 31, 2024.

- Rubellite had available liquidity[(1)] at March 31, 2025 of $33.1 million, comprised of the $140.0 million borrowing limit of Rubellite's first lien credit facility, less current bank borrowings of $103.3 million and outstanding letters of credit of $3.6 million. Subsequent to the end of the quarter, outstanding letters of credit were reduced by $2.2 million to $1.4 million, further enhancing available liquidity.

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

OPERATIONS UPDATE

Greater Figure Lake (Figure Lake and Edwand)

Heavy oil production from the Greater Figure Lake area averaged 5,426 bbl/d (100% heavy oil) in March 2025 and 5,325 bbl/d (100% heavy oil) for the first quarter. Solution gas sales through the newly constructed gas plant and gas gathering system ramped up during the quarter, contributing 3.0 MMcf/d to total production at Figure Lake in March 2025 of 5,922 boe/d (92% liquids).

In the first quarter of 2025, Rubellite drilled and rig released a total of four (4.0 net) horizontal wells in the Greater Figure Lake area, all targeting the Wabiskaw Member of the Clearwater Formation with the 33 meter inter-leg spacing well design adopted in the latter half of 2024. Results from the Q1 2025 capital program across the Greater Figure Lake field achieved an average IP30 of 286 bbl/d (3 wells) and IP60 of 260 bbl/d (2 wells), as compared to the McDaniel Tier 1 Type Curve[2] for the 33 meter spacing well design of IP30 177 bbl/d and IP60 169 bbl/d[1].

Consistent production results continue to support the geologic model and affirm the 243.0 net development drilling inventory locations[3], including 96.2 net proven and probable undeveloped[2][3] booked locations. Under a one-rig program, which would provide for the drilling of 18 wells per year, the location count at Figure Lake represents over 13 years of low-risk development drilling inventory.

With expected ongoing growth in heavy oil volumes, Rubellite is evaluating options to manage additional gas volumes, including expansion of the gas plant for increased sales volumes as well as temporary gas storage into a depleted reservoir. The Company is also advancing a novel natural gas re-injection pilot at Figure Lake for enhanced oil recovery with an experimental well now configured on the 1-13 plant site.

In addition, during the first quarter Rubellite acquired 3D seismic to advance the evaluation of an exploratory prospect in the Sparky formation to be drill ready later in 2025 or early 2026.

Frog Lake

Production at the Frog Lake property averaged 2,471 bbl/d (100% heavy oil) net to Rubellite in March 2025 and 2,423 bbl/d (100% heavy oil) for the first quarter.

The Company switched its drilling operations at Frog Lake in December 2024 to utilize Oil-Based Mud ("OBM"), and subsequently drilled and rig released six (4.5 net) horizontal wells in the first quarter of 2025 at North Frog Lake, targeting the Waseca Sand of the Mannville Stack. The OBM trial at Frog Lake is expected to confirm the benefits of using OBM fluid consistent with Rubellite's operations at Figure Lake, where the use of OBM has improved hole cleaning and stability, accelerated the time to stabilized reservoir production, and reduced drill pipe wear, water handling and disposal costs as compared to conventional water-based mud systems.

Results from the Q1 2025 capital program at Frog Lake achieved an average IP30 and IP60 of 154 bbl/d (4 wells[1]) and 140 bbl/d (3 wells) respectively, as compared to the McDaniel Waseca North Type Curve[2] IP30 and IP60 of 107 bbl/d and 104 bbl/d established using historical data obtained from wells drilled with water-based mud systems. Alongside the preliminary production results, drilling costs, fluid losses, and OBM recovery rates for re-use in the drilling of subsequent wells have all been encouraging, and the Company is continuing to utilize OBM in its ongoing drilling operations at Frog Lake.

In addition to continued drilling of the Waseca sand as the primary development zone at Frog Lake, the Company is planning several exploratory evaluation wells in 2025 and 2026 using an alternative well design to test the less consolidated General Petroleum and Sparky sands. Learnings from these wells will confirm type curve assumptions, and inform mapping parameters and appropriate geological cutoffs for future economic development of these additional zones in the Mannville Stack.

Marten Hills

The Company rig released its first water injection well at Marten Hills in late February, and pending routine regulatory approvals, expects to commence waterflood operations during the second quarter. Value is expected to be realized through reduced water handling costs, reduced production declines and enhanced reserve recoveries.

Other Exploration

In addition to exploration activities in the General Petroleum and Sparky zone at Frog Lake and the Sparky prospect at Figure Lake, the Company is continuing to advance multiple additional new venture exploration prospects, pursuing both land capture and play concept de-risking activities while minimizing its risked capital exposure.

(1) No wells were excluded from the calculation of average results except the criteria for producing days.
(2) Type curve assumptions for the 33m spacing well design are based on the Total Proved plus Probable Undeveloped reserves contained in the 2024 McDaniel Reserve Report as disclosed in the Company's 2024 Annual Information Form available under the Company's profile on SEDAR+ at www.sedarplus.ca. "McDaniel" means McDaniel & Associates Consultants Ltd. independent qualified reserves evaluators. "McDaniel Reserve Report" means the independent engineering evaluation of the heavy crude oil and conventional natural gas and NGL reserves, prepared by McDaniel with an effective date of December 31, 2024 and a preparation date of March 10, 2025. See "Estimated Drilling Locations" in this interim report.
(3) Of the 243.0 net locations described in the greater Figure Lake area, 65.6 net locations are recognized in the McDaniel Report as proved undeveloped and an additional 30.6 net locations are classified as probable undeveloped. The Company recognizes a total of 316.2 net heavy oil development locations, 93.1 of which are net proved and 45.6 are net probable and included in the 2024 McDaniel Reserve Report.

OUTLOOK AND GUIDANCE

For the remaining three quarters of 2025, Rubellite has budgeted to spend a total of $73 to $88 million primarily on the exploration and development drilling program, excluding expenditures on land and abandonment and reclamation activities, which is unchanged from previous guidance. Planned capital activity at the low end of the spending guidance range includes: drilling an additional fifteen (15.0 net) multi-lateral development / step-out wells in the Greater Figure Lake area; drilling an additional eighteen (9.5 net) multi-lateral wells in the Frog Lake area, including at least one (0.5 net) well to evaluate the General Petroleum zone in the Mannville Stack; capital to expand the Figure Lake gas conservation project including additional plant optimization and pipeline tie-ins; participation in the drilling of four (2.0 net) wells at East Edson; spending to continue to evaluate additional heavy oil exploration prospects and advance enhanced oil recovery.

If market conditions warrant, the Company will consider expanding its planned activity levels to the high end of the spending guidance range which would further grow production levels into 2026. However, with the recent significant decline in oil prices, the Company is monitoring its capital spending plans and evaluating reducing its second half 2025 capital program. The Company will continue to strive for meaningful per well capital cost reductions to drive attractive rates of return and payout periods, and will manage its capital spending to prioritize free funds flow generation over production growth in a weak oil price environment.

Heavy oil sales volumes based on the current budget are expected to grow 44% to 48% year-over-year to average between 8,200 - 8,400 bbl/d in 2025. Total production sales volumes, including natural gas and NGL volumes at East Edson and solution gas sales at Figure Lake, are forecast to average 12,200 - 12,400 boe/d in 2025.

Forecasted activity will be funded from adjusted funds flow(1), with excess free funds flow(1) applied to reduce net debt(1) and other balance sheet obligations. Aided by Rubellite's extensive commodity price risk management positions, the Company continues to forecast strong adjusted funds flow and free funds flow through the second and third quarters of 2025 based on the forward market for commodity prices as at May 7, 2025.

Rubellite will continue to address end of life ARO, with total abandonment and reclamation expenditures of approximately $1.1 million planned for the final three quarters of 2025. In combination with the $0.8 million of asset retirement obligation spending in the first quarter, the Company is on track to exceed its area-based mandatory spending requirement for 2025 of $1.7 million, as calculated by the Alberta Energy Regulator ("AER").

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

Capital spending and drilling activity for 2025 is summarized in the table below:

	Q1 2025		**Q2 - Q4 2025**		**Full year 2025**	
	Capital Expenditures (millions)	**# of wells (gross/net)**	**Capital Expenditures (millions)**	**# of wells (gross/net)**	**Capital Expenditures (millions)**	**# of wells (gross/net)**
Figure Lake		4 / 4.0		15 / 15.0		19 / 19.0
Frog Lake		6 / 4.5		18 / 9.5		24 / 14.0
Marten Hills		1 / 0.3		- / -		1 / 0.3
East Edson		- / -		4 / 2.0		4 / 2.0
Exploration(2)		1 / 1.0		2 / 1.5		3 / 2.5
Total(1)	**$22**	**12 / 9.8**	**$73 - $88**	**39 / 28.0**	**$95 - $110**	**51 / 37.8**

(1) Excludes abandonment and reclamation spending and acquisitions or land expenditures, if any.
(2) Includes wells at Figure Lake and Frog Lake targeting secondary exploration zones.

Rubellite’s capital spending, drilling and operational guidance for the second quarter and full year 2025 are presented in the table below:

	Q2 2025 Guidance	Full Year 2025 Guidance(4)
Sales Production (boe/d)	12,200 - 12,400	12,200 - 12,400
Production mix (% oil and liquids)(1)	70%	70%
Heavy Oil Production (bbl/d)	8,200 - 8,400	8,200 - 8,400
Exploration and Development spending ($ millions)(2)(3)	$26 - $30	$95 - $110
Heavy oil wellhead differential ($/bbl)(2)	$5.00 - $5.50	$5.00 - $5.50
Royalties (% of revenue)(2)	13% - 14%	13% - 14%
Production and operating costs ($/boe)(2)	$7.00 - $7.75	$7.00 - $7.75
Transportation costs ($/boe)(2)	$5.50 - $6.00	$5.50 - $6.00
General and administrative costs ($/boe)(2)	$3.00 - $3.50	$3.00 - $3.50

(1) Liquids means oil, condensate, ethane, propane and butane.
(2) Non-GAAP financial measure, non-GAAP ratio or supplementary financial measure. See "Non-GAAP and Other Financial Measures" in this interim report.
(3) Excludes land and acquisition spending, if any.
(4) Full year 2025 guidance is largely unchanged from previous guidance provided on March 10, 2025.

Susan Riddell Rose

Susan Riddell Rose
President and Chief Executive Officer

May 7, 2025

SUMMARY OF QUARTERLY RESULTS

	Three months ended March 31,	
	2025	2024
Financial		
Oil revenue	**66,607**	29,823
Net income and comprehensive income	**1,160**	(4,153)
Per share – basic(1)	**0.01**	(0.07)
Per share – diluted(1)	**0.01**	(0.07)
Total Assets	**551,889**	267,298
Cash flow from operating activities	**27,135**	16,497
Adjusted funds flow(2)	**35,934**	18,452
Per share – basic(1)(2)	**0.39**	0.30
Per share – diluted(1)(2)	**0.38**	0.30
Q1 annualized adjusted funds flow(2)(7)	**143,736**	73,808
Net debt to Q1 annualized adjusted funds flow ratio(2)(7)	**1.0**	0.6
Net debt (asset)(2)	**147,688**	45,499
Capital expenditures(2)		
Capital expenditures, including land, corporate and other(2)	**24,932**	12,792
Wells Drilled(3) – gross (net)	**12 / 9.8**	7 / 7.0
Common shares outstanding(1) *(thousands)*		
Weighted average – basic	**92,930**	62,457
Weighted average – diluted	**95,068**	62,457
End of period	**93,387**	62,460
Operating		
Heavy Oil (bbl/d)(4)	**8,339**	4,514
Natural gas (Mcf/d)	**22,038**	—
NGLs (bbl/d)(5)	**371**	—
Daily average sales production (boe/d)	**12,383**	4,514
Average prices		
West Texas Intermediate ("WTI") ($US/bbl)	**71.42**	76.96
Western Canadian Select ("WCS") ($CAD/bbl)	**84.30**	77.77
AECO 5A Daily Index ($CAD/Mcf)	**2.16**	2.49
Rubellite average realized prices(2)(6)		
Oil ($/bbl)	**80.03**	72.60
Natural gas ($/Mcf)	**2.16**	—
NGL ($/bbl)	**67.54**	—
Average realized price(2) ($/boe)	**59.77**	72.60
Average realized price, after risk management contracts(2) ($/boe)	**59.60**	75.13

(1) Per share amounts are calculated using the weighted average number of basic or diluted common shares.
(2) Non-GAAP measure or ratio. See "Non-GAAP and other Financial Measures" contained in this interim report.
(3) Well count reflects wells rig released during the period.
(4) Conventional heavy oil sales production excludes tank inventory volumes.
(5) Liquids means oil, condensate, ethane and butane.
(6) Before risk management contracts; supplementary financial measure. See "Non-GAAP and Other Financial Measures" in this interim report.
(7) Based on fourth quarter annualized adjusted funds flow before transaction costs relative to year-end net debt. Non-GAAP financial measure and ratio.

ADVISORIES

This first quarter 2025 interim report refers to certain non-GAAP measures and metrics commonly used in the oil and natural gas industry and provides forward-looking information and statements. Further detailed information regarding these measures is provided in this report in "*Management's Discussion and Analysis – NON-GAAP AND OTHER FINANCIAL MEASURES*" on pages 17 to 19 and "*Management's Discussion and Analysis – FORWARD-LOOKING INFORMATION AND STATEMENTS*" on page 20.

In addition to the disclosure set out in the Company's Management's Discussion and Analysis for the period ended March 31, 2025, we provide certain supplementary disclosure throughout this report in respect of certain specified financial measures (as such term is defined in National Instrument 51-112 – *Non-GAAP and Other Financial Measures*) and in respect of certain oil and gas metrics.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is management's discussion and analysis ("MD&A") of Rubellite Energy Corp.'s ("Rubellite", the "Company" or the "Corporation") operating and financial results for the three months ended March 31, 2025, as well as the information and estimates concerning the Corporation's future outlook based on currently available information. This discussion should be read in conjunction with the Corporation's unaudited condensed consolidated interim financial statements and accompanying notes for the three month ended March 31, 2025 as well as the audited consolidated financial statements and accompanying notes for the year ended December 31, 2024. Disclosure, which is unchanged from the December 31, 2024 MD&A has not been duplicated herein. The Corporation's financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") which require publicly accountable enterprises to prepare their financial statements using IFRS Accounting Standards. The date of this MD&A is May 7, 2025.

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

NATURE OF BUSINESS:

The Company is a Canadian energy company headquartered in Calgary, Alberta engaged in the exploration, development, production and marketing of its diversified asset portfolio which includes conventional heavy crude oil from the Clearwater and Mannville Stack Formations in Eastern Alberta, liquids-rich conventional natural gas assets in the deep basin of West Central Alberta, and undeveloped bitumen leases in Northern Alberta. The Company is pursuing a robust growth plan focused on heavy oil exploration and development utilizing multi-lateral, horizontal drilling technology, targeting superior corporate returns and free funds flow generation while maintaining a conservative capital structure and prioritizing operational excellence. Additional information on the Company can be accessed on the Company's website at www.rubelliteenergy.com or on SEDAR+ at www.sedarplus.ca.

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

Recombination Transaction

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"). Comparative figures in the MD&A include Rubellite Energy Inc.'s results prior to the business combination and do not reflect any historical data from Perpetual. The conventional natural gas assets at East Edson acquired through the Recombination Transaction are included in West Central cash generating unit ("CGU"). This MD&A contains certain information pertaining to the Company before and after giving effect to the Recombination Transaction. Any reference to information prior to October 31, 2024 are references to Rubellite Energy Inc. and any reference to information subsequent to October 31, 2024 are references to the Company. Accordingly, unless the context otherwise requires, references to the Company subsequent to October 31, 2024 shall mean "Rubellite Energy Corp." and references to the Corporation prior to October 31, 2024 shall mean "Rubellite Energy Inc".

Buffalo Mission Acquisition

On August 2, 2024, Rubellite closed the acquisition of Buffalo Mission Energy Corp. ("Buffalo Mission") (the "BMEC Acquisition"), a private Mannville Stack-focused heavy oil producer in the Frog Lake area. The total consideration paid was $96.6 million, inclusive of $23.5 million of assumed net debt, which consisted of $62.7 million in cash and the issuance of 5.0 million common shares of Rubellite to certain shareholders of Buffalo Mission.

FIRST QUARTER 2025 OPERATIONAL AND FINANCIAL HIGHLIGHTS

- Rubellite delivered record first quarter conventional heavy oil sales production of 8,339 bbl/d that exceeded the high end of guidance (3% above the mid-point of the guidance range) and was up 8% relative to the fourth quarter of 2024 (Q4 2024 - 7,754 bbl/d) and 85% relative to the first quarter of 2024 (Q1 2024 - 4,514 bbl/d). First quarter total sales production of 12,383 boe/d (70% heavy oil and NGL) was up 19% from the fourth quarter of 2024 (174% relative to Q1 2024) while also exceeding the high end of guidance (2% above the mid-point of the guidance range). Production growth quarter over quarter was driven by the successful drilling program at Figure Lake and Frog Lake and a full quarter impact of the Recombination Transaction which added an average of 3,708 boe/d to sales volumes (20.0 MMcf/d of conventional natural gas and 371 bbl/d of NGL). Ten (8.0 net) new wells were brought on production from the heavy oil drilling program and at Figure Lake the newly constructed gas plant commenced operations on January 23, 2025 and added an average of 2.0 MMcf/d of solution gas sales in the first quarter of 2025.

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- Land and other spending totaled $2.5 million in the first quarter of 2025 to acquire 13.0 net sections of land and included $0.4 million of spending on seismic purchases. An additional $0.8 million (Q1 2024 - $0.1 million) was spent on decommissioning, abandonment and reclamation activities.

- Adjusted funds flow(1) in the first quarter was $35.9 million or $0.39 per share (Q1 2024 - $18.5 million or $0.30 per share).

- Cash costs(1) were $20.9 million or $18.76/boe in the first quarter of 2025 (Q1 2024 - $9.0 million or $21.86/boe).

- Net income was $1.2 million ($0.01 per share) in the first quarter of 2025 (Q1 2024 - $4.2 million net loss).

- Free funds flow(1) of $11.0 million was driven by adjusted funds flow of $35.9 million exceeding capital expenditures including land and other expenditures of $24.9 million and was used to reduce net debt and other balance sheet obligations.

- As at March 31, 2025, net debt(1) was $147.7 million, a reduction in net debt of $6.3 million from $154.0 million as at December 31, 2024.

- Rubellite had available liquidity(2) at March 31, 2025 of $33.1 million, comprised of the $140.0 million borrowing limit of Rubellite's first lien credit facility, less current bank borrowings of $103.3 million and outstanding letters of credit of $3.6 million. Subsequent to the end of the quarter, outstanding letters of credit were reduced by $2.2 million to $1.4 million, further enhancing available liquidity.

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(2) See "Liquidity, Capitalization and Financial Resources - Capital Management".

OPERATIONS UPDATE

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OUTLOOK AND GUIDANCE

For the remaining three quarters of 2025, Rubellite has budgeted to spend a total of $73 to $88 million primarily on the exploration and development drilling program, excluding expenditures on land and abandonment and reclamation activities, which is unchanged from previous guidance. Planned capital activity at the low end of the spending guidance range includes: drilling an additional fifteen (15.0 net) multi-lateral development / step-out wells in the Greater Figure Lake area; drilling an additional eighteen (9.5 net) multi-lateral wells in the Frog Lake area, including at least one (0.5 net) well to evaluate the General Petroleum zone in the Mannville Stack; capital to expand the Figure Lake gas conservation project including additional plant optimization and pipeline tie-ins; participation in the drilling of four (2.0 net) wells at East Edson; spending to continue to evaluate additional heavy oil exploration prospects and advance enhanced oil recovery.

If market conditions warrant, the Company will consider expanding its planned activity levels to the high end of the spending guidance range which would further grow production levels into 2026. However, with the recent significant decline in oil prices, the Company is monitoring its capital spending plans and evaluating reducing its second half 2025 capital program. The Company will continue to strive for meaningful per well capital cost reductions to drive attractive rates of return and payout periods, and will manage its capital spending to prioritize free funds flow generation over production growth in a weak oil price environment.

Heavy oil sales volumes based on the current budget are expected to grow 44% to 48% year-over-year to average between 8,200 - 8,400 bbl/d in 2025. Total production sales volumes, including natural gas and NGL volumes at East Edson and solution gas sales at Figure Lake, are forecast to average 12,200 - 12,400 boe/d in 2025.

Forecasted activity will be funded from adjusted funds flow(1), with excess free funds flow(1) applied to reduce net debt(1) and other balance sheet obligations. Aided by Rubellite's extensive commodity price risk management positions, the Company continues to forecast strong adjusted funds flow and free funds flow through the second and third quarters of 2025 based on the forward market for commodity prices as at May 7, 2025.

Rubellite will continue to address end of life ARO, with total abandonment and reclamation expenditures of approximately $1.1 million planned for the final three quarters of 2025. In combination with the $0.8 million of asset retirement obligation spending in the first quarter, the Company is on track to exceed its area-based mandatory spending requirement for 2025 of $1.7 million, as calculated by the Alberta Energy Regulator ("AER").

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

Capital spending and drilling activity for 2025 is summarized in the table below:

	Q1 2025		Q2 - Q4 2025		Full year 2025	
	Capital Expenditures (millions)	**# of wells (*gross/net*)**	**Capital Expenditures (millions)**	**# of wells (*gross/net*)**	**Capital Expenditures (millions)**	**# of wells (*gross/net*)**
Figure Lake		4 / 4.0		15 / 15.0		19 / 19.0
Frog Lake		6 / 4.5		18 / 9.5		24 / 14.0
Marten Hills		1 / 0.3		- / -		1 / 0.3
East Edson		- / -		4 / 2.0		4 / 2.0
Exploration(2)		1 / 1.0		2 / 1.5		3 / 2.5
Total (1)	**$22**	**12 / 9.8**	**$73 - $88**	**39 / 28.0**	**$95 - $110**	**51 / 37.8**

(1) Excludes abandonment and reclamation spending and acquisitions or land expenditures, if any.
(2) Includes wells at Figure Lake and Frog Lake targeting secondary exploration zones.

Rubellite's capital spending, drilling and operational guidance for the second quarter and full year 2025 are presented in the table below:

	Q2 2025 Guidance	Full Year 2025 Guidance(4)
Sales Production (boe/d)	12,200 - 12,400	12,200 - 12,400
Production mix (% liquids)(1)	70%	70%
Heavy Oil Production (bbl/d)	8,200 - 8,400	8,200 - 8,400
Exploration and Development spending ($ millions)(2)(3)	$26 - $30	$95 - $110
Heavy oil wellhead differential ($/bbl)(2)	$5.00 - $5.50	$5.00 - $5.50
Royalties (% of revenue)(2)	13% - 14%	13% - 14%
Production and operating costs ($/boe)(2)	$7.00 - $7.75	$7.00 - $7.75
Transportation costs ($/boe)(2)	$5.50 - $6.00	$5.50 - $6.00
General and administrative costs ($/boe)(2)	$3.00 - $3.50	$3.00 - $3.50

(1) Liquids means oil, condensate, ethane, propane and butane.
(2) Non-GAAP financial measure, non-GAAP ratio or supplementary financial measure. See "Non-GAAP and Other Financial Measures".
(3) Excludes land and acquisition spending, if any.
(4) Full year 2025 guidance is largely unchanged from previous guidance provided on March 10, 2025.

FIRST QUARTER 2025 FINANCIAL AND OPERATING RESULTS

Capital Expenditures

Rubellite uses capital expenditures to measure its capital investments compared to the Company's annual budgeted expenditures related to both property, plant and equipment assets ("PP&E") and exploration and evaluation assets ("E&E") assets. The capital budget excludes acquisition and disposition activities and land expenditures, if any. "Capital Expenditures" is not a standardized measure; therefore, may not be comparable with the calculation of similar measures by other entities. For a reconciliation of cash flow used in investing activities to capital expenditures, refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A.

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

	Three months ended March 31,					
	2025			2024		
($ thousands)	**E&E**	**PP&E**	**Total**	E&E	PP&E	Total
Drilling and completions	**1,012**	**18,049**	**19,061**	1,294	9,301	10,595
Facilities	**228**	**3,085**	**3,313**	(20)	1,682	1,662
Lease construction	**20**	**(110)**	**(90)**	—	345	345
Capital expenditures(1)	**1,260**	**21,024**	**22,284**	1,274	11,328	12,602
Land and other	**1,673**	**834**	**2,507**	95	95	190
Corporate	**—**	**141**	**141**	—	—	—
Capital expenditures, including land and other(1)	**2,933**	**21,999**	**24,932**	1,369	11,423	12,792

(1) Capital expenditures is a non-GAAP measure. See "Non-GAAP and Other Financial Measures".

Capital expenditures by CGU

	Three months ended March 31,	
($ thousands)	**2025**	2024
Capital expenditures		
Eastern Heavy Oil	**24,210**	12,792
West Central	**581**	—
Capital expenditures(1), including land and other	**24,791**	12,792

(1) Excludes corporate capital expenditures; Non-GAAP measure. See "Non-GAAP and Other Financial Measures".

Wells drilled by area

	Three months ended March 31,	
(gross/net)	**2025**	2024
Development		
Figure Lake(1)	**4 / 4.0**	6 / 6.0
Frog Lake(2)	**6 / 4.5**	- / -
Marten Hills Waterflood Injection(3)	**1 / 0.3**	- / -
Exploration		
Other exploratory(4)	**1 / 1.0**	1 / 1.0
Total	**12 / 9.8**	7 / 7.0

(1) One (1.0 net) well drilled at the 10-19 pad at Figure Lake was spud on March 24, 2025 and rig released April 11, 2025 and not included in the Q1 2025 well count.
(2) Three Q1 2025 wells drilled were at 100% working interest as Frog Lake Energy Resources Corp. ("FLERC") has elected gross overriding royalty positions on those wells.
(3) One (0.3 net) injection waterflood well drilled at Marten Hills on the 12-35 pad.
(4) One (1.0 net) horizontal evaluation well was drilled in Q1 2025 and one (1.0 net) vertical stratigraphic evaluation well was drilled in Q1 2024. The wells were transferred to E&E expense in Q1 2025.

Capital Expenditures

During the first quarter of 2025, Rubellite invested a total of $22.3 million, before land and other corporate spending, related primarily to the drilling, completion, equipping and tie-in of four (4.0 net) multi-lateral horizontal wells at Figure Lake and six (4.5 net) multi-lateral horizontal wells at Frog Lake. A portion of capital to drill one (1.0 net) additional well at Figure Lake was spent during the first quarter and the well finished drilling and was rig released at the beginning of the second quarter. In addition, one (0.3 net) waterflood injection well at Marten Hills and one (1.0 net) exploratory evaluation well was drilled during the quarter. Facilities spending at Figure Lake included $1.1 million of expenditures related to completion of the initial phase of the construction of a sales gas plant as part of the Figure Lake gas conservation project and expansion of the gas gathering system. At the Company's West Central liquids-rich conventional natural gas asset at Edson, Rubellite spent $0.6 million for lease construction, facility improvements and pipelines to support the 2025 drilling program with its 50% joint venture partner.

Land and seismic purchases were $2.5 million in the first quarter of 2025 and the land acquired was 13.0 net sections of land.

During the first quarter of 2025, Rubellite spent $0.8 million (Q1 2024 - $0.1 million) on abandonment and reclamation projects and one reclamation certificate was received from the AER (2024 - nil).

Production

	Three months ended March 31,	
	2025	2024
Sales volumes		
Heavy oil (bbl/d)	**8,339**	4,514
Natural gas (Mcf/d)(1)	**22,038**	—
NGL (bbl/d)(2)	**371**	—
Total sales volumes (boe/d)	**12,383**	4,514

(1) Conventional natural gas production at East Edson yielded a heat content of 1.18 GJ/Mcf for Q1 2025 (Q1 2024 - nil) resulting in higher realized natural gas prices on a $/Mcf basis.
(2) Primarily from West Central CGU which produces liquids-rich conventional natural gas.

Sales production for the three months ended March 31, 2025 by CGU:

	Three months ended March 31,	
	2025	2024
Sales volumes by CGU		
Eastern Heavy Oil (boe/d)	**8,675**	4,514
West Central (boe/d)	**3,708**	—
Total sales volumes (boe/d)	**12,383**	4,514

Sales production for the first quarter of 2025 increased by 7,869 boe/d (174%) from the first quarter of 2024, exceeding the high end of the first quarter guidance range. Production growth was driven by the successful drilling program at Figure Lake, the BMEC Acquisition at Frog Lake in the third quarter of 2024 and the full quarter impact of operations at East Edson following the closing of the Recombination Transaction in the fourth quarter of 2024.

During the first quarter of 2025, production and sales volumes progressively increased as new wells were drilled and commenced delivery to sales terminals. An additional ten (8.0 net) wells from the Eastern Heavy Oil drilling program contributed to sales production, with three (3.0 net) additional wells recovering OBM drilling fluid in Figure Lake and Frog Lake and not yet contributing to sales at the end of the first quarter. At Figure Lake, the newly constructed gas plant commenced operations on January 23, 2025 and added 2.0 MMcf/d of solution gas sales on average during the first quarter. The first quarter of 2025 was the first full quarter of sales volumes from the East Edson assets acquired through the Recombination Transaction, adding 3,708 boe/d of natural gas and NGL sales production. The Frog Lake assets, acquired in the third quarter of 2024, contributed 2,423 boe/d of sales production in the first quarter of 2025.

As a result of the Recombination Transaction, the first quarter sales product mix was comprised of 70% conventional heavy crude oil and NGL and 30% conventional natural gas, as compared to 100% conventional heavy crude oil in the first quarter of 2024.

Revenue

	Three months ended March 31,	
($ thousands, except as noted)	**2025**	2024
Oil and natural gas revenue		
Oil	**60,061**	29,823
Natural gas	**4,290**	—
NGL	**2,256**	—
Oil and natural gas revenue	**66,607**	29,823
Reference prices		
West Texas Intermediate (WTI) (US$/bbl)	**71.42**	76.96
Foreign Exchange rate (CAD$/US$)	**1.44**	1.35
WTI (CAD$/bbl)	**102.84**	103.90
Western Canadian Select (WCS) differential (US$/bbl)	**(12.67)**	(19.31)
WCS (CAD$/bbl)	**84.30**	77.77
AECO 5A Daily Index (CAD$/GJ)	**2.05**	2.36
AECO 5A Daily Index (CAD$/Mcf)(1)	**2.16**	2.49
Rubellite average realized prices(2)		
Oil ($/bbl)	**80.03**	72.60
Natural gas ($/Mcf)	**2.16**	—
NGL ($/bbl)	**67.54**	—
Average realized price ($/boe)	**59.77**	72.60

(1) Converted from $/GJ using a standard energy conversion rate of 1.06 GJ:1 Mcf.
(2) Before risk management contracts; supplementary financial measure. See "Non-GAAP and Other Financial Measures".

Rubellite's oil and natural gas revenue for the first quarter of 2025 increased by $36.8 million or 123% from the first quarter of 2024, primarily driven by the increase in sales volumes. As a result of the Recombination Transaction, the product mix of the Company changed and resulted in total realized prices on a boe basis decreasing 18% from the first quarter of 2024, partially offsetting increased sales volumes and higher realized oil prices.

Oil revenue for the first quarter of 2025 of $60.1 million represented 90% of total revenue while conventional heavy crude oil production was 67% of total sales volumes. The 101% increase in oil revenue was driven by the 85% increase in heavy crude oil production and 7% increase in average realized oil prices. Compared to the first quarter of 2024, the WCS average price increased to $84.30/bbl (Q1 2024 - $77.77/bbl), attributable to the WCS differential narrowing by 34% and the increase in the CAD$/US$ rate to $1.44 (Q1 2024 - $1.35), partially offset by a 7% decrease in WTI prices.

Rubellite's realized oil price reflects a price offset for quality and optimization of sales delivery points which averaged $3.96/bbl for the first quarter of 2025, (Q1 2024 - $4.79/bbl) as compared to Q1 2025 guidance of $5.00 to $5.50/bbl.

Risk Management Contracts

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

The following table details realized and unrealized gains and losses on risk management contracts:

	Three months ended March 31,	
(*$ thousands, except as noted*)	**2025**	2024
Unrealized gain (loss) on risk management contracts		
Unrealized loss on oil contracts(2)	**(5,020)**	(13,910)
Unrealized loss on natural gas contracts	**(2,587)**	—
Unrealized loss on risk management contracts	**(7,607)**	(13,910)
Realized gain (loss) on risk management contracts		
Realized gain (loss) on oil contracts(2)	**(2,028)**	1,040
Realized gain on natural gas contracts	**1,840**	—
Realized gain (loss) on risk management contracts	**(188)**	1,040

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures".
(2) Includes gain (loss) on CAD/USD foreign exchange risk management contracts.

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

	Three months ended March 31,	
	2025	2024
Realized gain (loss) on risk management contracts		
Realized gain (loss) on oil contracts ($/bbl) (2)	**(2.70)**	2.53
Realized gain on natural gas contracts ($/Mcf)	**0.93**	—
Realized gain (loss) on risk management contracts ($/boe)	**(0.17)**	2.53
Average realized prices after risk management contracts(1)		
Oil ($/bbl) (2)	**77.33**	75.13
Natural gas ($/Mcf)	**3.09**	—
NGL ($/bbl)	**67.54**	—
Average realized price ($/boe)(1)	**59.60**	75.13

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures".
(2) Includes CAD/USD foreign exchange risk management contracts.

The realized loss on risk management contracts totaled $0.2 million or $0.17/boe for the first quarter of 2025, compared to a gain of $1.0 million or $2.53/boe for the first quarter of 2024. Hedging gains or losses are attributable to reference price fluctuations relative to pricing on commodity contracts driven by changes in AECO, WTI and WCS differential benchmark prices as well as fluctuations in foreign exchange rates and the percentage of production volumes hedged at any given time.

The unrealized loss on risk management contracts was $7.6 million for the first quarter of 2025 (Q1 2024 – $13.9 million unrealized loss). Unrealized gains and losses represent the change in the mark-to-market value of risk management contracts for future periods as forward commodity prices and foreign exchange rates change. Unrealized gains and losses on risk management contracts are excluded from the Company's calculation of cash flow from operating activities as non-cash items. Risk management contract gains and losses vary depending on commodity prices and the nature and extent of the risk management contracts in place, which in turn, vary with the Company's assessment of commodity price risk, committed capital spending and other factors.

Royalties

	Three months ended March 31,	
(*$ thousands, except as noted*)	**2025**	2024
Royalty expenses	**9,449**	3,321
$/boe	**8.48**	8.08
Royalties *(% of revenue)(1)*	**14.2**	11.1

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

Total royalties for the first quarter of 2025 were $9.4 million, an increase from the first quarter of 2024 on higher production, increased revenue and higher royalty rates. On a per boe basis, royalties increased due to an increase in the relative split of production on lands with higher gross overriding royalties ("GORR"), an increase in the crown royalty rate. Additionally, the production associated with the Frog Lake assets from the BMEC Acquisition and the West Central conventional natural gas assets from the Recombination Transaction both have a higher royalty rate in comparison to the Company's Clearwater assets. Consistent with higher per boe royalty rates, royalties as a percentage of revenue were higher for the same reasons. Royalties as a percentage of revenue were just outside the Company's Q1 2024 guided range of 13% to 14%.

Rubellite's royalties consist of Crown royalties payable to the Alberta provincial government, royalties payable to Indian Oil and Gas Canada ("IOGC"), and other freehold and GORR royalties. The mix between Crown, IOGC and freehold production as a percentage of total production can change the composition of royalties from one period to the next. Under the Alberta Modernized Royalty Framework ("MRF"), the Company pays a Crown royalty of between 5% and 20% on wells where mineral rights are leased from the Crown. Under the Indian Oil and Gas Act, the Company pays a royalty of between 10% and 37% on wells where mineral rights are leased. The remainder of royalties are attributable to the composition of freehold and GORR royalties, some of which are price sensitive.

Net operating costs[(1)]

	Three months ended March 31,	
($ thousands, except as noted)	**2025**	2024
Net operating costs	**7,796**	2,610
$/boe	**7.00**	6.35

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

Total net operating costs for the first quarter of 2025 increased to $7.8 million from $2.6 million in the first quarter of 2024, as a result of the increase in production volumes and higher costs in all areas.

On a per boe basis, net operating costs increased by 10% to $7.00/boe in the first quarter of 2025 (Q1 2024 - $6.35/boe) and were at the low end of the the guided range of $7.00 to $7.75/boe. The increase reflects a higher per unit operating cost on the Frog Lake properties from the BMEC Acquisition as compared to the Company's Clearwater assets. Lower net operating costs of $5.10/boe in the West Central conventional natural gas assets from the Recombination Transaction partially offset the impact of higher net operating costs as the conventional liquids-rich natural gas assets carry a lower operating per unit cost than Rubellite's heavy oil properties.

Transportation costs

	Three months ended March 31,	
($ thousands, except as noted)	**2025**	2024
Transportation costs	**6,231**	3,237
$/boe	**5.59**	7.88

Transportation costs includes clean oil trucking costs and NGL transportation, as well as costs to transport natural gas from the plant gate to commercial sales point. Costs for the first quarter of 2025 increased to $6.2 million, up from $3.2 million in the first quarter of 2024 as a result of higher volumes.

On a per boe basis, transportation costs of $5.59/boe were within the guided range of $5.50 to $6.00/boe and were 29% lower than the first quarter of 2024 (Q1 2024 - $7.88/boe) due to lower trucking rates realized for the Company's Clearwater assets and the addition of natural gas volumes which incur lower transportation costs than the heavy oil assets.

Operating netbacks

The following tables highlight Rubellite's operating netbacks for the three months ended March 31, 2025 and 2024**:**

	Three months ended March 31, 2025			Three months ended March 31, 2024		
($ thousands)	**Eastern Heavy Oil**	**West Central**	**Total**	Eastern Heavy Oil	West Central	Total
Revenue	**60,292**	**6,315**	**66,607**	29,823	—	29,823
Royalties	**(8,123)**	**(1,326)**	**(9,449)**	(3,321)	—	(3,321)
Net operating costs[(1)]	**(6,094)**	**(1,702)**	**(7,796)**	(2,610)	—	(2,610)
Transportation costs	**(5,602)**	**(629)**	**(6,231)**	(3,237)	—	(3,237)
Operating netback[(1)]	**40,473**	**2,658**	**43,131**	20,655	—	20,655
Realized gain on risk management contracts	**—**	**—**	**(188)**	—	—	1,040
Total operating netback, after risk management contracts[(1)]	**40,473**	**2,658**	**42,943**	20,655	—	21,695

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

	Three months ended March 31, 2025			Three months ended March 31, 2024		
($/boe)	**Eastern Heavy Oil**	**West Central**	**Total**	Eastern Heavy Oil	West Central	Total
Revenue	**77.22**	**18.92**	**59.77**	72.60	—	72.60
Royalties	**(10.40)**	**(3.97)**	**(8.48)**	(8.08)	—	(8.08)
Net operating costs[(1)]	**(7.81)**	**(5.10)**	**(7.00)**	(6.35)	—	(6.35)
Transportation costs	**(7.18)**	**(1.88)**	**(5.59)**	(7.88)	—	(7.88)
Operating netback[(1)]	**51.83**	**7.97**	**38.70**	50.29	—	50.29
Realized gain on risk management contracts	**—**	**—**	**(0.17)**	—	—	2.53
Total operating netback, after risk management contracts[(1)]	**51.83**	**7.97**	**38.53**	50.29	—	52.82

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

Rubellite's Eastern Heavy Oil operating netback in the first quarter of 2025 increased to $40.5 million ($51.83/boe) (Q1 2024 - $20.7 million or $50.29/boe). The increase was the result of higher sales volumes and realized oil prices which increased revenue, partially offset by higher royalties and costs reflecting higher production. On a per boe basis, higher royalties and net operating costs were attributable to the addition of the Frog Lake property in the third quarter of 2024, which carry a higher cost base and royalty structure than the Company's Clearwater properties, partially offset by lower transportation costs on lower trucking rates.

Rubellite's total operating netback in the first quarter of 2025 increased to $43.1 million ($38.70/boe) from $20.7 million ($50.29/boe) in the first quarter of 2024. The decrease on a per boe basis was driven by lower total realized prices as a result of the addition of natural gas to the sales product mix, higher royalties and net operating costs, partially offset by lower transportation costs.

The operating netback after a realized loss on risk management contracts in the first quarter of 2025 was $38.53/boe (Q1 2024 – $52.82/boe).

General and administrative ("G&A") expenses

	Three months ended March 31,	
($ thousands, except as noted)	**2025**	2024
G&A expenses – before MSA costs & recoveries	**5,643**	678
G&A recoveries	**(1,229)**	—
MSA costs(1)	**—**	1,349
Total G&A expenses	**4,414**	2,027
$/boe	**3.96**	4.93

(1) Prior to the Recombination Transaction, Rubellite Energy Inc. and Perpetual were considered related parties due to the existence of a Management and Operating Services Agreement ("MSA") and certain officers and directors being key management of, and having significant influence over, Rubellite Energy Inc. while also being key management of and having deemed control over Perpetual. Under the MSA, Rubellite Energy Inc. made payments to Perpetual for certain technical, capital and administrative services provided to Rubellite Energy Inc. on a relative cost sharing basis.

G&A expenses for the three months ended March 31, 2025 increased to $5.6 million (Q1 2024 – $0.7 million). Prior to the Recombination Transaction, G&A expenses, excluding MSA costs, consisted primarily of legal fees, computer software licenses, insurance, professional fees and public company costs. After the Recombination Transaction was completed, G&A expenses in Rubellite increased to include all G&A costs previously billed through the MSA including people, office and computer costs and recoveries.

For the three months ended March 31, 2025, G&A costs on a per boe basis decreased to $3.96/boe from $4.93/boe in the comparative period of 2024 due to higher sales volumes and were higher than the Company's Q1 2025 guided range of $3.00 to $3.50/boe.

Depletion

	Three months ended March 31,	
($ thousands, except as noted)	**2025**	2024
Depletion	**21,658**	8,897
Depreciation(1)	**504**	—
Total depletion and depreciation	**22,162**	8,897
($/boe)		
Depletion	**19.43**	21.66
Depreciation(1)	**0.45**	**—**
$/boe	**19.88**	21.66

(1) Depreciation relates to corporate assets acquired from the Recombination Transaction with Perpetual in the fourth quarter of 2024.

The Company calculates depletion using the net book value of the asset, future development costs associated with proved and probable reserves, salvage values on associated production equipment, as well as proved plus probable reserves. As at March 31, 2025, depletion was calculated on a $480.0 million depletable balance (December 31, 2024 – $473.4 million), $421.5 million in future development costs (December 31, 2024 – $436.3 million) and excluded an estimated $8.8 million of salvage value (December 31, 2024 – $8.7 million).

Depletion and depreciation expense for the first quarter of 2025 was $22.2 million or $19.88/boe (Q1 2024 – $8.9 million or $21.66/boe). The increase in depletion related to a higher depletable base than the comparable period as a result of the BMEC Acquisition and the Recombination Transaction. On a per boe basis, depletion decreased for the three month period as a result of the Recombination Transaction as the West Central assets have higher reserves relative to production than Rubellite's Eastern Heavy Oil assets. Depletion will fluctuate from one period to the next depending on the amount of capital spent, the amount of reserves added and volumes produced.

Impairment

There were no indicators of impairment for either of the Company's CGUs as at March 31, 2025; therefore, an impairment test was not performed.

E&E assets are tested for impairment when internal or external indicators of impairment exist as well as upon reclassification to oil and natural gas interests in PP&E. At March 31, 2025, the Company conducted an assessment of indicators of impairment for the Company's E&E assets. In performing the assessment, management determined there were no indicators of impairment.

Finance expense

	Three months ended March 31,	
($ thousands)	**2025**	2024
Cash finance expense		
Interest on bank debt	**1,812**	1,107
Interest on Term Loan	**567**	—
Interest on lease liabilities	**80**	—
Total cash finance expense	**2,459**	1,107
$/boe	**2.21**	2.70
Non-cash finance expense		
Amortization of debt issue costs	**39**	—
Accretion on decommissioning obligations	**265**	64
Accretion on other provision	**140**	—
Total non-cash finance expense	**444**	64
$/boe	**0.40**	0.16
Finance expense	**2,903**	1,171

Total cash finance expense during the first quarter of 2025 increased to $2.5 million from $1.1 million in the first quarter of 2024 as a result of higher outstanding bank debt and the addition of the term loan in the third quarter of 2024. The effective aggregate interest rate on the Company's revolving bank line during the first quarter of 2025 was 6.0% (Q1 2024 - 9.8%). The interest rate on the Company's $20.0 million term loan during the first quarter of 2025 was 11.5%.

Non-cash finance expense represents accretion on decommissioning obligations, accretion on other provision and amortization of debt issue costs.

For the three months ended March 31, 2025, cash finance expense on a per boe basis decreased to $2.21/boe from $2.70/boe in the comparative period of 2024 due to higher sales volumes.

Deferred Income Taxes

($ thousands)	December 31, 2024	Recognized in earnings	Recognized in equity	**March 31, 2025**
Assets (liabilities):				
Property, plant and equipment	(30,903)	355	—	**(30,548)**
Decommissioning obligations	7,318	250	—	**7,568**
Fair value of derivatives	(1,661)	1,749	—	**88**
Other provision and liabilities	4,049	(936)	—	**3,113**
Share and debt issue costs	669	—	(43)	**626**
Non-capital losses	41,965	(2,228)	—	**39,737**
Total deferred tax assets	21,437	(810)	(43)	**20,584**

For the three months ended March 31, 2025 and 2024, the Company recorded a deferred income tax expense of $0.8 million (Q1 2024 - income tax recovery of $1.0 million).

LIQUIDITY, CAPITALIZATION AND FINANCIAL RESOURCES

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

Capital Management

($ thousands, except as noted)	**March 31, 2025**	December 31, 2024
Revolving bank debt(1)	**103,302**	105,945
Term Loan (principal)	**20,000**	20,000
Adjusted working capital deficit(2)(4)	**24,386**	28,075
Net debt(2)	**147,688**	154,020
Shares outstanding at end of period (*thousands*)	**93,387**	93,044
Market price at end of period (*$/share*)	**1.94**	2.12
Market value of shares(2)	**181,171**	197,253
Enterprise value(2)	**328,859**	351,273
Net debt as a percentage of enterprise value(2)	**45%**	44%
Trailing twelve-months adjusted funds flow(2)	**111,259**	93,777
Net debt to adjusted funds flow ratio(2)	**1.3**	1.6
Q1 annualized adjusted funds flow(2)(3)	**143,736**	143,420
Net debt to Q1 annualized adjusted funds flow ratio(2)(3)	**1.0**	1.1

(1) Revolving bank debt shown net of cash balance of $2.6 million as at December 31, 2024.
(2) Non-GAAP measure or ratio. See "Non-GAAP and Other Financial Measures".
(3) Based on Q1 2025 adjusted funds flow of $35.9 million, net debt to Q1 annualized adjusted funds flow ratio is 1.0 times at March 31, 2025. See "Non-GAAP and Other Financial Measures" for more details.
(4) Adjusted working capital deficit excludes cash balance of $2.6 million as at December 31, 2024.

At March 31, 2025, Rubellite had net debt of $147.7 million, a 4% decrease from $154.0 million at December 31, 2024. Net debt decreased as a result of adjusted funds flow of $35.9 million exceeding capital expenditures including land and other expenditures of $24.9 million, which generated free funds flow $11.0 million. The positive free funds flow for the quarter was primarily used to reduce debt and other obligations which included the $3.8 million reduction of the other provision, $0.8 million of spending decommissioning activities and $0.2 million payment for cash-settled share-based compensation.

Rubellite had available liquidity at March 31, 2025 of $33.1 million, comprised of the $140.0 million Credit Facility Borrowing Limit, less bank borrowings of $103.3 million and outstanding letters of credit of $3.6 million. Subsequent to the end of the quarter, outstanding letters of credit were reduced by $2.2 million to $1.4 million, further enhancing available liquidity.

Bank debt

As at March 31, 2025, the Company's first lien credit facility, had a borrowing limit of $140.0 million (December 31, 2024 - $140.0 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.

As at March 31, 2025, $103.3 million was drawn against the credit facility (December 31, 2024 - $108.5 million). Letters of credit outstanding at period end were $3.6 million (December 31, 2024 - $3.6 million). 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 during the first quarter of 2025 was 6.0% per annum. For the period ended March 31, 2025, 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 March 31, 2025, the credit facility was not subject to any financial covenants and the Company was in compliance with all customary non-financial covenants.

Term Loan

			March 31, 2025		December 31, 2024	
($ thousands)	**Maturity date**	**Interest rate**	**Principal**	**Carrying Amount**	Principal	Carrying amount
Term loan	August 2, 2029	11.5%	**20,000**	**19,043**	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, and their affiliates, 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 and 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.

During the three months ending March 31, 2025, Rubellite paid $0.6 million in cash interest payments to the holders of the term loan (three months ended March 31, 2024 - nil).

At March 31, 2025, the term loan has been recorded at the present value of future cash flows, net of $1.0 million (December 31, 2024 - $0.1 million) in issue and discount costs which are amortized over the remaining term using a weighted average effective interest rate of 13.0%.

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

At March 31, 2025, entities controlled or directed by the Company's Chief Executive Officer ("CEO") hold $18.4 million of the outstanding term loan.

Equity

At March 31, 2025, there were 93.3 million common shares outstanding, net of 0.1 million shares held in trust for employee compensation programs.

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

On October 31, 2024, in conjunction with the closing of the Recombination Transaction, Rubellite issued 25.4 million common shares which 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 May 7, 2025 there were 93.3 million common shares outstanding, net of 0.1 million shares held in trust for employee compensation programs.

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

(thousands)	**May 7, 2025**
Restricted share units	2,477
Share options	3,052
Performance share units	1,854
Perpetual awards(1)(2)	2,637
Total	**10,020**

(1) Perpetual awards from the Recombination Transaction include 1.0 million deferred options, 0.5 million deferred shares, 0.8 million share options and 0.3 million performance share rights. All Perpetual awards from the Recombination Transaction were adjusted both in number issued and exercise price by the exchange ratio of 5:1.
(2) Perpetual awards include 2.0 million of legacy awards that are settled outside of treasury.

Commodity price risk management

As at May 7, 2025, Rubellite had entered into the following oil commodity risk management contracts:

Commodity	Volumes Sold (bbl/d)	Term	Reference/Index	Contract Traded Bought/Sold	Average Price ($/bbl)
Crude Oil	2,650 bbl/d	Apr 2025 - Jun 2025	WTI (US$/bbl)	Swap - sold	$72.23
Crude Oil	1,800 bbl/d	Jul 2025 - Sep 2025	WTI (US$/bbl)	Swap - sold	$71.98
Crude Oil	400 bbl/d	Oct 2025 - Dec 2025	WTI (US$/bbl)	Swap - sold	$74.86
Crude Oil	1,900 bbl/d	Apr 2025 - Jun 2025	WTI (CAD$/bbl)	Swap - sold	$99.16
Crude Oil	1,700 bbl/d	Jul 2025 - Sep 2025	WTI (CAD$/bbl)	Swap - sold	$99.12
Crude Oil	2,650 bbl/d	Apr 2025 - Jun 2025	WCS Differential (US$/bbl)	Swap - sold	($14.20)
Crude Oil	3,200 bbl/d	Jul 2025 - Sep 2025	WCS Differential (US$/bbl)	Swap - sold	($13.86)
Crude Oil	1,900 bbl/d	Oct 2025 - Dec 2025	WCS Differential (US$/bbl)	Swap - sold	($14.71)
Crude Oil	1,900 bbl/d	Apr 2025 - Jun 2025	WCS Differential (CAD$/bbl)	Swap - sold	($18.72)
Crude Oil	1,700 bbl/d	Jul 2025 - Sep 2025	WCS Differential (CAD$/bbl)	Swap - sold	($18.37)
Crude Oil	850 bbl/d	Apr 2025 - Jun 2025	WCS (CAD$/bbl)	Swap - sold	$80.19
Crude Oil	1,000 bbl/d	Jul 2025 - Sep 2025	WCS (CAD$/bbl)	Swap - sold	$80.48
Crude Oil	200 bbl/d	Oct 2025 - Dec 2025	WCS (CAD$/bbl)	Swap - sold	$80.00

As at May 7, 2025, Rubellite had entered into the following natural gas commodity risk management contracts:

Commodity	Volumes Sold	Term	Reference/Index	Contract Traded Bought/Sold	Average Price ($/GJ)
Natural gas	5,000 GJ/d	Apr 2025 - Jul 2025	AECO 5A (CAD$/GJ)	Swap - sold	$5.65
Natural gas	2,500 GJ/d	Aug 2025 - Oct 2025	AECO 5A (CAD$/GJ)	Swap - sold	$9.01
Natural gas	5,000 GJ/d	Nov 2025 - Dec 2025	AECO 5A (CAD$/GJ)	Swap - sold	$4.72
Natural gas	2,500 GJ/d	Jan 2026 - Mar 2026	AECO 5A (CAD$/GJ)	Swap - sold	$5.02

Foreign exchange risk management

As at May 7, 2025, Rubellite entered into the following foreign exchange risk management contracts:

Fixed Contract	Notional amount	Term	Price (CAD$/US$)
Average rate forward (CAD$/US$)	$4,600,000 US$/month	Apr - Jun 2025	1.3718
Average rate forward (CAD$/US$)	$4,403,000 US$/month	Jul - Sep 2025	1.3698
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

Variable Contract(1)	Notional amount	Term	Floor Price (CAD$/US$)	Ceiling Price (CAD$/US$)	Reset Price (CAD$/US$)
Knock-in Collar (CAD$/US$)	$500,000 US$/month	Apr - 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

(1) If the monthly average exchange rate is below the floor price, settlement for that month will occur at the floor price. If the monthly average exchange rate is above the ceiling price, settlement for that month will be against the reset price. No settlement occurs when the monthly average exchange rate is between the floor and ceiling price.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

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 March 31, 2025, the Company has drilled sixteen (16.0 net) of the 59 wells that are required to meet the drilling commitment.

PROVISIONS

Decommissioning obligations

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

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

($ thousands)	**March 31, 2025**	December 31, 2024
Decommissioning obligations – current	**1,630**	2,000
Decommissioning obligations – non-current	**31,054**	29,817
Total decommissioning obligations	**32,684**	31,817

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

($ thousands, except as noted)	**March 31, 2025**	December 31, 2024
Undiscounted obligations	**42,273**	42,085
Average risk-free rate	**3.2%**	3.3%
Inflation rate	**1.9%**	1.8%
Expected timing of settling obligations	**1 to 25 years**	1 to 25 years

Other provision

The other provision was assumed as part of the Recombination Transaction and relates to a "Settlement Agreement" Perpetual entered into to resolve litigation by providing amounts to settle asset retirement obligations without any party admitting liability, wrongdoing or violation of laws, regulations, public policy or fiduciary duties. The Company will make annual installment payments of $3.75 million until the total amount of the Settlement Principal is paid and the first payment was paid on March 28, 2025. All scheduled payments made prior to March 28, 2026 will have the interest forgiven. As of March 28, 2026, interest will accrue and be payable on the outstanding Settlement Principal annually 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.

($ thousands)	**March 31, 2025**	December 31, 2024
Other provisions – current	**3,750**	3,750
Other provisions – non-current	**11,214**	14,824
Total other provisions	**14,964**	18,574

The following assumptions were used to estimate the other provision:

($ thousands, except as noted)	**March 31, 2025**	December 31, 2024
Undiscounted obligations	**16,191**	19,941
Average risk-free rate	**3.0%**	3.0%
Expected timing of settling obligations	**5.0 years**	5.3 years

OFF BALANCE SHEET ARRANGEMENTS

Rubellite has no material off balance sheet arrangements.

NON-GAAP AND OTHER FINANCIAL MEASURES

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

Non-GAAP Financial Measures

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

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

	Three months ended March 31,	
($ thousands)	**2025**	2024
Net cash flows used in investing activities	**(24,383)**	(24,259)
Change in non-cash working capital	**549**	(11,467)
Capital expenditures, including land, corporate and other	**(24,932)**	(12,792)
Property, plant and equipment additions	**(21,858)**	(11,423)
Exploration and evaluation additions	**(2,933)**	(1,369)
Corporate additions	**(141)**	—
Capital expenditures, including land, corporate and other	**(24,932)**	(12,792)

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

	Three months ended March 31,			
($ thousands, except per boe amounts)	***$/boe***	**2025**	*$/boe*	2024
Net operating costs	**7.00**	**7,796**	6.35	2,610
Transportation	**5.59**	**6,231**	7.88	3,237
General and administrative	**3.96**	**4,414**	4.93	2,027
Cash finance expense	**2.21**	**2,459**	2.70	1,107
Cash costs	**18.76**	**20,900**	21.86	8,981

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

Net operating costs: Net operating costs equals operating expenses net of other income, which is made up of processing revenue and other one time items from time to time. Management views net operating costs as an important measure to evaluate its operational performance. The most directly comparable IFRS measure for net operating costs is production and operating expenses.

The following table reconciles net operating costs from production and operating expenses and other income in the Company's consolidated statement of income (loss) and comprehensive income (loss).

	Three months ended March 31,	
($ thousands, except per boe amounts)	**2025**	2024
Production and operating	**7,898**	2,610
Less: other income	**102**	—
Net operating costs	**7,796**	2,610
$/boe	**7.00**	6.35

Refer to reconciliations in the MD&A under the "Operating Netbacks" section for current period and comparative information.

Net Debt and Adjusted Working Capital Deficit: Rubellite uses net debt as an alternative measure of outstanding debt and is calculated by adding borrowings under the credit facility and term loan debt less adjusted working capital. Adjusted working capital is calculated by adding cash, accounts receivable, prepaid expenses and deposits and product inventory less accounts payable and accrued liabilities. Management considers net debt as an important measure in assessing the liquidity of the Company. Net debt is used by management to assess the Company's overall debt position and borrowing capacity. Net debt is not a standardized measure and therefore may not be comparable to similar measures presented by other entities.

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

($ thousands)	**As of March 31, 2025**	As of December 31, 2024
Current assets	**34,799**	44,714
Current liabilities	**(69,255)**	(74,680)
Working capital deficit	**34,456**	29,966
Risk management contracts – current asset	**4,038**	9,783
Risk management contracts – current liability	**(4,225)**	(2,765)
Right of use liability - current liability	**(331)**	(357)
Share-based compensation liability - current liability	**(4,172)**	(5,357)
Decommissioning obligations – current liability	**(1,630)**	(2,000)
Other provision - current liability	**(3,750)**	(3,750)
Adjusted working capital deficit(1)	**24,386**	25,520
Bank indebtedness	**103,302**	108,500
Term loan (principal)	**20,000**	20,000
Net debt(2)	**147,688**	154,020

(1) Calculation of current assets less current liabilities has been adjusted for the removal of the current portion of risk management contracts, decommissioning liabilities, lease liabilities, share-based compensation and other provisions.
(2) Excludes decommissioning liabilities and other provisions.

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

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

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

	Three months ended March 31,	
($ thousands, except as noted)	**2025**	2024
Net cash flows from operating activities	**27,135**	16,497
Change in non-cash working capital	**4,080**	1,834
Cash-settled share-based compensation	**196**	—
Other provision settled	**3,750**	—
Decommissioning obligations settled	**773**	121
Adjusted funds flow	**35,934**	18,452
Adjusted funds flow per share - basic	**0.39**	0.30
Adjusted funds flow per share - diluted	**0.38**	0.30
Adjusted funds flow per boe	**32.24**	44.92

Free funds flow: Free funds flow is an important measure that informs efficiency of capital spent and liquidity. Free funds flow is calculated as adjusted funds flow generated during the period less capital expenditures. Rubellite's capital expenditures excluded non cash items and acquisitions and dispositions. Adjusted funds flow and capital expenditures are non-GAAP financial measures which have been reconciled to its most directly comparable GAAP measure previously in this document. By removing the impact of current period capital expenditures from adjusted funds flow, Rubellite monitors its free funds flow to inform decisions such as capital allocation and debt repayment.

The following table shows the calculation of the removal of capital expenditures from adjusted funds flows pre transaction costs:

	Three months ended March 31,	
($ thousands)	**2025**	2024
Adjusted funds flow	**35,934**	18,452
Capital expenditures, including land, corporate and other	**(24,932)**	(12,792)
Free funds flow	**11,002**	5,660

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

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

Non-GAAP Financial Ratios

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

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

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

Net debt to annualized adjusted funds flow ratio: Net debt to annualized adjusted funds flow ratios are calculated by annualizing the current quarter adjusted funds flow after transaction costs.

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

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

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

Supplementary Financial Measures

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

"Realized oil price" is comprised of oil commodity sales from production, as determined in accordance with IFRS, divided by the Company's oil sales production.

"Realized natural gas price" is comprised of natural gas commodity sales from production, as determined in accordance with IFRS, divided by the Company's natural gas sales production.

"Realized NGL price" is comprised of NGL commodity sales from production, as determined in accordance with IFRS, divided by the Company's NGL sales production.

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

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

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

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

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

"Net operating expense per boe" is comprised of net operating expense, divided by the Company's total sales production.

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

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

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

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

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

INTERNAL CONTROLS AND PROCEDURES

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

There were no changes in the Company's DC&P or ICFR during the period beginning January 1, 2025 and ending on March 31, 2025 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR. It should be noted that a control system, including the Company's disclosure and internal controls and procedures, no matter how well conceived can provide only reasonable, but not absolute assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

FORWARD-LOOKING INFORMATION

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

Forward-looking information is based on current expectations, estimates and projections that involve a number of known and unknown risks, which could cause actual results to vary and in some instances to differ materially from those anticipated by Rubellite and described in the forward-looking information contained in this MD&A. In particular and without limitation of the foregoing, material factors or assumptions on which the forward-looking information in this MD&A is based include: the successful operation of the Company's assets, forecast commodity prices and other pricing assumptions; forecast production volumes based on business and market conditions; foreign exchange and interest rates; near-term pricing and continued volatility of the market; accounting estimates and judgments; future use and development of technology and associated expected future results; the ability to obtain regulatory approvals; the successful and timely implementation of capital projects; ability to generate sufficient cash flow to meet current and future obligations and future capital funding requirements (equity or debt); the ability of Rubellite to obtain and retain qualified staff and equipment in a timely and cost-efficient manner, as applicable; the retention of key properties; forecast inflation, supply chain access and other assumptions inherent in Rubellite's current guidance and estimates; climate change; severe weather events (including wildfires and drought); the continuance of existing tax, royalty, and regulatory regimes; the accuracy of the estimates of reserves volumes; ability to access and implement technology necessary to efficiently and effectively operate assets; risk of wars or other hostilities or geopolitical events (including the ongoing war in Ukraine and conflicts in the Middle East), civil insurrection and pandemics; risks relating to Indigenous land claims and duty to consult; data breaches and cyber attacks; risks relating to the use of artificial intelligence; changes in laws and regulations, including but not limited to tax laws, royalties and environmental regulations (including greenhouse gas emission reduction requirements and other decarbonization or social policies) and including uncertainty with respect to the interpretation of omnibus Bill C-59 and the related amendments to the Competition Act (Canada), and the interpretation of such changes to the Company's business); political, geopolitical and economic instability; trade policy, barriers, disputes or wars (including new tariffs or changes to existing international trade requirements and general economic and business conditions and markets, among others.

Undue reliance should not be placed on forward-looking information, which is not a guarantee of performance and is subject to a number of risks or uncertainties, including without limitation those described herein and under "Risk Factors" in the Company's Annual Information Form and MD&A for the year ended December 31, 2024 and in other reports on file with Canadian securities regulatory authorities which may be accessed through the SEDAR+ website www.sedarplus.ca and at Rubellite's website www.rubelliteenergy.com. Readers are cautioned that the foregoing list of risk factors is not exhaustive. Forward-looking information is based on the estimates and opinions of Rubellite's management at the time the information is released, and Rubellite disclaims any intent or obligation to update publicly any such forward-looking information, whether as a result of new information, future events or otherwise, other than as expressly required by applicable securities law.

ABBREVIATIONS AND CONVENTIONS

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

Measurement:

bbl	barrel
bbl/d	barrels per day
Mbbl	thousand barrels
MMbbl	million barrels
boe	barrels of oil equivalent
boe/d	barrels of oil equivalent per day
Mcf	thousand cubic feet
MMcf	million cubic feet
Mcf/d	thousand cubic feet per day
MMcf/d	million cubic feet per day
GJ	gigajoule

Industry Metrics:

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

Volume Conversions:

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

Initial Production Rates:

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

Estimated Drilling Locations:

Of the 316.2 net heavy oil drilling development locations disclosed in this MD&A, 93.1 net are proved and 45.6 net are probable undeveloped locations in the McDaniel year-end 2024 reserve report. There are 9.5 net proven natural gas locations and 4.4 net probable natural gas locations in the McDaniel year-end reserve report. Unbooked drilling locations are the internal estimates of Rubellite based on Rubellite's or the acquired assets prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves or resources (including contingent and prospective).

Unbooked locations have been identified by Rubellite's management as an estimation of Rubellite's multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that Rubellite will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and natural gas reserves, resources or production. The drilling locations on which Rubellite will actually drill wells, including the number and timing thereof is ultimately dependent upon the availability of funding, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While a certain number of the unbooked drilling locations have been de-risked by Rubellite drilling existing wells in relative close proximity to such unbooked drilling locations, the majority of other unbooked drilling locations are farther away from existing wells where management of Rubellite has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves, resources or production.

Financial and Business Environment:

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

SUMMARY OF QUARTERLY RESULTS

($ thousands, except as noted)	Q1 2025	Q4 2024	Q3 2024	Q2 2024
Financial				
Oil and natural gas revenue	**66,607**	59,081	43,682	35,798
Net income (loss) and comprehensive income (loss)	**1,160**	26,747	15,010	12,368
Per share – basic(2)	**0.01**	0.31	0.23	0.20
Per share – diluted(2)	**0.01**	0.30	0.23	0.19
Total assets	**551,889**	562,612	432,836	281,549
Cash flow from operating activities	**27,135**	39,402	19,973	19,916
Adjusted funds flow, after transaction costs(1)(6)	**35,934**	31,632	23,029	20,664
Per share – basic(1)(2)	**0.39**	0.36	0.35	0.33
Per share – diluted(1)(2)	**0.38**	0.36	0.35	0.33
Capital expenditures, including land and other(1)	**24,932**	35,537	36,650	23,927
Acquisitions(3)	**—**	68,467	62,732	—
Common shares (thousands)				
Weighted average – basic	**92,930**	87,655	65,834	62,494
Weighted average – diluted	**95,068**	88,546	66,571	63,446
Operating				
Heavy oil (bbl/d)(4)	**8,339**	7,754	5,954	4,503
Natural gas (Mcf/d)	**22,038**	14,140	—	—
NGL (bbl/d)(5)	**371**	275	—	—
Daily average sales production (boe/d)	**12,383**	10,386	5,954	4,503
Rubellite average realized oil price(1)(7)				
Oil ($/bbl)	**80.03**	76.97	79.75	87.35
Natural gas ($/Mcf)	**2.16**	2.01	—	—
NGL ($/bbl)	**67.54**	61.32	—	—
Total average realized price ($/boe)	**59.77**	61.83	79.75	87.35

($ thousands, except as noted)	Q1 2024	Q4 2023	Q3 2023	Q2 2023
Financial				
Oil revenue	29,823	27,224	25,777	18,863
Net income and comprehensive income	(4,153)	9,523	3,942	3,397
Per share – basic(2)	(0.07)	0.15	0.06	0.05
Per share – diluted(2)	(0.07)	0.15	0.06	0.05
Total assets	267,298	271,153	223,353	218,218
Cash flow from (used in) operating activities	16,497	18,963	14,957	12,186
Adjusted funds flow, after transaction costs(1)(6)	18,452	16,923	15,554	11,998
Per share – basic(1)(2)	0.30	0.27	0.25	0.19
Per share – diluted(1)(2)	0.30	0.27	0.25	0.19
Capital expenditures, including land and other(1)	12,792	26,320	11,330	11,820
Acquisitions(3)	—	33,173	—	—
Dispositions(3)	—	(7,900)	—	—
Common shares (thousands)				
Weighted average – basic	62,457	62,440	61,956	61,830
Weighted average – diluted	62,457	62,958	62,597	62,432
Operating				
Daily average oil sales production (bbl/d)(4)	4,514	4,209	3,154	2,844
Rubellite average realized oil price(1)(7)				
Average realized oil price ($/bbl)	72.60	70.31	88.85	72.88

(1) Non-GAAP measure or ratio. See "Non-GAAP and Other Financial Measures".
(2) Per share amounts are calculated using the weighted average number of basic or diluted common shares.
(3) Includes cash and non-cash consideration.
(4) Conventional heavy oil sales production excludes tank inventory volumes.
(5) Liquids means oil, condensate, ethane, propane and butane.
(6) Q4 2024 includes $4.2 million in transaction costs related to the Recombination Transaction with Perpetual, Q3 2024 includes $2.0 million in transaction costs related to the BMEC Acquisition and Q4 2023 includes $0.1 million in transaction costs related to the Clearwater Asset Acquisition.
(7) Before risk management contracts; supplementary financial measure. See "Non-GAAP and Other Financial Measures".

Oil and natural gas revenue has ranged between $18.9 million and $66.6 million over the prior eight quarters largely due to increasing sales volumes from 2,844 boe/d to 12,383 boe/d, partially offset by volatility in commodity pricing. Net income (loss) has ranged between a loss of $4.2 million and income of $26.7 million primarily due to increased production, corporate acquisitions, volatility of commodity prices and its impact on revenue, royalties and realized and unrealized risk management contract gains and losses and deferred income taxes.

RUBELLITE ENERGY CORP.
Condensed Interim Consolidated Statements of Financial Position

As at	March 31, 2025	December 31, 2024
(*Cdn$ thousands, unaudited*)		
Assets		
Current assets		
Cash	**$ —**	$ 2,555
Accounts receivable	**23,905**	26,349
Prepaid expenses, deposits and other	**2,817**	2,752
Product inventory	**4,039**	3,275
Risk management contracts (note 15)	**4,038**	9,783
	34,799	44,714
Property, plant and equipment (note 3)	**462,893**	461,996
Exploration and evaluation (note 4)	**28,841**	29,106
Right-of-use asset (note 5)	**4,772**	4,930
Deferred tax asset (note 13)	**20,584**	21,437
Risk management contracts (note 15)	**—**	429
Total assets	**$ 551,889**	$ 562,612
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**$ 55,147**	$ 60,451
Risk management contracts (note 15)	**4,225**	2,765
Lease liabilities (note 6)	**331**	357
Share-based compensation liability (note 9)	**4,172**	5,357
Decommissioning obligations (note 7a)	**1,630**	2,000
Other provision (note 7b)	**3,750**	3,750
	69,255	74,680
Bank debt (note 11)	**103,302**	108,500
Term loan (note 12)	**19,043**	19,027
Lease liabilities (note 6)	**4,525**	4,608
Risk management contracts (note 15)	**198**	225
Share-based compensation liability (note 9)	**951**	914
Decommissioning obligations (note 7a)	**31,054**	29,817
Other provision (note 7b)	**11,214**	14,824
Total liabilities	**239,542**	252,595
Equity		
Share capital (note 8)	**207,483**	206,313
Contributed surplus	**2,863**	2,863
Retained earnings	**102,001**	100,841
Total equity	**312,347**	310,017
Total liabilities and equity	**$ 551,889**	$ 562,612

Commitments (note 3)
Subsequent events (note 11, 15)

See accompanying notes to the condensed interim consolidated financial statements.

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

	Three months ended March 31,	
	2025	2024
(Cdn$ thousands, except per share amounts, unaudited)		
Revenue		
Oil and natural gas (note 10)	**$ 66,607**	$ 29,823
Royalties	**(9,449)**	(3,321)
	57,158	26,502
Realized gain (loss) on risk management contracts (note 15)	**(188)**	1,040
Unrealized loss on risk management contracts (note 15)	**(7,607)**	(13,910)
Other income	**102**	—
	49,465	13,632
Expenses		
Production and operating	**7,898**	2,610
Transportation	**6,231**	3,237
General and administrative	**4,414**	2,027
Share based payments (note 9)	**553**	736
Exploration and evaluation (note 4)	**3,202**	131
Depletion and depreciation (note 3, 5)	**22,162**	8,897
Transaction costs	**132**	—
	4,873	(4,006)
Finance expense (note 14)	**(2,903)**	(1,171)
Income (loss) before income tax	**1,970**	(5,177)
Taxes		
Deferred tax (expense) recovery (note 13)	**(810)**	1,024
Net income (loss) and comprehensive income (loss)	**$ 1,160**	$ (4,153)
Net income (loss) per share (note 8c)		
Basic	**$ 0.01**	$ (0.07)
Diluted	**$ 0.01**	$ (0.07)

See accompanying notes to the condensed interim consolidated financial statements.

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

	Share Capital (thousands)	*Share Capital* ($thousands)	Contributed surplus	Retained earnings	Total Equity
(Cdn$ thousands, except share amounts, unaudited)					
Balance at December 31, 2024	93,044	$ 206,313	$ 2,863	$ 100,841	$ 310,017
Net income	—	—	—	1,160	1,160
Common shares issued, net of issue costs (note 8)	—	(43)	—	—	(43)
Common shares issued, share-based payment plan (note 9)	343	1,213	—	—	1,213
Balance at March 31, 2025	**93,387**	**$ 207,483**	**$ 2,863**	**$ 102,001**	**$ 312,347**

	Share Capital (thousands)	*Share Capital* ($thousands)	Share purchase warrants	Contributed surplus	Retained earnings	Total Equity
(Cdn$ thousands, except share amounts, unaudited)						
Balance at December 31, 2023	62,456	$ 143,033	$ 2,000	$ 3,410	$ 50,868	$ 199,311
Net loss	—	—	—	—	(4,153)	(4,153)
Common shares issued, share-based payment plan (note 9)	4	15	—	(15)	—	—
Share-based payments (note 9)	—	—	—	736	—	736
Balance at March 31, 2024	62,460	$ 143,048	$ 2,000	$ 4,131	$ 46,715	$ 195,894

See accompanying notes to the condensed interim consolidated financial statements.

RUBELLITE ENERGY CORP.
Condensed Interim Consolidated Statements of Cash Flows

	Three months ended March 31,	
	2025	2024
(*Cdn$ thousands, unaudited*)		
Cash flows from operating activities		
Net income (loss)	**$ 1,160**	$ (4,153)
Adjustments to add (deduct):		
Depletion and depreciation (note 3, 5)	**22,162**	8,897
Share-based payments (note 9)	**553**	736
Deferred tax expense (recovery) (note 13)	**810**	(1,024)
Unrealized loss on risk management contracts (note 15)	**7,607**	13,910
Non-cash finance expense (note 14)	**444**	64
Exploration and evaluation expense (note 4)	**3,198**	22
Payment for share-based compensation (note 9)	**(196)**	—
Payment for other provision (note 7b)	**(3,750)**	—
Decommissioning obligations settled (note 7a)	**(773)**	(121)
Change in non-cash working capital	**(4,080)**	(1,834)
Net cash flows from operating activities	**27,135**	16,497
Cash flows from (used in) financing activities		
Payment lease liabilities (note 6)	**(109)**	—
Change in bank debt (note 11)	**(5,198)**	7,762
Net cash flows from (used in) financing activities	**(5,307)**	7,762
Cash flows used in investing activities		
Development and production expenditures (note 3)	**(21,858)**	(11,423)
Corporate expenditures (note 3)	**(141)**	—
Exploration and evaluation expenditures (note 4)	**(2,933)**	(1,369)
Change in non-cash working capital	**549**	(11,467)
Net cash flows used in investing activities	**(24,383)**	(24,259)
Change in cash	**(2,555)**	**—**
Cash, beginning of period	**2,555**	—
Cash, end of period	**$ —**	$ —

See accompanying notes to the condensed interim consolidated financial statements.

1. REPORTING ENTITY

Rubellite Energy Corp. ("Rubellite" or the "Company") is an oil and natural gas exploration and production company headquartered in Calgary, Alberta.

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

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

2. BASIS OF PREPARATION

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and do not include all of the information required for full annual financial statements. These condensed interim consolidated financial statements should be read in conjunction with the Company's financial statements as at and for the year ended December 31, 2024 which were prepared in conformity with IFRS Accounting Standards as issued by the International Accounting Standards Board.

The accounting policies, basis of measurement, critical accounting judgements and significant estimates used to prepare the annual consolidated financial statements as at and for the year ended December 31, 2024 have been applied in the preparation of these condensed interim consolidated financial statements.

These financial statements were approved and authorized for issue by the Board of Directors on May 7, 2025.

3. PROPERTY, PLANT AND EQUIPMENT

a) Property, Plant And Equipment

		Development and Production Assets		Corporate Assets		Total
Cost						
December 31, 2023	$	245,156	$	—	$	245,156
Additions		90,680		3,097		93,777
Transfer from exploration and evaluation (note 4)		20,796		—		20,796
Acquisitions (note 3c)		173,818		2,737		176,555
Change in decommissioning obligations related to PP&E (note 7a)		19,532		—		19,532
December 31, 2024	$	549,982	$	5,834	$	555,816
Additions		**21,858**		**141**		**21,999**
Change in decommissioning obligations related to PP&E (note 7a)		**1,375**		**—**		**1,375**
March 31, 2025	**$**	**573,215**	**$**	**5,975**	**$**	**579,190**
Accumulated depletion and depreciation						
December 31, 2023	$	(42,953)	$	—	$	(42,953)
Depletion		(50,317)		(550)		(50,867)
December 31, 2024	$	(93,270)	$	(550)	$	(93,820)
Depletion and depreciation(1)		**(22,131)**		**(346)**		**(22,477)**
March 31, 2025	**$**	**(115,401)**	**$**	**(896)**	**$**	**(116,297)**
Carrying amount						
December 31, 2024	$	456,712	$	5,284	$	461,996
March 31, 2025	**$**	**457,814**	**$**	**5,079**	**$**	**462,893**

(1) During the period ended March 31, 2025, depletion, as presented in the table, excludes $0.5 million which has been capitalized to inventory (Q1 2024 - nominal amount).

As at March 31, 2025, future development costs of $421.5 million (December 31, 2024 – $436.3 million) associated with proved and probable oil and gas reserves were included in the depletion calculation and an estimated $8.8 million (December 31, 2024 – $8.7 million) of salvage value for production equipment. Depletion expense was $22.1 million (December 31, 2024 - $93.3 million) on development and production assets for the three months ended March 31, 2025.

During the three months ended March 31, 2025, the Company added $0.1 million of corporate assets (December 31, 2024 -$5.8 million) and recorded depreciation expense of $0.3 million (December 31, 2024 - $0.6 million).

The Company has a drilling commitment on certain gross overriding royalty ("GORR") lands that must be fulfilled by June 30, 2026 (the "Commitment Date"). In the event the Company fails to fulfill the drilling commitment, the Company is required to pay $0.1 million per well not spud by the Commitment Date. As at March 31, 2025, the Company has drilled sixteen (16.0 net) of the 59 wells that are required to meet the drilling commitment.

b) Impairment

There were no indicators of impairment related to the Company's CGUs as at March 31, 2025 and December 31, 2024, and the Company did not transfer E&E to PP&E, therefore, no impairment test was required.

c) 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.. 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 (note 8b). 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 and the settlement of a pre-existing relationship for a total purchase price of $47.7 million. 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.

The conventional natural gas assets acquired in this transaction are included in the West Central cash generating unit ("CGU").

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, which consisted of $62.7 million in cash and the issuance of 5.0 million of common shares (note 8b) 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"). All assets acquired are included in the Company's Eastern Heavy Oil CGU.

4. EXPLORATION AND EVALUATION

		March 31, 2025		December 31, 2024
Balance, beginning of period	**$**	**29,106**	$	32,301
Acquisitions (note 3c)		**—**		2,692
Additions		**2,933**		15,129
Transfer to property, plant, and equipment (note 3a)		**—**		(20,796)
Exploration and evaluation expense		**(3,198)**		(220)
Balance, end of period	**$**	**28,841**	$	29,106

During the three months ended March 31, 2025, $3.2 million (March 31, 2024 - $0.1 million) of exploration and evaluation ("E&E") expense in the consolidated statements of income (loss) and comprehensive income (loss) related to two (2.0 net) exploration wells and associated lands that were previously recorded as 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 March 31, 2025, the Company conducted an assessment of the indicators of impairment for the Company's E&E assets. In performing the assessment, management has determined that there were no indicators of impairment.

5. RIGHT-OF-USE ASSETS

The Company leases several assets including office space, vehicles, and other leases. Information about lease obligations for which the Company is a lessee is presented below:

		Head office		**Vehicles**		**Other leases**		**Total**
Cost								
December 31, 2024	$	4,782	$	190	$	64	$	5,036
March 31, 2025	**$**	**4,782**	**$**	**190**	**$**	**64**	**$**	**5,036**
Accumulated depreciation								
December 31, 2024	$	(77)	$	(23)	$	(6)	$	(106)
Depreciation		(115)		(34)		(9)		(158)
March 31, 2025	**$**	**(192)**	**$**	**(57)**	**$**	**(15)**	**$**	**(264)**
Carrying amount								
December 31, 2024	$	4,705	$	167	$	58	$	4,930
March 31, 2025	**$**	**4,590**	**$**	**133**	**$**	**49**	**$**	**4,772**

6. LEASE LIABILITIES

		March 31, 2025		December 31, 2024
Balance, beginning of year	$	**4,965**	$	—
Acquisition (note 3c)		**—**		5,036
Interest on lease liabilities (note 14)		**80**		55
Payments		**(189)**		(126)
Total lease liabilities	$	**4,856**	$	4,965
Current	$	**331**	$	357
Non-current		**4,525**		4,608
Total lease liabilities	$	**4,856**	$	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 March 31, 2025 were between 4.3% and 6.6% (December 31, 2024 - 4.3% and 6.6%).

7. PROVISIONS

a) Decommissioning obligations

		March 31, 2025		December 31, 2024
Balance, beginning of period	$	**31,817**	$	8,593
Liabilities settled		**(773)**		(451)
Obligations incurred		**526**		3,535
Obligations acquired (note 3c)		**—**		3,827
Change in rate on acquisition (note 3c)		**—**		13,586
Revisions to estimates		**849**		2,411
Accretion (note 14)		**265**		316
Total decommissioning obligations, end of period	$	**32,684**	$	31,817
Decommissioning obligations - current	$	**1,630**	$	2,000
Decommissioning obligations - non-current		**31,054**		29,817
Total decommissioning obligations	$	**32,684**	$	31,817

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

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

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

		March 31, 2025		December 31, 2024
Undiscounted obligations	$	**42,273**	$	42,085
Average risk-free rate		**3.2%**		3.3%
Inflation rate		**1.9%**		1.8%
Expected timing of settling obligations		**1 to 25 years**		1 to 25 years

b) Other provision

		March 31, 2025		December 31, 2024
Balance, beginning of period	$	**18,574**	$	—
Provision acquired (note 3c)		**—**		18,481
Payments		**(3,750)**		—
Accretion (note 14)		**140**		93
Total other provision, end of period	$	**14,964**	$	18,574
Other provision - current	$	**3,750**	$	3,750
Other provision - non-current		**11,214**		14,824
Total other provision	$	**14,964**	$	18,574

The other provision was assumed as part of the Recombination Transaction and relates to a "Settlement Agreement" Perpetual entered into to resolve litigation by providing amounts to settle asset retirement obligations without any party admitting liability, wrongdoing or violation of laws, regulations, public policy or fiduciary duties. The Company will make annual installment payments of $3.75 million until the total amount of the Settlement Principal is paid and the first payment was paid on March 28, 2025. All scheduled payments made prior to March 28, 2026 will have the interest forgiven. As of March 28, 2026, interest will accrue and be payable on the outstanding Settlement Principal annually 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:

		March 31, 2025		December 31, 2024
Undiscounted obligation	**$**	**16,191**	$	19,941
Average risk-free rate		**3.0%**		3.0%
Expected timing of settling obligation		**5.0 years**		5.3 years

8. SHARE CAPITAL

a) Authorized

Authorized capital consists of an unlimited number of common shares.

b) Issued and outstanding

	March 31, 2025			December 31, 2024		
	Shares *(thousands)*		**Amount *($thousands)***	Shares *(thousands)*		Amount *($thousands)*
Balance, beginning of year	**93,044**	**$**	**206,313**	62,456	$	143,033
Common shares issued, net of issue costs (note 3c)	**—**		**(43)**	30,359		62,082
Issued pursuant to share-based plans	**343**		**1,213**	229		1,567
Share issue costs	**—**		**—**	—		(369)
Balance, end of year	**93,387**	**$**	**207,483**	93,044	$	206,313

On October 31, 2024, in conjunction with the closing of the Recombination Transaction, Rubellite issued 25.4 million common shares which were valued at $51.7 million using the Company's share price on the closing date of the transaction of $2.04 per share.

On August 2, 2024, in conjunction with the closing of the acquisition of Buffalo Mission, Rubellite issued 5.0 million common shares to certain shareholders of Buffalo Mission, which were valued at $10.4 million using the Company's share price on the closing date of the transaction of $2.07 per share.

c) Per share information

		Three months ended March 31,		
(*thousands, except per share amounts*)		**2025**		2024
Net income (loss)	**$**	**1,160**		(4,153)
Weighted average shares				
Issued common shares		**93,387**		62,460
Effect of shares held in trust(1)		**(115)**		—
Issued common shares, net of shares held in trust(2)		**93,272**		62,460
Weighted average common shares outstanding – basic		**92,930**		62,457
Weighted average common shares outstanding – diluted		**95,068**		62,457
Net income (loss) per share – basic	**$**	**0.01**	$	(0.07)
Net income (loss) per share – diluted	**$**	**0.01**	$	(0.07)

(1) As result of the Recombination Transaction, 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 9).

(2) Share capital is presented net of the shares held by the Trustee that have not been issued to employees. As at March 31, 2025 there were $0.1 million shares held in trust (December 31, 2024 - 0.2 million).

Per share amounts have been calculated using the weighted average number of common shares outstanding. For the period ended March 31, 2025, 8.7 million common shares (March 31, 2024 - 7.7 million common shares) issuable upon the exercise and/or settlement of share options, restricted share units and performance share units were excluded from the diluted weighted average number of common shares outstanding as they were anti-dilutive.

9. SHARE-BASED PAYMENTS

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

		March 31, 2025		December 31, 2024
Balance, beginning of period	**$**	**6,271**	$	—
Reclassified from contributed surplus(1)		**—**		3,696
Share-based compensation liability acquired		**—**		2,925
Share-based payment expense		**1,941**		—
Fair value adjustment		**(1,388)**		282
Cash settlement(2)		**(488)**		(632)
Equity settlement		**(1,213)**		—
Balance, end of period(3)	**$**	**5,123**	$	6,271
Share-based compensation liability - current	**$**	**4,172**	$	5,357
Share-based compensation liability - non-current		**951**		914
Total share-based compensation liabilities	**$**	**5,123**	$	6,271

(1) During 2024 the Company modified its share options, performance share units and restricted share units from equity-settled to cash-settled share-based compensation awards. The fair value of the awards previously expensed have been reclassified from contributed surplus to a share-based compensation liability.
(2) Q1 2025 cash settlement includes $0.3 million classified as accounts payable as at March 31, 2025.
(3) The Company's share-based payment liability can be settled through the issuance of cash or shares.

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

		Three months ended March 31,		
		2025		2024
Share-based payment expense		**1,941**		736
Fair value adjustment		**(1,388)**		—
Share-based payment expense	**$**	**553**	$	736

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

Compensation awards

(number of awards, thousands)	**Share options**	**Performance share units**	**Restricted share units**	**Total**
December 31, 2024	3,052	605	2,526	6,183
Granted	—	1,530	35	1,565
Exercised for common shares	—	(562)	—	(562)
Performance adjustment	—	281	—	281
Forfeited	—	—	(18)	(18)
March 31, 2025	**3,052**	**1,854**	**2,543**	**7,449**

Compensation awards - Recombination Transaction(1)(2)

(number of awards, thousands)	**Deferred Options**	**Deferred Shares**	**Share options**	**Performance share rights**	**Total**
December 31, 2024	1,189	568	902	532	3,191
Exercised for common shares	—	—	(11)	—	(11)
Exercised for shares held in trust	(53)	(26)	—	—	(79)
Exercised for cash	(100)	—	(60)	(111)	(271)
Performance adjustment	—	—	—	(111)	(111)
Forfeited	—	(3)	—	—	(3)
March 31, 2025(3)	**1,036**	**539**	**831**	**310**	**2,716**

(1) Recognized as part of the Recombination Transaction.
(2) Awards previously issued by Perpetual, which were acquired through the Recombination Transaction, were adjusted the equity conversion ratio of 5:1.
(3) Includes 2.1 million of legacy awards that are settled outside of treasury (December 31, 2024 - 2.3 million).

During the three months ended March 31, 2025, the Company granted 1.6 million share-based compensation awards, comprised of 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 8c).

The Company uses the Black-Scholes pricing model to calculate the estimated fair value of the deferred options and performance based long-term incentive awards. The following assumptions were used to arrive at the estimate of fair value as at March 31, 2025:

	March 31, 2025	December 31, 2024
Dividend yield (%)	**—**	—
Forfeiture rate (%)	**5.00**	5.00
Expected volatility (%)	**45.98**	48.61
Risk-free interest rate (%)	**2.46**	2.89
Contractual life (years)	**5.0**	5.0
Weighted average share price at grant date	**$ 0.81**	$ 0.81
Closing share price	**$ 1.94**	$ 2.12

b) 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 legacy Perpetual share options from the Recombination Transaction, adjusted for the share exchange ratio of 5:1 and were awarded under the same terms.

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 March 31, 2025:

	March 31, 2025	December 31, 2024
Dividend yield (%)	**—**	—
Forfeiture rate (%)	**5.00**	5.00
Expected volatility (%)	**47.37**	48.61
Risk-free interest rate (%)	**2.47**	2.89
Contractual life (years)	**5.0**	5.0
Weighted average share price at grant date	**$ 2.44**	$ 0.81
Closing share price	**$ 1.94**	$ 2.12

c) Deferred shares

As a result of the Recombination Transaction, 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 9e), 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 8c).

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 deferred shares were revalued at March 31, 2025 using Rubellite's closing share price of $1.94 per share.

d) Performance share units and performance share rights

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 for awards issued in 2023 and 2024 and over three years for awards issued in 2025. 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 rights, which were acquired from Perpetual in the Recombination Transaction, were awarded under the same terms and were adjusted for the exchange ratio of 5:1 through the Recombination Transaction.

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 2.0 has been applied to performance share units which vested in the first quarter of 2025. As at March 31, 2025, a performance factor of 1.4 and 0.8 has been assumed for unvested performance share units granted in 2024 and 2025, respectively. Fluctuations in share-based payments may occur due to changes in estimates of performance outcomes.

The fair value of the legacy Perpetual performance share right awards 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 0.5 has been applied to performance share rights which vested in the first quarter of 2025 for awards granted by Perpetual in 2023. As at March 31, 2025, a performance factor of 0.6 has been assumed for unvested performance share rights granted in 2024 which were 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 and performance share rights using the cash-settled method under IFRS 2 and uses an intrinsic pricing model to calculate the estimated fair value 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 performance share units were revalued at March 31, 2025 using Rubellite's closing share price of $1.94 per share.

e) Restricted share units

The Company has a restricted share unit plan for directors, officers, employees or consultants. The restricted share units ("RSUs") vest proportionately annually over a two year period for units granted prior to November 1, 2024 and vest proportionately 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 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 March 31, 2025 of $1.94 per share.

10. 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 with established creditworthy counterparties. Revenues are typically collected on the 25th day of the month following production and delivery to sales points. Included in accounts receivable at March 31, 2025 is $21.8 million of revenue related to March 2025 sales production (December 31, 2024 - $22.5 million of revenue related to December 2024 sales production).

	Three months ended March 31, 2025	2024
Oil	**$ 60,061**	$ 29,823
Natural gas	**4,290**	—
NGL	**2,256**	—
Total oil and natural gas revenue	**$ 66,607**	$ 29,823

11. BANK DEBT

As at March 31, 2025, the Company's first lien credit facility had a borrowing limit of $140.0 million (December 31, 2023 - $140.0 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.

As at March 31, 2025, $103.3 million was drawn against the credit facility (December 31, 2024 - $108.5 million) and $3.6 million (December 31, 2024 - $3.6 million) of letters of credit have been issued. Subsequent to the end of the quarter, outstanding letters of credit were reduced by $2.2 million to $1.4 million. 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 March 31, 2025 was 6.0% per annum. For the period ended March 31, 2025, if interest rates changed by 1% with all other variables held constant, the impact on cash finance expense and net income (loss) and comprehensive income (loss) 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 March 31, 2025, the credit facility was not subject to any financial covenants and the Company was in compliance with all customary non-financial covenants.

12. TERM LOAN

			March 31, 2025		December 31, 2024	
	Maturity date	**Interest rate**	**Principal**	**Carrying Amount**	Principal	Carrying amount
Term loan	August 2, 2029	11.5%	**$ 20,000**	**$ 19,043**	$ 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, and their affiliates, 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 period ended March 31, 2025, Rubellite paid $0.6 million in cash interest payments to the holders of the term loan (March 31, 2024 - nil).

At March 31, 2025, the term loan has been recorded at the present value of future cash flows, net of $1.0 million (December 31, 2024 - $1.0 million) in issue and discount costs which are amortized over the remaining term using a weighted average effective interest rate of 13.0%.

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

At March 31, 2025 and December 31, 2024, entities controlled or directed by the Company's Chief Executive Officer ("CEO") hold $18.4 million of the outstanding term loan.

13. DEFERRED TAXES

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

	December 31, 2024	Recognized in earnings	Recognized in equity	**March 31, 2025**
Assets (liabilities):				
Property, plant and equipment	$ (30,903)	$ 355	$ —	**$ (30,548)**
Decommissioning obligations	7,318	250	—	**7,568**
Fair value of derivatives	(1,661)	1,749	—	**88**
Other liabilities	4,049	(936)	—	**3,113**
Share and debt issue costs	669	—	(43)	**626**
Non-capital losses	41,965	(2,228)	—	**39,737**
Total deferred tax assets	$ 21,437	$ (810)	$ (43)	**$ 20,584**

14. FINANCE EXPENSE

	Three months ended March 31,	
	2025	2024
Interest on bank debt (note 11)	**$ 1,812**	$ 1,107
Interest on term loan (note 12)	**567**	—
Interest on lease liabilities (note 6)	**80**	—
Total cash finance expense	**2,459**	1,107
Amortization of debt issue costs (note 12)	**39**	—
Accretion on decommissioning obligations (note 7a)	**265**	64
Accretion on other provision (note 7b)	**140**	—
Total non-cash finance expense	**444**	64
Finance expense	**$ 2,903**	$ 1,171

15. FINANCIAL RISK MANAGEMENT

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

	March 31, 2025	December 31, 2024
Financial oil contracts	**$ (2,484)**	$ 3,332
Financial natural gas contracts	**4,038**	6,625
Financial foreign exchange contracts	**(1,939)**	(2,735)
Risk management contracts	**$ (385)**	$ 7,222
Risk management contracts – current asset	**$ 4,038**	$ 9,783
Risk management contracts – non-current asset	**—**	429
Risk management contracts – current liability	**(4,225)**	(2,765)
Risk management contracts – non-current liability	**(198)**	(225)
Risk management contracts	**$ (385)**	$ 7,222

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

	Three months ended March 31, 2025	2024
Unrealized loss on oil contracts	**$ (5,816)**	$ (12,912)
Unrealized loss on natural gas contracts	**(2,587)**	—
Unrealized gain (loss) on foreign exchange contracts	**796**	(998)
Unrealized loss on risk management contracts	**(7,607)**	(13,910)
Realized gain (loss) on oil contracts	**(1,086)**	949
Realized gain on natural gas contracts	**1,840**	—
Realized gain (loss) on foreign exchange contracts	**(942)**	91
Realized gain (loss) on risk management contracts	**(188)**	1,040
Change in fair value of risk management contracts	**$ (7,795)**	$ (12,870)

Oil risk management contracts

At March 31, 2025, the Company had in place the following oil commodity risk management contracts:

Commodity	**Volumes Sold (bbl/d)**	**Term**	**Reference/Index**	**Contract Traded Bought/Sold**	**Average Price ($/bbl)**
Crude Oil	2,650 bbl/d	Apr 2025 - Jun 2025	WTI (US$/bbl)	Swap - sold	$72.23
Crude Oil	1,800 bbl/d	Jul 2025 - Sep 2025	WTI (US$/bbl)	Swap - sold	$71.98
Crude Oil	400 bbl/d	Oct 2025 - Dec 2025	WTI (US$/bbl)	Swap - sold	$74.86
Crude Oil	1,900 bbl/d	Apr 2025 - Jun 2025	WTI (CAD$/bbl)	Swap - sold	$99.16
Crude Oil	1,700 bbl/d	Jul 2025 - Sep 2025	WTI (CAD$/bbl)	Swap - sold	$99.12
Crude Oil	2,650 bbl/d	Apr 2025 - Jun 2025	WCS Differential (US$/bbl)	Swap - sold	($14.20)
Crude Oil	3,200 bbl/d	Jul 2025 - Sep 2025	WCS Differential (US$/bbl)	Swap - sold	($13.86)
Crude Oil	1,900 bbl/d	Oct 2025 - Dec 2025	WCS Differential (US$/bbl)	Swap - sold	($14.71)
Crude Oil	1,900 bbl/d	Apr 2025 - Jun 2025	WCS Differential (CAD$/bbl)	Swap - sold	($18.72)
Crude Oil	1,700 bbl/d	Jul 2025 - Sep 2025	WCS Differential (CAD$/bbl)	Swap - sold	($18.37)
Crude Oil	850 bbl/d	Apr 2025 - Jun 2025	WCS (CAD$/bbl)	Swap - sold	$80.19
Crude Oil	1,000 bbl/d	Jul 2025 - Sep 2025	WCS (CAD$/bbl)	Swap - sold	$80.48
Crude Oil	200 bbl/d	Oct 2025 - Dec 2025	WCS (CAD$/bbl)	Swap - sold	$80.00

As at March 31, 2025, if future WTI and WCS oil prices changed by $5.00 per bbl with all other variables held constant, net income (loss) and comprehensive income (loss) for the period would change by $3.9 million due to changes in the fair value of risk management contracts.

Natural gas risk management contracts

At March 31, 2025, 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 ($/GJ)**
Natural gas	5,000 GJ/d	Apr 2025 - Oct 2025	AECO 5A (CAD$/GJ)	Swap - sold	$5.65
Natural gas	2,638 GJ/d	Apr 2025	AECO 7A / NYMEX Differential (US$/GJ)	Swap - sold	$2.46
Natural gas	2,638 GJ/d	May 2025 - Oct 2025	AECO 5A / NYMEX Differential (US$/GJ)	Swap - bought	($2.56)
Natural gas	7,500 GJ/d	Nov 2025 - Dec 2025	AECO 5A (CAD$/GJ)	Swap - sold	$4.20
Natural gas	2,500 GJ/d	Jan 2026 - Mar 2026	AECO 5A (CAD$/GJ)	Swap - sold	$5.02

As at March 31, 2025, if future AECO gas prices changed by $0.25 per GJ with all other variables held constant, net income (loss) and comprehensive income (loss) for the year would change by $1.6 million due to changes in the fair value of risk management contracts.

Subsequent to March 31, 2025, the Company entered into the following natural gas commodity risk management contracts:

Commodity	**Volumes Sold**	**Term**	**Reference/Index**	**Contract Traded Bought/Sold**	**Average Price ($/GJ)**
Natural gas	2,638 GJ/d	May 2025	AECO 5A / NYMEX Differential (US$/GJ)	Swap - sold	$1.88
Natural gas	2,638 GJ/d	Jun 2025	AECO 5A / NYMEX Differential (US$/GJ)	Swap - sold	$1.99
Natural gas	2,638 GJ/d	Jul - Oct 2025	AECO 5A / NYMEX Differential (US$/GJ)	Swap - sold	$2.28
Natural gas	2,500 GJ/d	Aug - Oct 2025	AECO 5A (CAD$/GJ)	Swap - bought	$2.29
Natural gas	2,500 GJ/d	Nov - Dec 2025	AECO 5A (CAD$/GJ)	Swap - bought	$3.17

Foreign exchange risk management contracts

At March 31, 2025, the Company had in place the following CAD/USD foreign exchange risk management contracts:

Fixed Contract	Notional amount	Term	Price (CAD$/US$)
Average rate forward (CAD$/US$)	$4,600,000 US$/month	Apr - Jun 2025	1.3718
Average rate forward (CAD$/US$)	$4,403,000 US$/month	Jul - Sep 2025	1.3698
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

Variable 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	Apr - 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 March 31, 2025, if future CAD$/US$ exchange rate changed by $0.05 with all other variables held constant, net income (loss) and comprehensive income (loss) for the year would change by $0.8 million due to changes in the fair value of risk management contracts.

Fair value of financial assets and liabilities

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

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

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

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

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

The fair value of cash, accounts receivable, and accounts payable and accrued liabilities approximate their carrying amounts due to their short terms to maturity. They are classified at 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 March 31, 2025	Gross	Netting(1)	Carrying Amount	Fair value Level 1	Fair value Level 2	Fair value Level 3
Financial assets						
Fair value through profit and loss						
Risk management contracts	$ 5,885	$ (1,847)	$ 4,038	$ —	$ 4,038	$ —
Financial liabilities						
Financial liabilities at amortized cost						
Bank debt	(103,302)	—	(103,302)	(103,302)	—	—
Term loan	(19,043)	—	(19,043)	(19,043)	—	—
Fair value through profit and loss						
Risk management contracts	(6,270)	1,847	(4,423)	—	(4,423)	—

(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.

CORPORATE INFORMATION

DIRECTORS

Holly A. Benson
Independent Director(1)(2)(3)

Linda A. Dietsche
Independent Director(1)(2)(3)

Tamara L. MacDonald
Independent Director(2)(3)(4)

Geoffrey C. Merritt
Independent Director(3)(4)(5)

Susan L. Riddell Rose
President, Chief Executive Officer and Director

Ryan A. Shay
Vice President, Finance and Chief Financial Officer and Director

Bruce C. Shultz
Independent Director(1)(3)(5)

Steven L. Spence
Independent Director(3)(4)(5)

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

OFFICERS

Susan L. Riddell Rose
President, Chief Executive Officer and Director

Ryan A. Shay
Vice President, Finance and Chief Financial Officer

Ryan M. Goosen
Vice President, Business Development and Land

Jeffrey R. Green
Vice President, Corporate and Engineering Services

Marcello M. Rapini
Vice President, Marketing

Karl H. Rumpf
Vice President, Exploration and New Ventures

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AUDITORS

KPMG LLP

BANKERS

ATB Financial
Bank of Montreal
The Bank of Nova Scotia
Shell Trading Canada

RESERVE EVALUATION CONSULTANTS

McDaniel & Associates Consultants Ltd.

REGISTRAR AND TRANSFER AGENT

Odyssey Trust Company