



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

THREE MONTHS ENDED MARCH 31, 2025

RUBELLITE ENERGY CORP.
Condensed Interim Consolidated Statements of Financial Position

As at	March 31, 2025	December 31, 2024
<i>(Cdn\$ thousands, unaudited)</i>		
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)

	2025	2024
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

	<i>Share Capital</i>		Contributed	Retained	Total
	<i>(thousands)</i>	<i>(\$thousands)</i>	surplus	earnings	Equity
<i>(Cdn\$ thousands, except share amounts, unaudited)</i>					
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

	<i>Share Capital</i>		Share	Contributed	Retained	Total
	<i>(thousands)</i>	<i>(\$thousands)</i>	purchase	surplus	earnings	Equity
			warrants			
<i>(Cdn\$ thousands, except share amounts, unaudited)</i>						
Balance at December 31, 2023	62,456	\$ 143,033	\$ 2,000	\$ 3,410	\$ 50,868	\$ 199,311
Net 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.

RUBELLITE ENERGY CORP.
Notes to the Condensed Interim Consolidated Financial Statements (unaudited)
For the three months ended March 31, 2025
(All tabular amounts are in Cdn\$ thousands, except where otherwise noted)

1. REPORTING ENTITY

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

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

<i>(thousands, except per share amounts)</i>	Three months ended March 31,	
	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

<i>(number of awards, thousands)</i>	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⁾

<i>(number of awards, thousands)</i>	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

	Maturity date	Interest rate	March 31, 2025		December 31, 2024	
			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	Level 2	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.