



2025
CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S REPORT

The consolidated financial statements of Rubellite Energy Corp. ("Rubellite" or the "Company") are the responsibility of Management and have been approved by the Board of Directors of the Company. These consolidated financial statements have been prepared by Management in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements are audited and have been prepared using accounting policies in accordance with IFRS Accounting Standards. The preparation of Management's Discussion and Analysis is based on the Company's financial results which have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB"). It examines the Company's financial performance in 2025 compared to 2024 and should be read in conjunction with the consolidated financial statements and accompanying notes.

Management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting. Management believes that the system of internal controls that have been designed and maintained at the Company provide reasonable assurance that financial records are reliable and form a proper basis for preparation of the consolidated financial statements. The internal accounting control process includes Management's communication to employees of policies which govern ethical business conduct.

Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Board of Directors has appointed an Audit Committee consisting of unrelated, non-management directors which meets during the year with Management and independently with the external auditors and as a group to review any significant accounting, internal control and auditing matters in accordance with the terms of the charter of the Audit Committee as set out in the Annual Information Form. The Audit Committee reviews the consolidated financial statements and Management's Discussion and Analysis before the consolidated financial statements are submitted to the Board of Directors for approval. The external auditors have free access to the Audit Committee without obtaining prior Management approval.

With respect to the external auditors, the Audit Committee approves the terms of engagement and reviews the annual audit plan, the Auditor's Report and results of the audit. It also recommends to the Board of Directors the firm of external auditors to be appointed by the shareholders.

The independent external auditors, KPMG LLP, have been appointed by the Board of Directors on behalf of the shareholders to express an opinion as to whether the consolidated financial statements present fairly, in all material respects, the Company's financial position, financial performance and cash flows in accordance with IFRS Accounting Standards. The report of KPMG LLP outlines the scope of their examination and their opinion on the consolidated financial statements.

/s/ Susan L. Riddell Rose

Susan L. Riddell Rose

President &
Chief Executive Officer

/s/ Ryan A. Shay

Ryan A. Shay

Vice President, Finance &
Chief Financial Officer

March 10, 2026



KPMG LLP
KPMG Tower 2200, 240 Fourth Ave SW
Calgary AB T2P 4H4
Canada
Tel 403 691 8000
Fax 403 691 8008

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Rubellite Energy Corp.

Opinion

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

- the consolidated statements of financial position as at December 31, 2025 and December 31, 2024
- the consolidated statements of income and comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2025 and December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “**Auditor’s Responsibilities for the Audit of the Financial Statements**” section of our auditor’s report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2025. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Assessment of the impact of estimated proved and probable oil and gas reserves on property, plant and equipment ("PP&E")

Description of the matter

We draw attention to note 2, note 3, and note 4 to the financial statements. The Entity uses estimates of proved and probable oil and gas reserves to deplete its development and production assets included in PP&E, to assess for indicators of impairment on the Entity's cash generating units ("CGUs") and if any such indicators exist, to perform an impairment test to estimate the recoverable amount of the CGU, to assess exploration and evaluation ("E&E") costs for impairment when transferred to PP&E.

The Entity has \$491.1 million of development and production assets as at December 31, 2025.

The Entity identified indicators of impairment as at December 31, 2025 for its West Central CGU and, as a result, completed an impairment test. The impairment test determined that the recoverable amount of the West Central CGU, determined using a value-in-use approach, exceeded its carrying value as at December 31, 2025 and as a result, no impairment was recognized.

The determination of the recoverable amount of the West Central CGU involves significant estimates and assumptions, including:

- The estimate of proved and probable oil and gas reserves
- The discount rates.

The Entity depletes its net carrying value of development and production assets using the unit-of-production method by reference to the ratio of production in the period to the related proved and probable oil and gas reserves, taking into account estimated forecasted future development costs necessary to bring those reserves into production. Depletion expense on development and production assets was \$92.8 million for the year ended December 31, 2025.

The estimate of proved and probable oil and gas reserves includes significant assumptions related to:

- Forecasted oil and gas commodity prices
- Forecasted production
- Forecasted operating costs
- Forecasted royalty costs
- Forecasted future development costs.

The Entity engages independent third-party reserve evaluators to estimate proved and probable oil and gas reserves.



Why the matter is a key audit matter

We identified the assessment of the impact of estimated proved and probable oil and gas reserves on development and production assets included in PP&E as a key audit matter. Significant auditor judgment was required to evaluate the results of our audit procedures regarding the estimate of proved and probable oil and gas reserves and the discount rates. Additionally, the assessment of the recoverable amount of the West Central CGU requires the use of professionals with specialized skills and knowledge in valuation.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter:

We assessed the depletion expense and impairment test calculations for compliance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

With respect to the estimate of proved and probable oil and gas reserves as at December 31, 2025:

- We evaluated the competence, capabilities and objectivity of the independent third-party reserve evaluators engaged by the Entity
- We compared forecasted oil and gas commodity prices to those published by other independent third-party reserve evaluators
- We compared the 2025 actual production, operating costs, royalty costs and development costs of the Entity to those estimates used in the prior year's estimate of proved oil and gas reserves to assess the Entity's ability to accurately forecast
- We evaluated the appropriateness of forecasted production and forecasted operating costs, royalty costs and future development costs assumptions by comparing to 2025 historical results. We took into account changes in conditions and events affecting the Entity to assess the adjustments or lack of adjustments in arriving at the assumptions.

We involved valuation professionals with specialized skills and knowledge, who assisted in:

- Evaluating the appropriateness of the West Central CGU discount rates by comparing the discount rate to market and other external data.
- Assessing the reasonableness of the Entity's estimate of recoverable amount of the West Central CGU by comparing the Entity's estimates to market metrics and other external data.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis.
- the information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "2025 Annual Results".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.



In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "2025 Annual Report" is expected to be made available to us after the date of this auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.



We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditor's report is Jasmeet Kang.

Calgary, Canada

March 10, 2026

RUBELLITE ENERGY CORP.
Consolidated Statements of Financial Position

As at (Cdn\$ thousands)	December 31, 2025	December 31, 2024
Assets		
Current assets		
Cash	\$ —	\$ 2,555
Accounts receivable	22,493	26,349
Prepaid expenses, deposits and other	2,999	2,752
Product inventory	3,861	3,275
Risk management contracts (note 17)	5,828	9,783
	35,181	44,714
Property, plant and equipment (note 4)	495,447	461,996
Exploration and evaluation (note 5)	31,054	29,106
Right-of-use asset (note 6)	4,447	4,930
Deferred tax asset (note 14)	12,380	21,437
Risk management contracts (note 17)	—	429
Total assets	\$ 578,509	\$ 562,612
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 59,913	\$ 60,451
Risk management contracts (note 17)	327	2,765
Lease liabilities (note 7)	389	357
Share based compensation liability (note 10)	4,694	5,357
Decommissioning obligations (note 8a)	1,340	2,000
Other provision (note 8b)	3,750	3,750
	70,413	74,680
Bank debt (note 12)	92,583	108,500
Term loan (note 13)	19,173	19,027
Lease liabilities (note 7)	4,340	4,608
Risk management contracts (note 17)	—	225
Share based compensation liability (note 10)	2,210	914
Decommissioning obligations (note 8a)	34,302	29,817
Other provision (note 8b)	11,554	14,824
Total liabilities	234,575	252,595
Equity		
Share capital (note 9)	207,673	206,313
Contributed surplus	2,863	2,863
Retained earnings	133,398	100,841
Total equity	343,934	310,017
Total liabilities and equity	\$ 578,509	\$ 562,612

Commitments (note 19)

See accompanying notes to the consolidated financial statements.

/s/ Holly Benson

Holly Benson
Director

/s/ Linda Dietsche

Linda Dietsche
Director

RUBELLITE ENERGY CORP.
Consolidated Statements of Income and Comprehensive Income

	December 31, 2025	December 31, 2024
<i>(Cdn\$ thousands, except per share amounts)</i>		
Revenue		
Oil and natural gas (note 11)	\$ 241,700	\$ 168,384
Royalties	(32,454)	(20,272)
	209,246	148,112
Realized gain on risk management contracts (note 17)	11,371	2,582
Unrealized loss on risk management contracts (note 17)	(1,721)	(12,252)
Other income	827	178
	219,723	138,620
Expenses		
Production and operating	29,946	16,692
Transportation	23,623	16,328
General and administrative	15,875	10,616
Share based payments (note 10)	5,368	3,571
Exploration and evaluation (note 5)	5,543	541
Gain on disposition (note 4c)	(7,791)	(31,617)
Depletion and depreciation (note 4, 6)	94,243	49,847
Transaction costs	132	6,233
	52,784	66,409
Finance expense (note 15)	(11,343)	(7,376)
Income before income tax	41,441	59,033
Taxes		
Deferred expense (note 14)	(8,884)	(9,060)
Net income and comprehensive income	\$ 32,557	\$ 49,973
Net income per share (note 9c)		
Basic	\$ 0.35	\$ 0.73
Diluted	\$ 0.34	\$ 0.72

See accompanying notes to the consolidated financial statements.

RUBELLITE ENERGY CORP.
Consolidated Statements of Changes in Equity

	Share Capital		Contributed	Retained	Total
	(thousands)	(\$thousands)	surplus	earnings	Equity
<i>(Cdn\$ thousands, except share amounts)</i>					
Balance at December 31, 2024	92,877	\$ 206,313	\$ 2,863	\$ 100,841	\$ 310,017
Net income	—	—	—	32,557	32,557
Common shares issued, net of issue costs (note 9)	—	(173)	—	—	(173)
Common shares issued, share based payment plan (note 10)	716	1,533	—	—	1,533
Balance at December 31, 2025	93,593	\$ 207,673	\$ 2,863	\$ 133,398	\$ 343,934

	Share Capital		Share	Contributed	Retained	Total
	(thousands)	(\$thousands)	purchase	surplus	earnings	Equity
			warrants			
<i>(Cdn\$ thousands, except share amounts)</i>						
Balance at December 31, 2023	62,456	\$ 143,033	\$ 2,000	\$ 3,410	\$ 50,868	\$199,311
Net income	—	—	—	—	49,973	49,973
Common shares issued, net of issue costs (note 9)	30,192	61,713	—	—	—	61,713
Cancellation of share purchase warrants (note 9)	—	—	(2,000)	2,000	—	—
Reclassification of share based compensation liability (note 10)	—	—	—	(3,696)	—	(3,696)
Common shares issued, share based payment plan (note 10)	229	1,567	—	(2,140)	—	(573)
Share based payments (note 10)	—	—	—	3,289	—	3,289
Balance at December 31, 2024	92,877	\$ 206,313	\$ —	\$ 2,863	\$ 100,841	\$310,017

See accompanying notes to the consolidated financial statements.

RUBELLITE ENERGY CORP.
Consolidated Statements of Cash Flows

December 31, 2025 December 31, 2024

(Cdn\$ thousands)

Cash flows from operating activities

Net income	\$	32,557	\$	49,973
Adjustments to add (deduct):				
Depletion and depreciation (note 4, 6)		94,243		49,847
Share based payments (note 10)		5,368		3,571
Deferred tax expense (note 14)		8,884		9,060
Unrealized loss on risk management contracts (note 17)		1,721		12,252
Non-cash finance expense (note 15)		1,754		472
Gain on dispositions (note 4c)		(7,791)		(31,617)
Non-cash exploration and evaluation expense (note 5)		5,425		220
Payment for share based compensation (note 10)		(3,202)		(632)
Payment for other provision (note 8b)		(3,750)		—
Decommissioning obligations settled (note 8a)		(1,851)		(451)
Change in non-cash working capital (note 16)		(4,562)		3,093
Net cash flows from operating activities		128,796		95,788

Cash flows from (used in) financing activities

Common shares issues, net of fees		—		(624)
Term loan, net of issue costs (note 13)		—		18,964
Payment lease liabilities (note 7)		(376)		(71)
Repayment of acquired bank debt (note 4c)		—		(14,215)
Change in bank debt (note 12)		(15,917)		75,743
Net cash flows from (used in) financing activities		(16,293)		79,797

Cash flows used in investing activities

Development and production expenditures (note 4)		(122,600)		(90,680)
Corporate expenditures (note 4)		(529)		(3,097)
Exploration and evaluation expenditures (note 5)		(7,373)		(15,129)
Acquisitions (note 4c)		—		(62,732)
Proceeds from dispositions (note 4c)		7,791		—
Change in non-cash working capital (note 16)		7,653		(1,392)
Net cash flows used in investing activities		(115,058)		(173,030)

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

See accompanying notes to the consolidated financial statements.

RUBELLITE ENERGY CORP.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2025 and 2024
(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 consolidated financial statements presented for the years ended December 31, 2025 and 2024 represent the results of Rubellite Energy Corp. and its wholly owned subsidiaries Rubellite Energy Inc., Ukalta GP Inc., Ukalta Limited Partnership, Perpetual Energy Inc., Perpetual Operating Corp., Perpetual Energy Partnership and Perpetual Operating Trust. On January 1, 2025, the subsidiary Perpetual Energy Inc. was amalgamated with Rubellite Energy Inc..

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

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

These consolidated financial statements of the Company were approved and authorized for issue by the Board of Directors on March 10, 2026.

a) Critical accounting judgements and significant estimates

The preparation of the consolidated financial statements in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. These judgements, estimates, and assumptions are continuously evaluated and are based on management's experience and all relevant information available to the Company at the time of consolidated financial statements preparation. As the effect of future events cannot be determined with certainty, the actual results may differ from estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

b) Critical accounting judgements

The following are the critical judgements that management has made in the process of applying the Company's accounting policies. These judgements have the most significant effect on the amounts reported in the consolidated financial statements.

i) Cash-generating units ("CGUs")

The Company allocates its development and production assets to CGUs, identified as the smallest group of assets that generate cash inflows independent of the cash inflows of other assets or groups of assets. Determination of the CGUs is subject to management's judgement and is based on geographical proximity, shared infrastructure, and similar exposure to market risk. The Company operates as a single operating segment.

ii) Identification of impairment indicators

Significant judgement is required to assess when internal or external indicators of impairment or impairment reversal exist, and impairment testing is required. Management considers internal and external sources of information including oil and gas commodity prices, expected production volumes, anticipated recoverable quantities of proved and probable oil and gas reserves and rates used to discount the related future cash flow estimates. Judgement is required to assess these factors when determining if the carrying amount of an asset or CGU is impaired, or in the case of a previously impaired asset or CGU, whether the carrying amount of the asset or CGU has been restored.

iii) Exploration and evaluation ("E&E") expenditures

Costs associated with acquiring oil and gas licenses and exploratory drilling are accumulated as exploration and evaluation assets pending determination of technical feasibility and commercial viability. Establishment of technical feasibility and commercial viability is subject to judgement and involves management's review of project economics, resource quantities, expected production techniques, production costs and required capital expenditures to develop and extract the underlying resources. Management uses the establishment of commercial reserves within the exploration area as the basis for determining technical feasibility and commercial viability. Upon determination of commercial reserves, E&E assets attributable to those reserves are reclassified from E&E assets to a separate category within property, plant and equipment referred to as development and production assets and are tested for impairment.

iv) Joint arrangements

Judgement is required to determine when the Company has joint control over an arrangement. In establishing joint control, the Company considers whether unanimous consent is required to direct the activities that significantly affect the returns of the arrangement, such as the capital and operating activities of the arrangement.

Once joint control has been established, judgement is also required to classify a joint arrangement. The type of joint arrangement is determined through analysis of the rights and obligations arising from the arrangement by considering its structure, legal form, and terms agreed upon by the parties sharing control. An arrangement where the controlling parties have rights to the assets and revenues, and obligations for the liabilities and expenses, is classified as a joint operation. Arrangements where the controlling parties have rights to the net assets of the arrangement are classified as joint ventures.

v) Deferred taxes

Deferred tax assets are recognized only to the extent it is considered probable that future taxable profits will be sufficient to utilize the underlying deductible temporary differences and unused tax losses associated with the deferred tax asset. This involves an assessment of when those deferred tax assets are likely to reverse and judgement as to whether there will be sufficient taxable profits available to offset the tax assets when they do reverse. The determination of probable future taxable profits involves significant estimates, including proved and probable oil and gas reserves. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized within the consolidated statements of income and comprehensive income in the period in which the change occurs.

vi) Business combinations

Judgement is required to determine whether an acquisition constitutes a business, for determining the accounting acquirer and the acquisition date for accounting purposes and then to determine the fair value of acquired entity.

c) Significant estimates

The following assumptions represent the key sources of estimation uncertainty at the end of the reporting period. As future confirming events occur, the actual results may differ from estimated amounts.

i) Reserves

The Company uses estimates of proved and probable oil and gas reserves to deplete its development and production assets included in PP&E, to assess for indicators of impairment on the Company's CGU and if any such indicators exist, to perform an impairment test to estimate the recoverable amount of the CGU, to fair value oil and natural gas assets acquired in a business combination, to assess E&E costs for impairment when transferred to PP&E and to determine if it is probable that future taxable profits will be sufficient to utilize the underlying deductible temporary differences and unused tax losses associated with the deferred tax asset. Estimates of proved and probable oil and gas reserves and their related cash flows are based upon a number of significant assumptions, such as forecasted production, oil and gas commodity prices, operating costs, royalty costs and future development costs. Additional estimates are made in relation to the marketability of oil and gas, and the assumed effects of regulation by government agencies and the potential imposition of tariffs. The geological, economic and technical factors used to estimate reserves may change from period to period. Changes in the reported reserves could have a material impact on the carrying values of the Company's development and production assets, the calculation of depletion and depreciation, and the timing of decommissioning expenditures.

Independent third-party reserve evaluators are engaged at least annually to estimate proved and probable oil and gas reserves and the related cash flows from the Company's interest in development and production assets. This evaluation of proved and proved plus probable oil and gas reserves is prepared in accordance with the reserve definitions contained in National Instrument 51-101 and the Canadian Oil and Gas Evaluation "COGE" Handbook. The Company obtained an annual evaluation from its independent third-party reserve evaluators to estimate proved and probable oil and gas reserves and the related cash flows on December 31, 2025.

ii) Business combinations

The determination of the acquisition-date fair value of oil and gas interests acquired through a business combination involves significant estimates and assumptions, including the cash flows associated with the proved and probable oil and gas reserves and the discount rates.

iii) Provisions for decommissioning obligations

Decommissioning, abandonment, and site reclamation expenditures for production facilities, wells, and pipelines are expected to be incurred by the Company over many years into the future. Amounts recorded for decommissioning obligations and the associated accretion are calculated based on estimates of the extent and timing of decommissioning activities, future site remediation regulations and technologies, inflation, liability specific discount rates and related cash flows. The provision represents management's best estimate of the present value of the future abandonment and reclamation costs required. Actual abandonment and reclamation costs could be materially different from estimated amounts.

iv) Derivative financial instruments

Derivatives are measured at fair value on each reporting date. Fair value is the price that would be received or paid to exit the position as of the measurement date. The Company uses estimated external forecasted market price curves available at period end and the contracted volumes over the contracted term to determine the fair value of each contract. Changes in market pricing between period end and settlement of the derivative contracts could have a material impact on financial results related to the derivatives.

v) Share based payments

Share options, deferred options and long-term incentive awards issued by the Company are recorded at fair value using the Black Scholes option pricing model. In assessing the fair value of share options, estimates have to be made regarding the expected volatility in share price, option life, dividend yield, risk-free rate and estimated forfeitures at the initial grant date.

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

3. MATERIAL ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently in these consolidated financial statements.

a) Basis of Consolidation

a) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are considered. The consolidated financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

b) Transactions eliminated on consolidation

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

c) Jointly owned assets

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

b) Business combinations

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

c) Financial instruments

Financial instruments comprise cash and cash equivalents, marketable securities, accounts receivable, deposits, accounts payable and accrued liabilities, fair value of risk management contract assets and liabilities, term loan and bank debt. These financial instruments are recognized initially at fair value, net of any directly attributable transaction costs.

i) Classification and measurement of financial assets

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

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

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

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

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

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

a) Financial assets at FVTPL

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

b) Financial assets amortized cost

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

ii) Classification and measurement of financial liabilities

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

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

iii) Derivative assets and liabilities

The Company has entered into certain financial derivative contracts to manage the exposure to market risks from fluctuations in commodity prices. The Company has not designated its financial derivative contracts as effective accounting hedges, and thus has not applied hedge accounting. All financial derivative contracts are designated as FVTPL and recorded as derivatives on the consolidated statement of financial position at fair value. Changes in the fair value of the derivatives are recognized in the consolidated statements of income and comprehensive income.

d) Property, plant and equipment ("PP&E")

i) Development and production costs

Items of property, plant and equipment, which include development and production assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. The initial cost of property, plant and equipment includes the purchase price or construction costs, costs that are directly attributable to bringing the asset into commercial operations, and the initial estimate of decommissioning costs.

Gains and losses on disposition of an item of property, plant and equipment, including development and production assets, are determined by comparing the proceeds from disposition with the carrying amount of property, plant and equipment and are recognized within the consolidated statements of income and comprehensive income. Proceeds may include cash, or other non-cash consideration such as retained drilling rights which are fair valued at the time of disposition. The carrying amount of any replaced or disposed item of property, plant and equipment is derecognized.

ii) Subsequent costs

Costs incurred after the determination of technical feasibility and commercial viability and the costs of replacing parts of property, plant and equipment are recognized as property, plant and equipment only when they increase the future economic benefits embodied in the specific asset to which they relate. Such capitalized property, plant and equipment generally represent costs incurred in developing proved and/or probable oil and gas reserves and bringing on or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. All other expenditures including the costs of the day-to-day servicing of property, plant and equipment are recognized as production and operating expense in the consolidated statements of income and comprehensive income as incurred.

iii) Depletion and depreciation

The Company depletes its net carrying value of development and production assets using the unit-of-production method by reference to the ratio of production in the period to the related proved and probable oil and gas reserves, taking into account estimated forecasted future development costs necessary to bring those reserves into production. The forecasted future development cost estimates are reviewed by independent third-party reserve evaluators at least annually.

Depreciation methods, useful lives and residual values are reviewed at each period end date for all classes of property, plant, and equipment.

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

e) Exploration and evaluation (E&E)

Pre-license costs, geological and geophysical costs, and lease rentals of undeveloped properties are recognized within the consolidated statements of income and comprehensive income as incurred.

E&E costs, consisting of the costs of acquiring oil and gas licenses, are capitalized initially as E&E assets according to the nature of the assets acquired. Costs associated with drilling exploratory wells in an undeveloped area are capitalized as E&E costs. The costs are accumulated in cost centers by well, field or exploration area pending determination of technical feasibility and commercial viability. When technical feasibility and commercial viability are determined, the relevant expenditure is transferred to property, plant and equipment as development and production assets, after impairment is assessed and any applicable impairment loss is recognized within the consolidated statement of income and comprehensive income.

The Company's E&E assets consist of undeveloped land, drilling, completions and other facility expenditures. Gains and losses on disposition of E&E assets are determined by comparing the proceeds from disposition with the carrying amount and are recognized within the consolidated statements of income and comprehensive income.

f) Right-of-use assets

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

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

g) Lease Liabilities

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

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

h) Impairment

i) Financial assets

The Company has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime expected credit losses ("ECLs"). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Loss allowances for financial assets are deducted from the gross carrying amount of the assets. Impairment losses on financial assets are presented under "other expenses" in the consolidated statements of income and comprehensive income.

ii) Non-financial assets

The carrying amounts of the Company's property, plant and equipment, which includes development and production assets, are reviewed at each period end date to determine whether there are any internal or external indicators of impairment or impairment reversal. If any such indicator exists, then the recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together at a CGU level. The estimated recoverable amount of an asset or a CGU is determined based on the higher of its fair value less costs of disposal ("FVLCD") and its value-in use ("VIU"). FVLCD is determined as the amount that would be obtained from the sale of a CGU in an arm's length transaction between knowledgeable and willing parties. The FVLCD of development and production assets is generally determined as the net present value of estimated future cash flows expected to arise from the continued use of the CGU and its eventual disposition, using assumptions that an independent market participant may take into account. These cash flows are discounted by an appropriate discount rate which would be applied by such a market participant to arrive at a net present value of the CGU. In determining VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. VIU is generally the future cash flows expected to be derived from production of proved and probable oil and gas reserves estimated by the Company's independent third-party reserve evaluators.

An impairment is recognized if the carrying amount of a CGU exceeds the estimated recoverable amount for that CGU. The Company determines the estimated recoverable amount by using the greater of FVLCD and the VIU. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amount of assets in the unit (group of units) on a pro rata basis. Impairment losses are recognized in the consolidated statements of income and comprehensive income. The Company has two CGUs, the Eastern Heavy Oil CGU and the West Central CGU.

E&E assets are assessed for impairment within the related CGU at the time that any triggering facts and circumstances suggest that the carrying amount exceeds the estimated recoverable amount as well as upon their eventual reclassification to development and production assets in property, plant and equipment.

In respect of other assets, impairment losses recognized in prior years are assessed at each period end date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation, if no impairment loss had been recognized.

i) Share based payments

Fixed equity awards granted under equity-settled share based payment plans and agreements are measured at grant date fair value. Fair values are determined by means of an option pricing model using the exercise price of the equity instrument granted, the share price at the grant date, the expected life of the grant based on the vesting date and expiry date, estimates of share price volatility, and interest rates over the expected contractual life of the equity award. A forfeiture rate is estimated on the grant date and is subsequently adjusted to reflect the actual number of options that vest.

The costs of the equity-settled share based payments are recognized within the consolidated statements of income and comprehensive income, with a corresponding increase in contributed surplus over the vesting period. Upon exercise or settlement of an equity-based instrument, consideration received, and associated amounts previously recorded in contributed surplus are recorded to share capital.

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

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

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

j) Provisions

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

(i) Decommissioning obligations

The Company's activities give rise to dismantling, decommissioning, and site disturbance remediation activities. A provision is recorded for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning obligations are measured at the present value of management's estimate of the extent and timing of expenditures required to settle the obligation at the consolidated statement of financial position date, using a risk-free interest rate not adjusted for credit risk. Subsequent to the initial measurement, the obligation is adjusted at the end of each reporting period to reflect the passage of time, changes in the timing and estimate of future cash flows underlying the obligation and changes in the risk-free rate. The accretion of the provision due to the passage of time is recognized in the consolidated statements of income and comprehensive income whereas changes in the provision arising from changes in estimated cash flows or changes in the risk-free rate are capitalized in the consolidated statement of financial position. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established.

(ii) Other provisions

Other provisions are measured at the present value of management's estimate of the extent and timing of expenditures required to settle the obligation at the consolidated statement of financial position date, using a risk-free interest rate not adjusted for credit risk. Subsequent to the initial measurement, the obligation is adjusted at the end of each reporting period to reflect the passage of time, changes in the timing and estimate of future cash flows underlying the obligation and changes in the risk-free rate. The accretion of the provision due to the passage of time is recognized in the consolidated statements of income and comprehensive income whereas changes in the provision arising from changes in estimated cash flows or changes in the risk-free rate are capitalized in the consolidated statement of financial position. Actual costs incurred upon settlement of the other provision are charged against the provision to the extent the provision was established.

k) Revenue

Revenue from the sale of heavy crude oil, natural gas and natural gas liquids ("NGL") is recognized based on the consideration specified in contracts with customers. The Company recognizes revenue when control of the product transfers to the buyer and collection is reasonably assured. This is generally at the point in time when the customer obtains legal title to the product which is when it is physically transferred to the transportation method agreed upon.

l) Income tax

Income tax expense comprises current and deferred components. Income tax expense is recognized in the consolidated statements of income and comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the period end date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the period end date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be sufficient to utilize the underlying deductible temporary differences and unused tax losses associated with the deferred tax asset. The determination of probable future taxable profits involves significant estimates, including proved and probable oil and gas reserves. Deferred tax assets are reviewed at each period end date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

m) Income per share amounts

Basic income, or loss, per share is calculated by dividing the net income, or loss, by the weighted average number of common shares outstanding during the period. For the dilutive net income per share calculation, the weighted average number of shares outstanding is adjusted for the potential number of shares which may have a dilutive effect on net income.

Diluted income per share is calculated giving effect to the potential dilution that would occur if outstanding warrants, share options, restricted share units or performance share units were exercised or converted into common shares. The weighted average number of diluted shares is calculated in accordance with the treasury stock method for warrants, share options, restricted share units and performance share units. The treasury stock method assumes that the proceeds received from the exercise of all potentially dilutive instruments are used to repurchase common shares at the average market price. For diluted earnings per share, share based payment arrangements that may be settled in shares or cash are treated as equity settled where the assumed issuance of shares would be dilutive.

n) Future Accounting Pronouncements

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

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

4. 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 5)	20,796	—	20,796
Acquisitions (note 4c)	173,818	2,737	176,555
Change in decommissioning obligations related to PP&E (note 8a)	19,532	—	19,532
December 31, 2024	\$ 549,982	\$ 5,834	\$ 555,816
Additions	122,600	529	123,129
Change in decommissioning obligations related to PP&E (note 8a)	4,572	—	4,572
December 31, 2025	\$ 677,154	\$ 6,363	\$ 683,517
Accumulated depletion and depreciation			
December 31, 2023	\$ (42,953)	\$ —	(42,953)
Depletion and depreciation	(50,317)	(550)	(50,867)
December 31, 2024	\$ (93,270)	\$ (550)	(93,820)
Depletion and depreciation ⁽¹⁾	(92,812)	(1,438)	(94,250)
December 31, 2025	\$ (186,082)	\$ (1,988)	\$ (188,070)
Carrying amount			
December 31, 2024	\$ 456,712	\$ 5,284	461,996
December 31, 2025	\$ 491,072	\$ 4,375	\$ 495,447

(1) During the year ended December 31, 2025, depletion, as presented in the table, excludes \$0.7 million which has been capitalized to inventory (December 31, 2024 - \$1.1 million).

As at December 31, 2025, future development costs of \$457.6 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 \$12.4 million (December 31, 2024 - \$8.7 million) of salvage value for production equipment was excluded. Depletion expense was \$92.8 million (December 31, 2024 - \$50.3 million) on development and production assets for the year ended December 31, 2025.

During the year ended December 31, 2025, the Company added \$0.5 million of corporate assets (December 31, 2024 - \$5.8 million) and recorded depreciation expense of \$1.4 million (December 31, 2024 - \$0.6 million).

b) Impairment

Eastern Heavy Oil CGU

At December 31, 2025 and December 31, 2024, the Company assessed its Eastern Heavy Oil CGU for indicators of impairment and concluded that the estimation of recoverable amount was not required, therefore no impairment test was required.

The Company transferred \$20.8 million of E&E to PP&E during 2024 and performed the required impairment test to estimate the recoverable amount of the CGU. It was determined that the recoverable amount of the CGU exceeded its carrying value, resulting in no impairment. The Company did not transfer E&E to PP&E during 2025, therefore no impairment test was required.

West Central CGU

At December 31, 2025, the Company completed an assessment to determine if indicators of impairment existed within the West Central CGU. As a result of the assessment, the Company determined that indicators of impairment existed at December 31, 2025 as the carrying amount of the CGU may exceed the recoverable amount. The Company performed the required impairment test using the VIU approach incorporating benchmark pricing based on the average of the three independent reserve evaluators' forecast and utilizing a discount rate of 15%. The test determined that the recoverable amount of the West Central CGU exceeded its carrying value as at December 31, 2025 and as a result, no impairment was recognized.

c) Acquisitions and Dispositions

During 2025, the Company disposed of undeveloped land for proceeds of \$7.8 million and recorded a corresponding gain on disposition.

Recombination Transaction with Perpetual Energy Inc. ("Perpetual") - October 31, 2024

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.

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

The Recombination Transaction was accounted for as a business combination using the acquisition method of accounting, whereby the assets acquired and the liabilities assumed are recorded at the estimated fair value on the acquisition date of October 31, 2024 with the exception of income taxes, right-of-use asset and lease liability. There were \$4.2 million of transaction costs incurred by the Company in 2024 which were expensed through the consolidated statement of income and comprehensive income. The conventional natural gas assets acquired were included in a new West Central CGU.

The Recombination Transaction resulted in the issuance of 25.4 million common shares, issued at Rubellite's closing share price on October 31, 2024 of \$2.04 per share, for a total purchase price of \$47.7 million (note 9b).

The purchase price was allocated based on management's estimates of fair values:

Assets acquired		
Oil and natural gas interests (note 4)	\$	63,038
Net working capital deficiency (note 16)		(6,356)
Right-of-use asset (note 6)		5,036
Exploration and evaluation assets (note 5)		2,692
Corporate assets (note 4)		2,737
Risk management contracts (note 17)		10,132
Lease liability (note 7)		(5,036)
Share based compensation liability (note 10)		(2,925)
Other provision (note 8b)		(18,481)
Decommissioning provisions (note 8a)		(3,128)
Deferred tax asset (note 14)		31,569
Gain on acquisition (note 14)		(31,569)
Net assets acquired	\$	47,709
Consideration		
Shares (note 9b)		51,732
Settlement of pre-existing relationship ⁽¹⁾	\$	(4,023)
Total consideration paid	\$	47,709

(1) Until the Recombination Transaction in 2024, Rubellite and Perpetual were considered related parties due to the existence of a Management and Operating Services Agreement ("MSA"). Included within working capital was \$4.0 million accounts payable related to a contractual pre-existing relationship which was deemed to be settled as a result of the Recombination Transaction.

For the comparative year, 2024 results from the operations of Perpetual are included in the Company's consolidated financial statements from the closing date of the Recombination Transaction. Oil and natural gas revenue of \$4.2 million and net income of \$1.8 million were included in the consolidated statements of income and comprehensive income from the closing of the Recombination Transaction on October 31, 2024 to December 31, 2024. If the Recombination Transaction had occurred on January 1, 2024 the estimated incremental oil and natural gas revenue and net income for the year ended December 31, 2024, would have been \$24.3 million and \$11.0 million, respectively.

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

Acquisition of Buffalo Mission Energy Corp. ("Buffalo Mission") - August 2, 2024

Effective August 2, 2024, Rubellite Energy Inc. acquired all of the issued and outstanding common shares of Buffalo Mission for a total purchase price of \$96.6 million, inclusive of \$23.5 million of Buffalo Mission's assumed net debt⁽¹⁾, which consisted of \$62.7 million in cash and the issuance of 5.0 million of common shares (note 9b) 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").

The BMEC Acquisition was accounted for as a business combination using the acquisition method of accounting, whereby the assets acquired and the liabilities assumed were recorded at the estimated fair value on the acquisition date of August 2, 2024. In 2024, there were \$2.0 million of transaction costs incurred by the Company which were expensed through the consolidated statement of income and comprehensive income. The assets acquired in this transaction were included in the Eastern Heavy Oil CGU.

The purchase price was allocated based on management's estimates of fair values:

Assets acquired		
Oil and gas interests (note 4)	\$	110,780
Net working capital deficiency ⁽¹⁾		(21,204)
Deferred tax liabilities (note 14)		(15,795)
Decommissioning provisions (note 8a)		(699)
Net assets acquired	\$	73,082
Consideration		
Cash ⁽²⁾	\$	62,732
Share (note 9b)		10,350
Total consideration paid	\$	73,082

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

(2) Rubellite funded the transaction in 2024 through; the expansion of the credit facility to \$100.00 million from \$60.0 million (note 12), a \$20.0 million bank syndicate term loan which was repaid on October 31, 2024 and a new second lien term loan ("term loan") placed, directly or indirectly, with certain directors and officers, and their affiliates, of Rubellite and the Company's significant shareholder for \$20.0 million (note 13).

The Company used estimated proved and probable reserves from an independent third-party reserve evaluation to estimate the acquisition date fair value of oil and gas interests acquired. For the purposes of estimating the acquisition date fair value of the oil and gas interests acquired, the Company's independent third-party reserve evaluator provided an estimate of proved and probable oil and gas reserves as at August 2, 2024. The estimated proved and probable oil and gas reserves and related cash flows were discounted using rates between 15% and 30%. The fair value of decommissioning obligations was initially estimated using a credit adjusted risk-free rate of 11.5%.

For the comparative year of 2024, oil and gas revenue of \$26.3 million and net income of \$15.2 million were included in the consolidated statements of income and comprehensive income since the closing of the BMEC Acquisition on August 2, 2024. If the BMEC Acquisition had occurred on January 1, 2024 the estimated incremental oil and natural gas revenue and net income for the year ended December 31, 2024, would have been \$37.3 million and \$22.9 million, respectively.

5. EXPLORATION AND EVALUATION

	December 31, 2025	December 31, 2024
Balance, beginning of year	\$ 29,106	\$ 32,301
Acquisitions (note 3c)	—	2,692
Additions	7,373	15,129
Transfer to property, plant, and equipment (note 4a)	—	(20,796)
Exploration and evaluation expense	(5,425)	(220)
Balance, end of year	\$ 31,054	\$ 29,106

Exploration and evaluation ("E&E") expense was \$5.5 million (December 31, 2024 - \$0.5 million) for the year ended December 31, 2025, which included \$5.4 million related to two (2.0 net) exploration wells and land costs that were previously recorded as E&E and \$0.1 million of costs directly charged to E&E expense.

Impairment of E&E assets

E&E assets are tested for impairment when internal or external indicators of impairment exist or upon transfer to oil and gas interests in PP&E. At December 31, 2025, management's assessment determined there were no indicators of impairment.

6. RIGHT-OF-USE ASSETS

The Company leases certain 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				
January 1, 2024	\$ —	\$ —	\$ —	\$ —
Acquisitions (note 4c)	4,782	190	64	5,036
December 31, 2024	\$ 4,782	\$ 190	\$ 64	\$ 5,036
Additions	—	140	—	140
December 31, 2025	\$ 4,782	\$ 330	\$ 64	\$ 5,176
Accumulated depreciation				
January 1, 2024	\$ —	\$ —	\$ —	\$ —
Acquisitions (note 4c)	(77)	(23)	(6)	(106)
December 31, 2024	\$ (77)	\$ (23)	\$ (6)	\$ (106)
Depreciation	(459)	(127)	(37)	(623)
December 31, 2025	\$ (536)	\$ (150)	\$ (43)	\$ (729)
Carrying amount				
December 31, 2024	\$ 4,705	\$ 167	\$ 58	\$ 4,930
December 31, 2025	\$ 4,246	\$ 180	\$ 21	\$ 4,447

7. LEASE LIABILITIES

	December 31, 2025	December 31, 2024
Balance, beginning of year	\$ 4,965	\$ —
Additions (note 6)	140	—
Acquisition (note 4c)	—	5,036
Interest on lease liabilities (note 15)	316	55
Payments	(692)	(126)
Total lease liabilities	\$ 4,729	\$ 4,965
Current	\$ 389	\$ 357
Non-current	4,340	4,608
Total lease liabilities	\$ 4,729	\$ 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 December 31, 2025 were between 4.3% and 6.6% (December 31, 2024 - 4.3% and 6.6%).

8. PROVISIONS

a) Decommissioning obligations

	December 31, 2025	December 31, 2024
Balance, beginning of year	\$ 31,817	\$ 8,593
Liabilities settled	(1,851)	(451)
Obligations incurred	2,813	3,535
Obligations acquired (note 4c)	—	3,827
Change in rate on acquisition (note 4c)	—	13,586
Revisions to estimates	1,759	2,411
Accretion (note 15)	1,104	316
Total decommissioning obligations, end of year	\$ 35,642	\$ 31,817
Decommissioning obligations - current	\$ 1,340	\$ 2,000
Decommissioning obligations - non-current	34,302	29,817
Total decommissioning obligations	\$ 35,642	\$ 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 and comprehensive income. Decommissioning obligations are further adjusted at each period end date for changes in the risk-free interest rate, after considering additions and dispositions of PP&E. Decommissioning obligations are also adjusted for revisions to future cost estimates and the estimated timing of costs to be incurred in future periods.

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

	December 31, 2025	December 31, 2024
Undiscounted obligations	\$ 49,432	\$ 42,085
Average risk-free rate	3.9%	3.3%
Inflation rate	2.0%	1.8%
Expected timing of settling obligations	1 to 25 years	1 to 25 years

b) Other provision

	December 31, 2025	December 31, 2024
Balance, beginning of year	\$ 18,574	\$ —
Provision acquired (note 4c)	—	18,481
Payments	(3,750)	—
Accretion (note 15)	480	93
Total other provision, end of year	\$ 15,304	\$ 18,574
Other provision - current	\$ 3,750	\$ 3,750
Other provision - non-current	11,554	14,824
Total other provision	\$ 15,304	\$ 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. The annual scheduled payment was made on March 28, 2025 and 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:

	December 31, 2025	December 31, 2024
Undiscounted obligation	\$ 16,191	\$ 19,941
Average risk-free rate	3.0%	3.0%
Expected timing of settling obligation	4.3 years	5.3 years

9. SHARE CAPITAL

a) Authorized

Authorized capital consists of an unlimited number of common shares.

b) Issued and outstanding

	December 31, 2025		December 31, 2024	
	Shares (thousands)	Amount (\$thousands)	Shares (thousands)	Amount (\$thousands)
Balance, beginning of year	92,877	\$ 206,313	62,456	\$ 143,033
Common shares issued (note 4c)	—	—	30,192	62,082
Issued pursuant to share based plans ⁽¹⁾	716	1,533	229	1,567
Share issue costs ⁽²⁾	—	(173)	—	(369)
Balance, end of year	93,593	\$ 207,673	92,877	\$ 206,313

(1) Share capital is presented net of the shares held by the Trustee that have not been issued to employees (note 9c). As at December 31, 2025 there were 0.1 million shares held in trust (December 31, 2024 - 0.2 million).

(2) Share issue costs for the year ended December 31, 2025 are net of \$0.2 million of deferred tax (December 31, 2024 - \$0.4 million).

During the year ended December 31, 2025, the Company issued 0.7 million common shares (December 31, 2024 - 0.2 million common shares) pursuant to share based compensation plans.

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 closing of the Recombination Transaction, 4.0 million Share Purchase Warrants, which were issued to Perpetual on September 3, 2021 valued at \$2.0 million, were cancelled on October 31, 2024 and are no longer outstanding.

On August 2, 2024, in conjunction with the closing of the 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

(thousands, except per share amounts)

	December 31, 2025	December 31, 2024
Net income	\$ 32,557	\$ 49,973
Weighted average shares		
Issued common shares	93,694	93,044
Effect of shares held in trust ⁽¹⁾	(101)	(167)
Issued common shares, net of shares held in trust ⁽²⁾	93,593	92,877
Weighted average common shares outstanding – basic	93,283	68,667
Weighted average common shares outstanding – diluted	96,036	69,716
Net income per share – basic	\$ 0.35	\$ 0.73
Net income per share – diluted	\$ 0.34	\$ 0.72

(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 10). The shares purchased by the independent trustee are reported as shares held in trust.

(2) Share capital is presented net of the shares held by the Trustee that have not been issued to employees. As at December 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 year ended December 31, 2025, of the 10.9 million common shares issuable upon the exercise or settlement of share based compensation instruments, 8.1 million instruments (December 31, 2024 - 8.3 million instruments) were excluded from diluted earnings per share, including share units which the Company can elect to settle in cash, as the effect was anti-dilutive.

10. SHARE BASED PAYMENTS

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

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

	December 31, 2025	December 31, 2024
Balance, beginning of year	\$ 6,271	\$ —
Reclassified from contributed surplus ⁽¹⁾	—	3,696
Share based compensation liability acquired (note 4c)	—	2,925
Share based payment expense	5,368	282
Cash settlement	(3,202)	(632)
Equity settlement	(1,533)	—
Balance, end of year ⁽²⁾	\$ 6,904	\$ 6,271
Share based compensation liability - current	\$ 4,694	\$ 5,357
Share based compensation liability - non-current	2,210	914
Total share based compensation liabilities	\$ 6,904	\$ 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 values of the awards previously expensed were reclassified from contributed surplus to a share based compensation liability.
- (2) 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:

	December 31, 2025	December 31, 2024
Share based payment expense	\$ 6,060	\$ 3,289
Fair value adjustment	(692)	282
Share based payment expense	\$ 5,368	\$ 3,571

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

Rubellite incentive plan 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	350	1,620	1,892	3,862
Exercised for common shares	(54)	(562)	(411)	(1,027)
Exercised for cash	—	—	(533)	(533)
Performance adjustment	—	281	—	281
Forfeited	(47)	—	(159)	(206)
December 31, 2025	3,301	1,944	3,315	8,560

Legacy Perpetual 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 ⁽³⁾	1,189	568	902	532	3,191
Exercised for common shares	—	—	(12)	—	(12)
Exercised for shares held in trust	(95)	(51)	(41)	—	(187)
Exercised for cash	(163)	(242)	(60)	(111)	(576)
Performance adjustment	—	—	—	(110)	(110)
Forfeited	—	(16)	—	—	(16)
December 31, 2025⁽³⁾	931	259	789	311	2,290

- (1) Recognized as part of the Recombination Transaction.
- (2) Awards previously issued by Perpetual, which were acquired through the Recombination Transaction, were adjusted at the equity conversion ratio of 5:1.
- (3) Total awards outstanding include 1.6 million legacy Perpetual awards that can be settled for cash or from shares in the trust as opposed to treasury. Shares in the trust as at December 31, 2025 were 0.1 million (December 31, 2024 - 0.2 million) (note 9c).

During the year ended December 31, 2025, the Company granted 3.9 million share based compensation awards, comprised of share options, performance share units and restricted share units.

a) Deferred options

As a result of the Recombination Transaction, the Company has legacy Perpetual deferred option 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 and exercise their deferred options. Legacy Perpetual 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 9c).

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

	December 31, 2025	December 31, 2024
Dividend yield (%)	—	—
Forfeiture rate (%)	5.00	5.00
Expected volatility (%)	41.39	48.61
Risk-free interest rate (%)	2.54	2.89
Contractual life (years)	5.0	5.0
Weighted average share price at grant date	\$ 2.67	\$ 2.50
Closing share price	\$ 2.40	\$ 2.12

The following table summarizes information about the deferred options outstanding:

Range of exercise prices	Legacy Perpetual deferred options outstanding			Deferred options exercisable	
	Number of deferred options (thousands)	Average contractual life (years)	Weighted average exercise price (\$/share)	Number of deferred options (thousands)	Weighted average exercise price (\$/share)
\$0.00 to \$2.00	350	0.65	1.70	350	1.70
\$2.01 to \$4.00	302	2.76	2.76	156	2.77
\$4.01 to \$6.65	279	1.61	5.10	208	5.10
Total	931	1.62	3.06	714	2.93

b) Share options

The Rubellite Incentive Plan provides for the granting of share options to provide 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 granting of share options 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 generally vest evenly over four years, commencing on the first anniversary, with expiry occurring five years after issuance. Rubellite share options, derived from legacy Perpetual share options through the Recombination Transaction and adjusted for the share exchange ratio of 5:1, 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 December 31, 2025:

	December 31, 2025	December 31, 2024
Dividend yield (%)	—	—
Forfeiture rate (%)	5.00	5.00
Expected volatility (%)	42.96	48.61
Risk-free interest rate (%)	2.61	2.89
Contractual life (years)	5.0	5.0
Weighted average share price at grant date	\$ 2.34	\$ 0.81
Closing share price	\$ 2.40	\$ 2.12

The following tables summarize information about the share option awards outstanding at December 31, 2025:

Range of exercise prices	Options outstanding			Options exercisable	
	Number of share options (thousands)	Average contractual life (years)	Weighted average exercise price (\$/share)	Number of share options (thousands)	Weighted average exercise price (\$/share)
\$0.00 to \$2.00	687	0.79	1.99	667	1.99
\$2.01 to \$2.89	1,739	3.32	2.17	607	2.12
\$2.90 to \$3.65	875	1.62	2.99	657	2.99
Total	3,301	2.34	2.35	1,931	2.37

Legacy Perpetual share option awards from the Recombination Transaction

The Company uses the Black-Scholes pricing model to calculate the estimated fair value of the legacy Perpetual share option awards from the Recombination Transaction. The following assumptions were used to arrive at the estimate of fair value as at December 31, 2025:

	December 31, 2025	December 31, 2024
Dividend yield (%)	—	—
Forfeiture rate (%)	5.00	5.00
Expected volatility (%)	41.27	49.79
Risk-free interest rate (%)	2.55	2.89
Contractual life (years)	5.0	5.0
Weighted average share price at grant date	\$ 2.83	\$ 2.83
Closing share price	\$ 2.40	\$ 2.12

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

Range of exercise prices	Legacy Perpetual Share Options outstanding			Share Options exercisable	
	Number of share options (thousands)	Average contractual life (years)	Weighted average exercise price (\$/share)	Number of share options (thousands)	Weighted average exercise price (\$/share)
\$0.00 to \$2.00	236	0.52	1.54	236	1.54
\$2.01 to \$3.00	291	2.78	2.73	146	2.73
\$3.01 to \$6.65	262	1.61	5.16	194	5.18
Total	789	1.71	3.18	576	3.07

c) Deferred shares

As a result of the Recombination Transaction, the Company has deferred share agreements in place with directors and certain employees. In the case of directors, the legacy Perpetual deferred shares granted vest upon retirement from the Board of Directors and for employees, the legacy Perpetual 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 9c), 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 9c).

The Company accounts for the deferred shares 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 adjusted based on the Company's closing share price. The legacy Perpetual deferred shares were revalued at December 31, 2025 using Rubellite's closing share price of \$2.40 per share.

d) Performance share units and performance share rights

The Rubellite Incentive Plan provides for the granting of performance share units for the Company's executive officers. Performance share units 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 granted 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 plan participants leave the organization other than through retirement or termination without cause prior to the vesting date. Legacy Perpetual 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 was applied to performance share units which vested in the first quarter of 2025. As at December 31, 2025, performance factors of 0.8 and 0.9 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 was applied to performance share rights which vested in the first quarter of 2025 for awards granted by Perpetual in 2023. As at December 31, 2025, a performance factor of 0.6 has been assumed for unvested legacy Perpetual 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 legacy Perpetual 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 December 31, 2025 using Rubellite's closing share price of \$2.40 per share.

e) Restricted share units

The Rubellite Incentive Plan provides for the granting of restricted share units 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 annually over a three year period for units granted after November 1, 2024. The restricted share units that vest can be settled in cash or in common shares, at the discretion of the Company.

The Company accounts for the restricted share units using the cash-settled method under IFRS 2 and uses an intrinsic pricing model to calculate the estimated fair value at the end of each reporting period. The share based compensation liability is reduced by an estimated forfeiture rate of 5% for outstanding awards and the Company's closing share price on December 31, 2025, 2025 of \$2.40 per share.

11. 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 December 31, 2025 is \$17.8 million of revenue related to December 2025 sales production (December 31, 2024 - \$22.0 million of revenue related to December 2024 sales production).

	December 31, 2025		December 31, 2024	
Oil	\$	218,918	\$	164,206
Natural gas		15,030		2,627
NGL		7,752		1,551
Oil and natural gas revenue	\$	241,700	\$	168,384

12. BANK DEBT

As at December 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, 2026 and may be extended for a further twelve months to May 31, 2027 subject to lender approval. If not extended by May 31, 2026, all outstanding advances would be repayable on May 31, 2027. The next semi-annual borrowing base redetermination is scheduled on or before May 31, 2026.

As at December 31, 2025, \$92.6 million was drawn against the credit facility (December 31, 2024 - \$108.5 million) and \$1.4 million (December 31, 2024 - \$3.6 million) of letters of credit were issued. Borrowings under the credit facility bear interest at the lenders' prime rate or CORRA rates, plus applicable margins and standby fees. The applicable CORRA margins range between 2.8% and 6.3%. The effective aggregate interest rate on the credit facility at December 31, 2025 was 6.0% per annum. For the year ended December 31, 2025, if interest rates changed by 1% with all other variables held constant, the impact on cash finance expense and net income and comprehensive income would be \$0.7 million.

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

At December 31, 2025, the credit facility was not subject to any financial covenants and the Company was in compliance with all customary non-financial covenants.

13. TERM LOAN

	Maturity date	Interest rate	December 31, 2025		December 31, 2024	
			Principal	Carrying Amount	Principal	Carrying amount
Term loan	August 2, 2029	11.5%	\$ 20,000	\$ 19,173	\$ 20,000	\$ 19,027

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

During the year ended December 31, 2025, Rubellite paid \$2.3 million in cash interest payments to the holders of the term loan (December 31, 2024 - \$1.0 million).

At December 31, 2025, the term loan was recorded at the present value of future cash flows, net of \$0.8 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 December 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.

14. DEFERRED TAXES

The provision for income taxes in the consolidated financial statements differs from the result that would have been obtained by applying the combined federal and provincial tax rate to the Company's net income before tax. The difference results from the following items:

	December 31, 2025	December 31, 2024
Income before income tax	\$ 41,441	\$ 59,033
Combined federal and provincial tax rate	23%	23%
Computed income tax expense	9,532	13,577
Increase (decrease) in income taxes resulting from:		
Non-deductible expenses	524	763
Non-taxable gain on acquisition	—	(7,272)
Other	2	(550)
Change in unrecognized deferred tax assets	(1,174)	2,542
Deferred tax expense	\$ 8,884	\$ 9,060

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

	December 31, 2024	Recognized in earnings	Recognized in equity	December 31, 2025
Deferred tax assets (liabilities):				
Property, plant and equipment	\$ (30,903)	\$ (7,197)	\$ —	\$ (38,100)
Decommissioning obligations	7,318	880	—	8,198
Fair value of derivatives	(1,661)	396	—	(1,265)
Other liabilities	4,049	(1,229)	—	2,820
Share and debt issue costs	669	(82)	(173)	414
Non-capital losses	41,965	(1,652)	—	40,313
Deferred tax asset	\$ 21,437	\$ (8,884)	\$ (173)	\$ 12,380

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

The deductible temporary differences included in the Company's unrecognized deferred tax assets relate to resource tax pools and amount to \$43.4 million at December 31, 2025 (December 31, 2024 - \$48.6 million).

As at December 31, 2025, the Company had approximately \$175.3 million (December 31, 2024 - \$182.5 million) of non-capital losses available for future use. The unused non-capital losses expire between 2036 and 2044.

The development and production assets and facilities owned by the Company have an approximate tax basis of \$400.8 million (December 31, 2024 - \$401.6 million) available for future use as deductions from taxable income, as indicated below:

	December 31, 2025	December 31, 2024
Canadian oil & gas properties	\$ 107,630	\$ 116,894
Canadian development expense	238,479	232,759
Undepreciated capital cost	54,717	51,903
Tax pools	\$ 400,826	\$ 401,556

Deferred tax assets have not been recognized in respect of capital losses of \$1,069.9 million (December 31, 2024 - \$143.8 million) and certain resource pools included above, because it is not probable that future taxable income will be available against which the Company can utilize the benefits. On January 1, 2025, an operating trust related to the 2024 arrangement with Perpetual Energy Inc. was dissolved, resulting in a capital loss of \$926.1 million. No gain or loss was recorded for accounting purposes as the investment had nominal book value.

15. FINANCE EXPENSE

	December 31, 2025	December 31, 2024
Interest on bank debt (note 12)	\$ 6,973	\$ 5,897
Interest on term loan (note 13)	2,300	952
Interest on lease liabilities (note 7)	316	55
Total cash finance expense	9,589	6,904
Amortization of debt issue costs (note 13)	170	63
Accretion on decommissioning obligations (note 8a)	1,104	316
Accretion on other provision (note 8b)	480	93
Total non-cash finance expense	1,754	472
Finance expense	\$ 11,343	\$ 7,376

16. SUPPLEMENTAL CASH FLOW INFORMATION

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

	December 31, 2025	December 31, 2024
Accounts receivable	\$ 3,856	\$ (15,519)
Prepaid expenses and deposits	(247)	(2,319)
Product inventory	(586)	(2,273)
Accounts payable and accrued liabilities	(538)	26,519
Other	606	—
Working capital acquired (note 4c) ⁽¹⁾	—	(4,707)
Working capital deficit	\$ 3,091	\$ 1,701
Related to operating activities	(4,562)	3,093
Related to investing activities	7,653	(1,392)
Working capital deficit	\$ 3,091	\$ 1,701

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

17. FINANCIAL RISK MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and has implemented and monitors compliance with risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adhere to market conditions and the Company's activities.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from joint venture partners, oil and gas marketers and derivative contract counterparties.

Receivables from oil and gas marketers are normally collected on the 25th day of the month following sales. The Company's policy to mitigate credit risk associated with these balances is to establish marketing relationships with large, well established purchasers. The Company has not experienced any significant collection issues with its oil and gas receivables.

The Company manages the credit exposure related to derivatives by engaging in risk management transactions with credit worthy counterparties that are members of its bank syndicate.

The combined carrying amount of cash and cash equivalents, accounts receivable and fair value of derivative assets at December 31, 2025 was \$28.3 million (December 31, 2024 - \$39.1 million), representing the Company's maximum credit exposure. The total amount of accounts receivable 90 days past due is \$0.1 million at December 31, 2025 (December 31, 2024 - \$0.1 million).

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure that it will have sufficient sources of liquidity available, under both normal and stressed conditions by maintaining sufficient cash flow from other sources of capital consisting of cash from operating activities and available credit facilities.

c) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, commodity prices, and interest rates will affect the Company's net income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

The Company utilizes financial derivatives to manage market risks related to commodity prices. All such transactions are conducted in accordance with the Company's Risk Management Policy, which has been approved by the Board of Directors.

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

	December 31, 2025		December 31, 2024
Financial oil contracts	\$	3,208	\$ 3,332
Financial natural gas contracts		306	6,625
Financial foreign exchange contracts		1,987	(2,735)
Risk management contracts	\$	5,501	\$ 7,222
Risk management contracts – current asset	\$	5,828	\$ 9,783
Risk management contracts – non-current asset		—	429
Risk management contracts – current liability		(327)	(2,765)
Risk management contracts – non-current liability		—	(225)
Risk management contracts	\$	5,501	\$ 7,222

(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.

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

	December 31, 2025		December 31, 2024
Unrealized loss on oil contracts	\$	(124)	\$ (4,550)
Unrealized loss on natural gas contracts		(6,319)	(3,508)
Unrealized gain (loss) on foreign exchange contracts		4,722	(4,194)
Unrealized loss on risk management contracts	\$	(1,721)	\$ (12,252)
Realized gain on oil contracts		5,630	397
Realized gain on natural gas contracts		6,915	2,338
Realized loss on foreign exchange contracts		(1,174)	(153)
Realized gain on risk management contracts	\$	11,371	\$ 2,582
Gain (loss) on risk management contracts	\$	9,650	\$ (9,670)

Oil risk management contracts

At December 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	1,500 bbl/d	Jan 2026 - Mar 2026	WTI (US\$/bbl)	Swap - sold	\$65.13
Crude Oil	500 bbl/d	Apr 2026 - Dec 2026	WTI (US\$/bbl)	Swap - sold	\$65.00
Crude Oil	1,000 bbl/d	Jan 2026 - Mar 2026	WCS Differential (US\$/bbl)	Swap - sold	(\$12.50)
Crude Oil	1,500 bbl/d	Apr 2026 - Jun 2026	WCS Differential (US\$/bbl)	Swap - sold	(\$12.22)
Crude Oil	2,000 bbl/d	Jul 2026 - Sep 2026	WCS Differential (US\$/bbl)	Swap - sold	(\$12.20)
Crude Oil	1,000 bbl/d	Oct 2026 - Dec 2026	WCS Differential (US\$/bbl)	Swap - sold	(\$12.50)

Subsequent to December 31, 2025, the Company 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	2,000 bbl/d	Feb 2026	WTI (US\$/bbl)	Swap - sold	\$62.94
Crude Oil	4,600 bbl/d	Mar 2026	WTI (US\$/bbl)	Swap - sold	\$69.06
Crude Oil	4,850 bbl/d	Apr 2026	WTI (US\$/bbl)	Swap - sold	\$67.42
Crude Oil	3,850 bbl/d	May 2026	WTI (US\$/bbl)	Swap - sold	\$64.43
Crude Oil	3,850 bbl/d	Jun 2026	WTI (US\$/bbl)	Swap - sold	\$64.19
Crude Oil	2,500 bbl/d	Apr 2026 - Jun 2026	WCS Differential (US\$/bbl)	Swap - sold	(\$12.84)
Crude Oil	3,300 bbl/d	Jul 2026 - Sep 2026	WTI (US\$/bbl)	Swap - sold	\$61.29
Crude Oil	1,500 bbl/d	Jul 2026 - Sep 2026	WCS Differential (US\$/bbl)	Swap - sold	(\$12.75)
Crude Oil	2,400 bbl/d	Oct 2026 - Dec 2026	WTI (US\$/bbl)	Swap - sold	\$63.53
Crude Oil	1,000 bbl/d	Oct 2026 - Dec 2026	WCS Differential (US\$/bbl)	Swap - sold	(\$13.50)
Crude Oil	750 bbl/d	Jan 2027 - Dec 2027	WTI (US\$/bbl)	Swap - sold	\$66.50

As at December 31, 2025, if future WTI and WCS oil prices changed by \$5.00 per bbl with all other variables held constant, net income and comprehensive income for the period would change by \$1.4 million due to changes in the fair value of risk management contracts.

Natural gas risk management contracts

At December 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	Jan 2026 - Mar 2026	AECO 5A (CAD\$/GJ)	Swap - sold	\$4.00
Natural gas	5,000 GJ/d	Jan 2026 - Mar 2026	AECO 5A (CAD\$/GJ)	Swap - bought	\$3.31

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

Commodity	Volumes Sold	Term	Reference/Index	Contract Traded Bought/Sold	Average Price (\$/GJ)
Natural gas	5,276 GJ/d	Apr 2026 - Oct 2026	NYMEX (US\$/GJ)	Swap - sold	\$3.89

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

Foreign exchange risk management contracts

At December 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\$)	\$2,500,000 US\$/month	Jan - Dec 2026	1.4066
Average rate forward (CAD\$/US\$) ⁽¹⁾	\$5,000,000 US\$/month	Jan - Dec 2026	1.3890

(1) At expiry on December 31, 2026 if the calendar 2027 forward strip is above 1.3890 CAD\$/US\$, Rubellite knocks into a \$5.0 million US\$/month contract at 1.3890 CAD\$/US\$ for the 2027 calendar year.

As at December 31, 2025, if future CAD\$/US\$ exchange rate changed by \$0.05 with all other variables held constant, net income and comprehensive income for the year would change by \$4.5 million due to changes in the fair value of risk management contracts.

Fair value of financial assets and liabilities

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

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

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

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

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

The fair value of cash, accounts receivable, prepaid deposits and accounts payable and accrued liabilities, which makes up working capital, approximate their carrying amounts due to their short terms to maturity. They are classified at amortized cost, level 1.

The fair value of bank debt and term loan approximate their carrying amounts due to time to maturity and current market rates for similar credit risk and terms. They are classified at amortized cost, level 2.

The fair value of risk management contracts are classified as fair value through profit or loss ("FVTPL"), level 2.

The fair value of financial assets and liabilities, excluding working capital, is attributable to the following fair value hierarchy levels:

As of December 31, 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	\$ 5,828	\$ (327)	\$ 5,501	\$ —	\$ 5,501	\$ —
Financial liabilities						
Financial liabilities at amortized cost						
Bank debt	(92,583)	—	(92,583)	—	(92,583)	—
Term loan	(19,173)	—	(19,173)	—	(19,173)	—
Fair value through profit and loss						
Risk management contracts	(327)	327	—	—	—	—

(1) Risk management contract assets and liabilities presented in the consolidated statement of financial position are shown net of offsetting assets or liabilities where the arrangement provides for the legal right and intention for net settlement exists.

As of December 31, 2024	Gross	Netting ⁽¹⁾	Carrying Amount	Fair value		
				Level 1	Level 2	Level 3
Financial assets						
Fair value through profit and loss						
Risk management contracts	\$ 12,216	\$ (2,004)	\$ 10,212	\$ —	\$ 10,212	\$ —
Financial liabilities						
Financial liabilities at amortized cost						
Bank debt	(108,500)	—	(108,500)	—	(108,500)	—
Term loan	(19,027)	—	(19,027)	—	(19,027)	—
Fair value through profit and loss						
Risk management contracts	(4,994)	2,004	(2,990)	—	(2,990)	—

(1) Risk management contract assets and liabilities presented in the consolidated statement of financial position are shown net of offsetting assets or liabilities where the arrangement provides for the legal right and intention for net settlement exists.

d) Capital risk

The Company's strives to maintain a strong but flexible capital structure so as to maintain investor, creditor and market confidence and to sustain its future development to offset production declines. The Company manages its capital structure and adjusts it in light of changes in economic conditions. The Company's capital structure consists of shareholders' equity and working capital. The Company also has access to a \$140.0 million (December 31, 2024 - \$140.0 million) first lien credit facility with a syndicate of lenders, under which \$46.0 million (December 31, 2024 - \$30.4 million) was available at December 31, 2025. Draws on the credit facility were comprised of current borrowings of \$92.6 million (December 31, 2024 - \$108.5 million), letters of credit of \$1.4 million (December 31, 2024 - \$3.6 million). Cash and cash equivalents were nil (December 31, 2024 - \$2.6 million).

18. KEY MANAGEMENT PERSONNEL

The Company has defined key management personnel as executive officers, as well as the Board of Directors, as they have the collective authority and responsibility for planning, directing and controlling the activities of the Company.

	December 31, 2025		December 31, 2024	
Short-term compensation	\$	4,169	\$	2,797
Share based payments		2,865		2,194
Key management compensation	\$	7,034	\$	4,991

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

19. CONTRACTUAL OBLIGATIONS

As at December 31, 2025, the Company's minimum contractual obligations over the next four years and thereafter, excluding estimated interest payments, are as follows:

	2026	2027	2028	2029	Thereafter	Total
Contractual obligations						
Accounts payable and accrued liabilities	\$ 59,913	\$ —	\$ —	\$ —	\$ —	\$ 59,913
Term loan (note 13)	—	—	—	20,000	—	20,000
Bank debt (note 12)	—	92,583	—	—	—	92,583
Pipeline transportation commitment	2,580	1,264	564	564	2,819	7,791
Lease payments (note 7)	687	619	615	632	3,832	6,385
Other provision (note 8b)	3,750	3,750	3,750	3,750	1,191	16,191
Total	\$ 66,930	\$ 98,216	\$ 4,929	\$ 24,946	\$ 7,842	\$ 202,863

The Company has a drilling commitment on certain gross overriding royalty ("GORR") lands that must be fulfilled by September 28, 2026 (the "Commitment Date"). If WTI settles below \$60.00 USD for a period of thirty consecutive days the agreement shall automatically extend for an additional 90 days. In the event the Company fails to fulfill the drilling commitment, the Company is required to pay \$0.1 million per well not spud by the Commitment Date. As at December 31, 2025, the Company has drilled 29 (29.0 net) of the 59 (59.0 net) wells that are required to meet the drilling commitment. Subsequent to December 31, 2025, the Company has drilled an additional 5 (5.0 net) wells for a total of 25 (25.0 net) wells remaining to meet the drilling commitment.