

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is management's discussion and analysis ("MD&A") of Rubellite Energy Inc.'s ("Rubellite", the "Company" or the "Corporation") operating and financial results for the three and six months ended June 30, 2024, as well as information and estimates concerning the Corporation's future outlook based on currently available information. This discussion should be read in conjunction with the Corporation's unaudited condensed consolidated interim financial statements and accompanying notes for the three and six months ended June 30, 2024 as well as the audited consolidated financial statements and accompanying notes for the years ended December 31, 2023. Disclosure, which is unchanged from the December 31, 2023 MD&A has not been duplicated herein. The Corporation's financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") which require publicly accountable enterprises to prepare their financial statements using IFRS Accounting Standards. Readers are referred to the advisories section for additional information regarding forecasts, assumptions and other forward-looking information contained in the "Forward Looking Information and Statements" section of this MD&A. The date of this MD&A is August 8, 2024.

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

NATURE OF BUSINESS: Rubellite is a Canadian energy company headquartered in Calgary, Alberta and engaged in the exploration, development and production of conventional heavy crude oil from the Clearwater formation in Eastern Alberta, utilizing multi-lateral horizontal drilling technology. Rubellite has a prolific, oil focused asset base and is pursuing a robust growth plan focused on superior corporate returns and funds flow generation while maintaining a conservative capital structure and prioritizing environmental, social and governance ("ESG") excellence. Additional information on Rubellite can be accessed at www.sedarplus.ca and found at www.rubelliteenergy.com.

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

SUBSEQUENT EVENT

On August 2 2024, Rubellite acquired all of the issued and outstanding common shares of Buffalo Mission Energy Corp. ("Buffalo Mission") for total consideration of \$97.5 million (the "Acquisition"), inclusive of \$23.5 million of assumed net debt, which consisted of \$62.7 million in cash and the issuance of 5.0 million common shares of Rubellite to certain shareholders of Buffalo Mission, having a deemed value of \$11.3 million.

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

In conjunction with the Expanded Facility, the credit facility lending syndicate will be expanded to include The Bank of Nova Scotia joining the Bank of Montreal as agent, ATB Financial as co-lead and Canadian Western Bank.

SECOND QUARTER 2024 OPERATIONAL AND FINANCIAL HIGHLIGHTS

- Second quarter conventional heavy oil sales production of 4,503 bbl/d was relatively unchanged from the first quarter of 2024 (Q1 2024 - 4,514 bbl/d) and up 58% from the second quarter of 2023 (Q2 2023 - 2,844 bbl/d).
- Exploration and development capital expenditures⁽¹⁾ totaled \$21.1 million for the second quarter to drill, complete, equip and tie-in eight (8.0 net) multi-lateral horizontal development / step-out delineation wells at Figure Lake. Spending on facilities of \$1.9 million in the quarter for the Figure Lake gas conservation project, bringing total gas plant and pipeline expenditures for 2024 to \$2.4 million.
- Adjusted funds flow⁽¹⁾ in the second quarter was \$20.7 million (\$0.33 per share), a 12% increase from the first quarter of 2024 (Q1 2024 - \$18.5 million; \$0.30/share) driven by higher realized oil prices. Adjusted funds flow increased 72% from the second quarter of 2023 (Q2 2023 - \$12.0 million and \$0.19 per share), driven by the growth in sales production and higher realized oil prices, partially offset by higher cash costs.
- Cash costs⁽¹⁾ were \$9.3 million or \$22.58/boe in the second quarter of 2024 (Q2 2023 - \$5.9 million or \$22.73/boe). On a per boe basis, the reduction in costs were driven by efficiencies over a higher production base and lower trucking rates, partially offset by higher royalties and G&A costs.
- Net income was \$12.4 million in the second quarter of 2024 (Q2 2023 - \$3.4 million net income) driven by higher adjusted funds flow and a \$3.6 million unrealized gain on risk management contracts.
- As at June 30, 2024, net debt⁽¹⁾ was \$49.1 million, a decrease from \$51.0 million as at December 31, 2023, driven by \$2.4 million of free funds flow⁽¹⁾.
- Rubellite had available liquidity⁽²⁾ at June 30, 2024 of \$26.8 million, comprised of the \$60.0 million borrowing limit of Rubellite's first lien credit facility, less current borrowings of \$30.8 million and outstanding letters of credit of \$2.4 million.

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

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

OPERATIONS UPDATE

Rubellite drilled and rig released a total of eight (8.0 net) horizontal wells in the second quarter of 2024, all in the Greater Figure Lake area, bringing the total number of new horizontal drills rig released in 2024 to fourteen (14.0 net) as at June 30, 2024. Production results from the 2024 drilling program have averaged IP(30) 130 bbl/d (11 wells) and IP(60) 120 bbl/d (10 wells), as compared to the McDaniel Type Curve⁽¹⁾ rates of 120 and 112 bbl/d, respectively. Repeatable results from the 2024 capital program continue to meet expectations, confirming the

geologic model and increasing the confidence in the identified drilling inventory in excess of 220.0 net locations (165.0 net unbooked⁽¹⁾) at Figure Lake and Edwand.

In late June, the Company contracted a second rig to drill up to ten (10.0 net) additional development / step-out delineation multi-lateral wells in the greater Figure Lake area over the balance of the year. At East Edwand, the Company is encouraged by early results of the step-out delineation well at 06-09-062-16W4 where an IP(15) of 190 bbl/d has been recorded in the field.

During the second quarter, Rubellite began testing the economic viability of a tighter inter-leg spacing pattern, reducing the distance between laterals from approximately 50m to approximately 35m, and increasing the open hole lateral length per well to greater than 14,000 meters in several wells to determine if economically accelerated production and improvements to the oil recovery factor could be obtained. In addition to a tighter inter-leg spacing, a "fan" well is currently being drilled to optimize boundary reservoir coverage and is expected to reach total depth in early August. Production results from the different well configurations will be analyzed over the remainder of the year and inform the well design for future exploitation strategies.

Subsequent to the end of the second quarter, the Company entered into an agreement with the Buffalo Lake Métis Settlement ("BLMS") to acquire an additional eight (8.0 net) sections of land immediately offsetting existing operations. The acquired BLMS lands further consolidates the prospective acreage at Figure Lake, adds drilling inventory, and builds on the positive, mutually-beneficial relationship established with BLMS.

To advance solution gas conservation at Figure Lake, construction and installation of natural gas compression, dehydration, and associated facilities have progressed and will be complete in advance of the re-activation of the sales meter in March of 2025. Tie-in of the associated solution gas at Figure Lake will not only significantly reduce emissions, but is also forecast to deliver an attractive rate of return in excess of 75% which is enhanced by the re-use of existing gas gathering pipelines and a forecast reduction in carbon taxes related to reduced flaring and incineration. Once operational, management is forecasting approximately 3 MMcf/d gross of natural gas to be brought to sales.

Rubellite has additionally licensed a horizontal well approximately 90km north of Figure Lake in the Nixon/Calling Lake area, to test a new play concept for which the Company currently holds 108.0 net sections of land.

In total in 2024, the Company is planning to drill thirty four (34.0 net) open hole multi-lateral wells at Figure Lake and twelve gross (6.0 net) wells on the recently acquired Mannville Stack assets at Frog Lake. In addition, surface access arrangements are on track to provide for the drilling of one (0.3 net) well at Marten Hills to commence waterflood operations, one (0.5 net) exploratory step-out horizontal well at Dawson, and one (1.0 net) exploration horizontal well at Calling Lake. Rubellite also plans to advance other exploration activities and to pursue additional land capture and de-risking during 2024.

- (1) Type curve assumptions are based on the Total Proved plus Probable Undeveloped reserves contained in the McDaniel Reserve Report as disclosed in the Company's Annual Information Form which is available under the Company's profile on SEDAR+ at www.sedarplus.ca. "McDaniel" means McDaniel & Associates Consultants Ltd. independent qualified reserves evaluators. "McDaniel Reserve Report" means the independent engineering evaluation of the heavy crude oil and conventional natural gas reserves, prepared by McDaniel with an effective date of December 31, 2023 and a preparation date of March 14, 2024.

OUTLOOK AND GUIDANCE

Rubellite's Board of Directors has approved exploration and development capital spending for 2024 of approximately \$82 to \$87 million to drill, complete, equip and tie-in thirty four to thirty five (34.0 to 35.0 net) multi-lateral development / step-out wells in the greater Figure Lake area as previously disclosed, twelve gross (6.0 net) wells on the recently acquired Mannville Stack assets, and includes a total of \$6.0 million of estimated capital spending required for the Figure Lake gas sales plant and related pipeline tie-ins. Incrementally, additional capital spending for exploratory drilling activity is expected in Q4 2024 / Q1 2025 and will be timed to optimize rig operations. Forecast drilling activities will be funded from adjusted funds flow and available credit facilities.

Production sales volumes are expected to grow approximately 70% year-over-year to average 5,600 to 5,900 boe/d and exit the year at approximately 7,500 - 7,900 boe/d, poised for continued growth into 2025 with the full integration of the Mannville Stack assets.

Capital spending, drilling activity and operational guidance for 2024 are outlined in the table below:

	2024 Guidance	Q4 2024 Guidance
Sales Production (bbl/d)	5,600 - 5,900	7,400 - 7,800
Exploration and Development spending (\$ millions) ⁽¹⁾⁽²⁾⁽³⁾	\$82 - \$87	\$21 - \$23
Multi-lateral development / step-out wells (net)	40.0 - 41.0	12.0
Heavy oil wellhead differential (\$/bbl) ⁽¹⁾	\$5.50 - \$6.00	\$5.50 - \$6.00
Royalties (% of revenue) ⁽¹⁾	11% - 12%	11% - 12%
Production and operating costs (\$/boe) ⁽¹⁾	\$7.25 - \$7.75	\$7.50 - \$8.00
Transportation costs (\$/boe) ⁽¹⁾	\$7.50 - \$8.00	\$7.50 - \$8.00
General and administrative costs (\$/boe) ⁽¹⁾	\$4.75 - \$5.25	\$4.50 - \$5.00

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

(2) Includes \$6.0 million for the Figure Lake gas conservation project in 2024.

(3) Excludes land and acquisition spending.

(4) 2024 guidance and Q4 2024 guidance are unchanged from the guidance provided in the news release dated August 2, 2024.

SECOND QUARTER 2024 FINANCIAL AND OPERATING RESULTS

Cash Flow used in Investing Activities, Capital Expenditures, Acquisitions and Dispositions

Cash flow used in investing activities was \$13.1 million and \$37.4 million for the three and six months ended June 30, 2024, respectively, as compared to \$15.7 million and \$43.4 million in the comparative periods of 2023. In addition to cash flow used in investing activities, Rubellite uses capital expenditures to measure its capital investments compared to the Company's annual budgeted expenditures related to both property, plant and equipment assets ("PP&E") and exploration and evaluation assets ("E&E") assets. The capital budget excludes acquisition and disposition activities. "Capital Expenditures" is not a standardized measure and, therefore, may not be comparable with the calculation of similar measures by other entities.

For a reconciliation of cash flow used in investing activities to capital expenditures, refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A.

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

Three months ended June 30,						
(\$ thousands)	2024			2023		
	E&E	PP&E	Total	E&E	PP&E	Total
Drilling and completions	2,248	13,655	15,903	111	5,702	5,813
Facilities	149	3,847	3,996	379	3,619	3,998
Lease construction	228	937	1,165	29	1,828	1,857
Capital Expenditures ⁽¹⁾	2,625	18,439	21,064	519	11,149	11,668
Land and other	41	—	41	152	—	152
Corporate ⁽²⁾	—	2,822	2,822	—	—	—
Capital expenditures, including land and other ⁽¹⁾	2,666	21,261	23,927	671	11,149	11,820

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

(2) Rubellite has a Management and Operating Services Agreement ("MSA") in place with Perpetual Energy Inc. ("Perpetual") whereby Rubellite makes payments for certain technical, capital and administrative services provided to Rubellite on a relative production split cost sharing basis. Corporate assets include costs billed under the MSA for shared office leasehold improvements.

Six months ended June 30,						
(\$ thousands)	2024			2023		
	E&E ⁽³⁾	PP&E	Total	E&E	PP&E	Total
Drilling and completions	3,542	22,956	26,498	9,047	11,801	20,848
Facilities	129	5,529	5,658	1,983	5,121	7,104
Lease construction	228	1,282	1,510	898	2,330	3,228
Capital Expenditures ⁽¹⁾	3,899	29,767	33,666	11,928	19,252	31,180
Land and other	136	—	136	2,701	—	2,701
Corporate ⁽²⁾	—	2,917	2,917	—	—	—
Capital expenditures, including land and other ⁽¹⁾	4,035	32,684	36,719	14,629	19,252	33,881

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

(2) Rubellite has a MSA in place with Perpetual whereby Rubellite makes payments for certain technical, capital and administrative services provided to Rubellite. Corporate assets include costs billed under the MSA for shared office leasehold improvements.

(3) Included within E&E are \$3.0 million of expenditures related to one well at 06-09-062-16W4 on the 03-04 pad in the Edwand region of Figure Lake that transferred to PP&E during Q2 2024.

Wells drilled by area

(gross/net)	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Development				
Figure Lake ⁽¹⁾⁽²⁾	8 / 8.0	4 / 4.0	14 / 14.0	10 / 10.0
Northern Exploration				
Dawson	- / -	- / -	- / -	1 / 0.5
Peavine	- / -	- / -	- / -	2 / 2.0
Other exploratory ⁽³⁾	- / -	- / -	1.0 / 1.0	- / -
Total	8 / 8.0	4 / 4.0	15 / 15.0	13 / 12.5

(1) One (1.0 net) well drilled at the 15-21 pad was spud on June 25, 2024 and rig released July 6, 2024 and not included in the Q2 2024 well count. The well was drilled on existing lands previously transferred to PP&E.

(2) One (1.0 net) well drilled at the 6-19 pad was spud on June 26, 2024 and rig released July 15, 2024 and not included in the Q2 2024 well count. The well was drilled on existing lands previously transferred to PP&E.

(3) One (1.0 net) vertical stratigraphic evaluation well was drilled in Q1 2024 and remains in E&E as at June 30, 2024.

Capital Expenditures

During the second quarter of 2024, the Company invested a total of \$21.1 million before land and other corporate spending, related primarily to drill, complete, equip and tie-in eight (8.0 net) multi-lateral horizontal wells at Figure Lake. A portion of capital to drill a ninth and tenth well at Figure Lake was spent during the second quarter and the wells finished drilling and were rig released at the beginning of the third quarter. Facilities spending at Figure Lake in the second quarter included \$1.9 million of expenditures related to the construction of a sales gas plant as part of the 2024 Figure Lake gas conservation project.

During the first six months of 2024, the Company spent \$33.7 million, before land and other corporate spending, primarily related to the drill, complete, equip and tie-in of fourteen (14.0 net) multi-lateral horizontal wells at Figure Lake and to drill and core one (1.0 net) vertical stratigraphic evaluation well. Facilities spending at Figure Lake included \$2.4 million of expenditures related to the 2024 Figure Lake gas conservation project.

Land and seismic purchases were a nominal amount in the second quarter of 2024, with total land purchases in 2024 of \$0.1 million in 2024 for 6.0 net sections of land. Corporate spending in the second quarter of 2024 included \$2.8 million related to leasehold improvements for the shared office space under the MSA, bringing the total corporate spending for 2024 to \$2.9 million.

Production

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Production				
Average daily heavy crude oil (bbl/d) – production ⁽¹⁾	4,446	2,842	4,460	2,949
Average daily heavy crude oil (bbl/d) – sales ⁽¹⁾	4,503	2,844	4,509	2,917

(1) The Company's heavy oil sales volumes and production volumes differ due to changes in inventory.

Sales production for the three and six months ended June 30, 2024 increased 1,659 bbl/d (58%) and 1,592 bbl/d (55%), respectively from the comparative periods of 2023. Production and sales volumes continue to progressively increase and offset natural production declines as new wells are drilled, fully recover their OBM and commence delivery to sales terminals. During the quarter, an additional six (6.0 net) wells from the drilling program were contributing to sales production after having fully recovered their OBM and an additional three (3.0 net) wells were recovering OBM and not yet contributing to sales as at June 30, 2024.

As of June 30, 2024, there were 104 (96.3 net) wells contributing to sales production, as compared to 71 (63.3 net) wells contributing to sales production at the end of the second quarter of 2023. The growth is attributable to the drilling program in Figure Lake as well as an acquisition in the fourth quarter for 2023 which added 15 (15.0 net) wells.

Oil Revenue

(\$ thousands, except as noted)	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Oil revenue				
Oil revenue	35,798	18,863	65,621	35,967
Reference prices				
West Texas Intermediate ("WTI") (US\$/bbl)	80.57	73.75	78.77	74.92
Foreign Exchange rate (CAD\$/US\$)	1.37	1.34	1.36	1.35
West Texas Intermediate ("WTI") (CAD\$/bbl)	110.38	98.83	107.13	101.14
Western Canadian Select ("WCS") differential (US\$/bbl)	(13.61)	(15.16)	(16.46)	(19.98)
WCS (CAD\$/bbl)	91.63	78.74	84.70	74.05
Rubellite average realized prices⁽¹⁾				
Average realized oil price (\$/bbl)	87.35	72.88	79.97	68.13

(1) Before risk management contracts; supplementary financial measure. See "Non-GAAP and Other Financial Measures".

Rubellite's oil revenue for the three and six months ended June 30, 2024 increased by \$16.9 million (90%) and \$29.7 million (82%), respectively, from the comparative periods of 2023, attributable to the increase in sales volumes and higher average realized oil prices.

Compared to the second quarter of 2023, the WCS average price increased to \$91.63/bbl (Q2 2023 - \$78.74/bbl), attributable to the WCS differential narrowing by 10%, the 9% increase in WTI prices and the increase in the CAD\$/US\$ rate to \$1.37 (Q2 2023 - \$1.34).

During the first half of 2024, the increase in the WCS average price was consistent with the increase in WTI oil prices which averaged US\$78.77/bbl (2023 - US\$74.92/bbl) and the narrowing of the WCS differential to US\$16.46/bbl (2023 - \$19.98/bbl).

Rubellite's realized oil price reflects a price offset for quality which averaged \$4.17/bbl and \$4.47/bbl for the three and six months ended June 30, 2024, as compared to \$5.86/bbl and \$5.91/bbl in the comparative periods of 2023.

Risk Management Contracts

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

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

(\$ thousands, except as noted)	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Unrealized gain (loss) on risk management contracts	3,588	304	(10,322)	(147)
Realized gain (loss) on risk management contracts	(1,786)	718	(746)	926
Realized gain (loss) on risk management contracts (\$/bbl)	(4.36)	2.77	(0.91)	1.75
Average realized oil price after risk management contracts⁽¹⁾	82.99	75.65	79.06	69.88

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

The realized loss on risk management contracts totaled \$1.8 million or \$4.36/bbl for the second quarter of 2024, compared to a gain of \$0.7 million or \$2.77/bbl for the second quarter of 2023. For the six month period ending June 30, 2024, the realized loss on risk management contracts totaled \$0.7 million or \$0.91/bbl (2023 - realized gain of \$0.9 million or \$1.75/bbl). Hedging gains or losses are attributable to reference price fluctuations relative to pricing on commodity contracts driven by changes in WTI and WCS differential prices as well as fluctuations in foreign exchange rates and the percentage of production volumes hedged at any given time.

The unrealized gain on risk management contracts was \$3.6 million for the second quarter of 2024 (Q2 2023 - \$0.3 million unrealized gain) and the unrealized loss on risk management contracts was \$10.3 million for the six month period ended June 30, 2024 (2023 - \$0.1 million unrealized loss). Unrealized gains and losses represent the change in mark-to-market value of risk management contracts for future periods as forward commodity prices and foreign exchange rates change. Unrealized gains and losses on risk management contracts are excluded from the Company's calculation of cash flow from operating activities as non-cash items. Risk management contract gains and losses vary depending on commodity prices and the nature and extent of the risk management contracts in place, which in turn, vary with the Company's assessment of commodity price risk, committed capital spending and other factors.

Royalties

(\$ thousands, except as noted)	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Oil royalties – Crown	1,705	815	3,229	1,718
Oil royalties – freehold and other	2,244	839	4,041	1,541
Total royalties	3,949	1,654	7,270	3,259
\$/boe	9.64	6.39	8.86	6.17
Royalties as a percentage of revenue ⁽¹⁾				
Crown (% of oil revenue) ⁽²⁾	4.8	4.3	4.9	4.8
Freehold and other (% of oil revenue) ⁽²⁾	6.3	4.4	6.2	4.3
Total (% of oil revenue) ⁽²⁾	11.1	8.7	11.1	9.1

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

Total royalties for the three and six months ended June 30, 2024 were \$3.9 million and \$7.3 million, an increase from the comparative periods of 2023 on higher production, increased revenue and higher royalty rates. On a per boe basis, royalties increased due to an increase in the relative split of production on lands with higher overriding royalties and an increase in the crown royalty rate, partially offset by higher sales volumes. Consistent with higher per boe royalty rates, royalties as a percentage of revenue were higher for the same reasons.

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

Production and operating expenses

(\$ thousands, except as noted)	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Production and operating expenses	2,734	1,869	5,344	3,510
\$/boe	6.67	7.22	6.51	6.65

Total production and operating expenses for the three and six months ended June 30, 2024 increased to \$2.7 million and \$5.3 million from \$1.9 million and \$3.5 million in the comparative period of 2023, as a result of the increase in production volumes and higher well servicing costs.

On a per boe basis, production and operating expenses decreased by 8% to \$6.67/boe in the second quarter of 2024 (Q2 2023 - \$7.22/boe) and decreased 2% to \$6.51/boe for the six months ended June 30, 2024 (2023 - \$6.65/boe). Rubellite has realized cost efficiencies as more wells have contributed to production, particularly on multi-well pads, and the fixed component of production and operating expenses is spread across higher sales volumes.

Transportation costs

(\$ thousands, except as noted)	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Transportation costs	3,142	2,042	6,379	4,173
\$/boe	7.67	7.89	7.77	7.90

Transportation costs include clean oil trucking costs. Costs for the three and six months ended June 30, 2024 increased to \$3.1 million and \$6.4 million from \$2.0 million and \$4.2 million in the comparative period of 2023, largely as a result of higher volumes.

On a per boe basis, transportation costs of \$7.67/boe were 3% lower than the the second quarter of 2023 (Q2 2023 - \$7.89/boe) and 2% lower for the six months ended June 30, 2024 (2023 - \$7.90/boe) due to lower trucking rates realized in 2024.

Operating netbacks

The following table highlights Rubellite's operating netbacks for the three and six months ended June 30, 2024 and 2023:

(\$/boe) (\$ thousands)	Three months ended June 30,				Six months ended June 30,			
	2024		2023		2024		2023	
Sales production (bbl/d)	4,503		2,844		4,509		2,917	
Oil revenue	87.35	35,798	72.88	18,863	79.97	65,621	68.13	35,967
Royalties	(9.64)	(3,949)	(6.39)	(1,654)	(8.86)	(7,270)	(6.17)	(3,259)
Production and operating expenses	(6.67)	(2,734)	(7.22)	(1,869)	(6.51)	(5,344)	(6.65)	(3,510)
Transportation costs	(7.67)	(3,142)	(7.89)	(2,042)	(7.77)	(6,379)	(7.90)	(4,173)
Operating netback ⁽¹⁾	63.37	25,973	51.38	13,298	56.83	46,628	47.41	25,025
Realized gain (loss) on risk management contracts	(4.36)	(1,786)	2.77	718	(0.91)	(746)	1.75	926
Total operating netback, after risk management contracts ⁽¹⁾	59.01	24,187	54.15	14,016	55.92	45,882	49.16	25,951

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

Rubellite's operating netback for the three and six months ended June 30, 2024 increased to \$26.0 million and \$46.6 million from \$13.3 million and \$25.0 million in the comparative periods of 2023. The increase was the result of higher realized oil prices and increased sales volumes which increased revenue, partially offset by higher costs. On a per boe basis, the increase was driven by higher oil revenue, lower transportation and production and operating costs, partially offset by higher royalties.

The realized loss on risk management contracts in both the three and six month periods decreased operating netbacks after risk management as compared to the prior year when a gain on risk managements was realized. Although there was a realized loss, operating netbacks after risk management contracts for the three and six month periods on a per boe basis increased by 9% to \$59.01/boe and 14% to \$55.92/boe (Q2 2023 - \$54.15/boe; 2023 - \$49.16/boe).

General and administrative ("G&A") expenses

(\$ thousands, except as noted)	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
G&A expenses – excluding MSA costs	868	791	1,546	1,749
G&A expenses – MSA costs	1,531	833	2,880	1,612
Total G&A expenses	2,399	1,624	4,426	3,361
\$/boe	5.85	6.27	5.39	6.37

(1) Rubellite has a MSA in place with Perpetual whereby Rubellite makes payments for certain technical, capital and administrative services provided to Rubellite on a relative production split cost sharing basis. Effective June 1, 2024, the MSA was amended to split shared costs on a 80% Rubellite and 20% Perpetual basis.

G&A expenses, excluding MSA costs, for the three months ended June 30, 2024 increased to \$0.9 million from \$0.8 million in the comparative period of 2023. G&A expenses, excluding MSA costs, consist primarily of legal fees, computer software licenses, audit fees and tax related consulting fees and were higher in the second quarter of 2024 as a result of higher people and computer costs.

G&A expenses, excluding MSA costs, for the six months ended June 30, 2024 decreased to \$1.5 million from \$1.7 million in the comparative period of 2023 as a result of lower professional costs.

For the three and six months ended June 30, 2024, the costs billed under the MSA to Rubellite increased to \$1.5 million and \$2.9 million from \$0.8 million and \$1.6 million in the comparative periods of 2023. As expected, MSA costs in 2024 increased as a result of Rubellite's increased production relative to Perpetual's production (Q2 2024 - 52%; Q2 2023 - 30%) and the amendment of the MSA, effective June 1, 2024, which changed to a cost sharing basis of 80% Rubellite and 20% Perpetual.

For the three and six months ended June 30, 2024, G&A costs on a per boe basis decreased to \$5.85/boe and \$5.39/boe from \$6.27/boe and \$6.37/boe in the comparative periods of 2023 due to higher production.

Depletion

(\$ thousands, except as noted)	Three months ended June 30,				Six months ended June 30,			
	2024		2023		2024		2023	
Depletion	20.99	8,602	23.75	6,146	21.33	17,499	23.38	12,342
Depreciation	0.35	142	—	—	0.17	142	—	—
Total depletion and depreciation	21.34	8,744	23.75	6,146	21.50	17,641	23.38	12,342

The Company calculates depletion using the net book value of the asset, future development costs associated with proved and probable reserves, salvage values on associated production equipment, as well as proved plus probable reserves. As at June 30, 2024, depletion was calculated on a \$225.2 million depletable balance (December 31, 2023 - \$208.0 million), \$132.8 million in future development costs (December 31, 2023 - \$145.1 million) and excluded an estimated \$2.8 million of salvage value (December 31, 2023 - \$3.4 million) and \$1.9 million (December 31, 2023 - nil) related to assets under construction.

Depletion and depreciation expense for the second quarter of 2024 was \$8.7 million or \$21.34/boe (Q2 2023 – \$6.1 million or \$23.75/boe). For the six month period ended June 30, 2024 depletion expense was \$17.6 million or \$21.50/boe (2023 - \$12.3 million or \$23.38/boe). The increase related to a higher depletable base than the comparable periods. The decrease on a per boe basis is driven by an increase in production relative to a smaller increase in the depletable base. Depletion will fluctuate from one period to the next depending on the amount of capital spent, the amount of reserves added and volumes produced.

Impairment

There were no indicators of impairment for the Company's Clearwater cash generating unit ("CGU") as at June 30, 2024, therefore, an impairment test was not performed.

E&E assets are tested for impairment when internal or external indicators of impairment exist as well as upon reclassification to oil and natural gas interests in PP&E. At June 30, 2024, the Company conducted an assessment of indicators of impairment for the Company's E&E assets. In performing the assessment, management determined there were no indicators of impairment.

During the second quarter of 2024, the Company transferred \$3.0 million of E&E to PP&E and performed the required impairment test to estimate the recoverable amount of the CGU. It was determined that the recoverable amount of the CGU exceeded its carrying value, resulting in no impairment.

The Company transferred \$22.6 million of E&E to PP&E during 2023 and performed the required impairment test to estimate the recoverable amount of the CGU. It was determined that the recoverable amount of the CGU exceeded its carrying value, resulting in no impairment.

Finance expense

(\$ thousands)	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Cash finance expense				
Interest on revolving bank debt	980	349	2,087	800
Total cash finance expense	980	349	2,087	800
Non-cash finance expense				
Accretion on decommissioning obligations	69	29	133	60
Total non-cash finance expense	69	29	133	60
Finance expense	1,049	378	2,220	860

Total cash finance expense for the three and six months ended June 30, 2024 increased to \$1.0 million and \$2.1 from \$0.3 million and \$0.8 million in the comparative periods of 2023 as a result of increased interest rates being applied to higher outstanding bank debt. The effective interest rate for the three and six months ended June 30, 2024 was 8.0% and 8.9% (three and six months ended June 30, 2023 - 8.0% and 7.9%)

Non-cash finance expense represents accretion on decommissioning obligations.

Deferred Income Taxes

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

For the three and six months ended June 30, 2024, the Company recorded a deferred income tax expense of \$2.4 million and \$1.4 million, respectively, compared to an income tax recovery of \$4.6 million and \$3.9 million in the comparative periods of 2023 as a result of the change in unrecognized deferred tax assets, partially offset by the renouncing of tax pools related to the flow-share share offering that was completed in 2023 resulting in a tax recovery in the comparable periods of 2023.

LIQUIDITY, CAPITALIZATION AND FINANCIAL RESOURCES

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

Capital Management

(\$ thousands, except as noted)	June 30, 2024	December 31, 2023
Revolving bank debt	30,831	29,317
Adjusted working capital deficit ⁽¹⁾	18,252	21,667
Net debt ⁽¹⁾	49,083	50,984
Shares outstanding at end of period (thousands)	62,593	62,456
Market price at end of period (\$/share)	2.32	2.01
Market value of shares ⁽¹⁾	145,216	125,537
Enterprise value ⁽¹⁾	194,299	176,521
Net debt as a percentage of enterprise value ⁽¹⁾	25%	29%
Trailing twelve-months adjusted funds flow ⁽¹⁾	71,593	54,157
Net debt to adjusted funds flow ratio ⁽¹⁾	0.7	0.9

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

At June 30, 2024, Rubellite had net debt of \$49.1 million, an 4% decrease from \$51.0 million at December 31, 2023. Net debt decreased as a result of adjusted funds flow of \$39.1 million which exceeded capital expenditures of \$36.7 million.

Rubellite had available liquidity at June 30, 2024 of \$26.8 million, comprised of the \$60.0 million Credit Facility Borrowing Limit, less borrowings of \$30.8 million and outstanding letters of credit of \$2.4 million.

Revolving bank debt

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

As at June 30, 2024, \$30.8 million (December 31, 2023 - \$29.3 million) was drawn against the credit facility and \$2.4 million of letters of credit had been issued (December 31, 2023 - \$0.4 million). Borrowings under the credit facility bear interest at the lenders' prime rate or CORRA rates, plus applicable margins and standby fees. The applicable CORRA margins range between 2.8% and 6.3%. The effective interest rate on the credit facility at June 30, 2024 was 8.0% per annum. For the period ended June 30, 2024, if interest rates changed by 1% with all other variables held constant, the impact on annual cash finance expense and net income and comprehensive income would be \$0.3 million and \$0.2 million, respectively.

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

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

Subsequent to the end of the quarter and in conjunction with the Acquisition, the Company's credit facility has been increased to \$100.0 million. In addition, the Company's lenders have provided a \$20.0 million bank syndicate term loan that matures on or before December 15, 2024.

Equity

At June 30, 2024, there were 62.6 million common shares and 4.0 million Share Purchase Warrants outstanding. The Share Purchase Warrants have an exercise price of \$3.00 per share and expire in September 2026.

On March 28, 2023, the Company issued 7.0 million flow-through shares at \$2.85 per share, through a private placement for net proceeds of \$19.6 million.

At August 8, 2024, there were 67.6 million common shares outstanding. The following table summarizes information about options and performance awards and restricted awards outstanding as the date of this MD&A:

(thousands)	August 8, 2024
Restricted share units	525
Share options	2,684
Performance share units	605
Total	3,814

Commodity price risk management

As at August 8, 2024, the Company had entered into the following commodity risk management contracts:

Commodity	Volumes Sold (bbl/d)	Term	Reference/Index	Contract Traded Bought/Sold	Average Price (\$/bbl)
Crude Oil	1,750 bbl/d	Jul 2024 - Aug 2024	WTI (CAD\$/bbl)	Swap - sold	\$104.48
Crude Oil	1,950 bbl/d	Sep 2024 - Oct 2024	WTI (CAD\$/bbl)	Swap - sold	\$104.52
Crude Oil	1,750 bbl/d	Nov 2024 - Dec 2024	WTI (CAD\$/bbl)	Swap - sold	\$104.48
Crude Oil	700 bbl/d	Jul 2024 - Sep 2024	WTI (US\$/bbl)	Swap - sold	\$77.00
Crude Oil	1,300 bbl/d	Oct 2024 - Dec 2024	WTI (US\$/bbl)	Swap - sold	\$78.25
Crude Oil	200 bbl/d	Jul 2024 - Dec 2024	WCS (CAD\$/bbl)	Swap - sold	\$84.33
Crude Oil	200 bbl/d	Jul 2024 - Sep 2024	WCS (US\$/bbl)	Swap - sold	\$62.25
Crude Oil	1,600 bbl/d	Jul 2024 - Aug 2024	WCS Differential (CAD\$/bbl)	Swap - sold	(\$21.50)
Crude Oil	1,800 bbl/d	Sep 2024 - Oct 2024	WCS Differential (CAD\$/bbl)	Swap - sold	(\$21.61)
Crude Oil	1,600 bbl/d	Nov 2024 - Dec 2024	WCS Differential (CAD\$/bbl)	Swap - sold	(\$21.50)
Crude Oil	850 bbl/d	Jul 2024 - Sep 2024	WCS Differential (US\$/bbl)	Swap - sold	(\$12.74)
Crude Oil	1,450 bbl/d	Oct 2024 - Dec 2024	WCS Differential (US\$/bbl)	Swap - sold	(\$15.81)
Crude Oil	400 bbl/d	Jan 2025 - Sep 2025	WTI (CAD\$/bbl)	Swap - sold	\$103.43
Crude Oil	800 bbl/d	Jan 2025 - Mar 2025	WTI (US\$/bbl)	Swap - sold	\$75.95
Crude Oil	400 bbl/d	Apr 2025 - Dec 2025	WTI (US\$/bbl)	Swap - sold	\$74.86
Crude Oil	200 bbl/d	Jan 2025 - Dec 2025	WCS (CAD\$/bbl)	Swap - sold	\$80.00
Crude Oil	400 bbl/d	Jan 2025 - Sep 2025	WCS Differential (CAD\$/bbl)	Swap - sold	(\$21.35)
Crude Oil	1,900 bbl/d	Jan 2025 - Dec 2025	WCS Differential (US\$/bbl)	Swap - sold	(\$14.71)

Foreign exchange risk management

As at August 8, 2024, the Company entered into the following foreign exchange risk management contracts:

Contract	Notional amount	Term	Price (CAD\$/US\$)
Average rate forward (CAD\$/US\$)	\$1,775,000 US\$/month	Jul 1 - Dec 31, 2024	1.3659
Average rate forward (CAD\$/US\$)	\$1,000,000 US\$/month	Jan 1 - Dec 31, 2025	1.3660

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

During the fourth quarter of 2023, the Company sold a 1.5% non-convertible GORR before payout, reverting to a 1.0% non-convertible GORR after payout. The Company has a drilling commitment on the GORR lands that must be fulfilled by June 30, 2026 (the "Commitment Date"). In the event the Company fails to fulfill the drilling commitment, the Company is required to pay \$0.1 million per well not spud by the Commitment Date. As at June 30, 2024, the Company has drilled four (4.0 net) of the 59 wells that are required to meet the drilling commitment. Subsequent to June 30, 2024, the Company has drilled another three (3.0 net) for a total of seven (7.0 net) wells required to meet the drilling commitment.

OFF BALANCE SHEET ARRANGEMENTS

Rubellite has no material off balance sheet arrangements.

RELATED PARTY TRANSACTIONS

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

NON-GAAP AND OTHER FINANCIAL MEASURES

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

Non-GAAP Financial Measures

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

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

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Net cash flows used in investing activities	(13,094)	(15,690)	(37,353)	(43,412)
Change in non-cash working capital	10,833	(3,870)	(634)	(9,531)
Capital expenditures, including land, corporate and other	(23,927)	(11,820)	(36,719)	(33,881)
Property, plant and equipment additions	(18,439)	(11,149)	(29,767)	(19,252)
Exploration and evaluation additions	(2,666)	(671)	(4,035)	(14,629)
Corporate additions	(2,822)	—	(2,917)	—
Capital expenditures, including land, corporate and other	(23,927)	(11,820)	(36,719)	(33,881)

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

	Three months ended June 30,		Six months ended June 30,	
(\$ thousands, except per boe amounts)	2024	2023	2024	2023
Production and operating	2,734	1,869	5,344	3,510
Transportation	3,142	2,042	6,379	4,173
General and administrative	2,399	1,624	4,426	3,361
Cash finance expense	980	349	2,087	800
Cash costs	9,255	5,884	18,236	11,844
Cash costs per boe	22.58	22.73	22.22	22.43

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

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

Net Debt and Adjusted Working Capital Deficit: Rubellite uses net debt as an alternative measure of outstanding debt. Management considers net debt as an important measure in assessing the liquidity of the Company. Net debt is used by management to assess the Company's overall debt position and borrowing capacity. Net debt or asset is not a standardized measure and therefore may not be comparable to similar measures presented by other entities.

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

	As of June 30, 2024	As of December 31, 2023
Current assets	14,396	21,061
Current liabilities	(33,986)	(34,009)
Working capital deficit	19,590	12,948
Risk management contracts – current asset	49	8,796
Risk management contracts – current liability	(1,102)	—
Decommissioning liabilities – current liability	(285)	(77)
Adjusted working capital deficit	18,252	21,667
Bank indebtedness	30,831	29,317
Net debt	49,083	50,984

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

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

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

(\$ thousands, except as noted)	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Net cash flows from operating activities	19,916	12,186	36,413	21,471
Change in non-cash working capital	721	(188)	2,555	209
Decommissioning obligations settled	27	—	148	—
Adjusted funds flow	20,664	11,998	39,116	21,680
Adjusted funds flow per share - basic	0.33	0.19	0.63	0.35
Adjusted funds flow per share - diluted	0.33	0.19	0.62	0.37
Adjusted funds flow per boe	50.42	46.35	47.67	41.06

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

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

(\$ thousands, except per share and per boe amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Adjusted funds flow	20,664	11,998	39,116	21,680
Capital expenditures, including land, corporate and other	(23,927)	(11,820)	(36,719)	(33,881)
Free funds flow	(3,263)	178	2,397	(12,201)

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

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

Non-GAAP Financial Ratios

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

Average realized oil price after risk management contracts: are calculated as the average realized price less the realized gain or loss on risk management contracts.

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

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

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

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

Supplementary Financial Measures

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

"Average realized oil price after gain or loss on risk management" is comprised of realized gain on risk management contracts, as determined in accordance with IFRS, divided by the Company's total sales oil production.

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

"Royalties (percentage of oil revenue)" is comprised of royalties, as determined in accordance with IFRS, divided by oil revenue from sales oil production as determined in accordance with IFRS.

"Royalties (\$/boe)" is comprised of royalties, as determined in accordance with IFRS, divided by the Company's total sales oil production.

"Production and operating costs (\$/boe)" is comprised of operating expense, as determined in accordance with IFRS, divided by the Company's total sales oil production.

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

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

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

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

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

FUTURE ACCOUNTING PRONOUNCEMENTS

The International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee regularly issue new and revised accounting pronouncements which have future effective dates and therefore are not reflected in Rubellite's financial statements. Once adopted, these new and amended pronouncements may have an impact on Rubellite's condensed interim consolidated financial statements.

Sustainability Disclosures

On June 26, 2023, the International Sustainability Standards Board ("ISSB") issued IFRS S1 "General Requirements for Disclosure of Sustainability-related Financial Information" and IFRS S2 "Climate-related Disclosures". IFRS S1 and IFRS S2 are effective for annual reporting periods beginning on or after January 1, 2024. The sustainability standards as issued by the ISSB provide for transition relief in IFRS S1 that allow a reporting entity to report only on climate-related risks and opportunities, as set out in IFRS S2, in the first year of reporting under the sustainability standards.

The Canadian Securities Administrators ("CSA") are responsible for determining the reporting requirements for public companies in Canada and are responsible for decisions related to the adoption of the sustainability disclosure standards, including the effective annual reporting dates. The CSA issued proposed National Instrument ("NI 51-107 – Disclosure of Climate-related Matters") in October 2021. The CSA has indicated it will consider the ISSB sustainability standards and developments in the United States in its decisions related to developing climate-related disclosure requirements for reporting issuers in Canada. The CSA will involve the Canadian Sustainability Standards Board ("CSSB") for their combined review of the ISSB issued sustainability standards for their suitability for adoption in Canada. Until such time as the CSA and CSSB make decisions on sustainability standard adoption here in Canada, there is no requirement for public companies in Canada to adopt the sustainability standards. The Company is actively evaluating the potential effects of the ISSB issued sustainability standards; however, at this time, the Company is not able to determine the impact on future financial statements, nor the potential costs to comply with these sustainability standards.

INTERNAL CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

There were no changes in the Corporation's internal control over financial reporting during the period beginning on April 1, 2024 and ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

FORWARD-LOOKING INFORMATION

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

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

Undue reliance should not be placed on forward-looking information, which is not a guarantee of performance and is subject to a number of risks or uncertainties, including without limitation those described herein and under "Risk Factors" in Rubellite's Annual Information Form and MD&A for the year ended December 31, 2023 and in other reports on file with Canadian securities regulatory authorities which may be accessed through the SEDAR+ website www.sedarplus.ca and at Rubellite's website www.rubelliteenergy.com. Readers are cautioned that the foregoing list of risk factors is not exhaustive. Forward-looking information is based on the estimates and opinions of Rubellite's management at the time the information is released, and Rubellite disclaims any intent or obligation to update publicly any such forward-looking information, whether as a result of new information, future events or otherwise, other than as expressly required by applicable securities law.

ABBREVIATIONS AND CONVENTIONS

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

Measurement:

bbl	barrel
bbl/d	barrels per day
Mbbl	thousand barrels
MMbbl	million barrels
boe	barrels of oil equivalent
boe/d	barrels of oil equivalent per day

Industry Metrics:

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

Volume Conversions:

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

Initial Production Rates:

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

Estimated Drilling Locations

Unbooked drilling locations are the internal estimates of Rubellite based on Rubellite's or the acquired assets prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves or resources (including contingent and prospective). Unbooked locations have been identified by Rubellite's management as an estimation of Rubellite's multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that Rubellite will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and natural gas reserves, resources or production. The drilling locations on which Rubellite will actually drill wells, including the number and timing thereof is ultimately dependent upon the availability of funding, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While a certain number of the unbooked drilling locations have been de-risked by Rubellite drilling existing wells in relative close proximity to such unbooked drilling locations, the majority of other unbooked drilling locations are farther away from existing wells where management of Rubellite has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves, resources or production.

Financial and Business Environment:

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

SUMMARY OF QUARTERLY RESULTS

(\$ thousands, except as noted)	Q2 2024	Q1 2024	Q4 2023	Q3 2023
Financial				
Oil revenue	35,798	29,823	27,224	25,777
Net income (loss) and comprehensive income (loss)	12,368	(4,153)	9,523	3,942
Per share – basic ⁽³⁾	0.20	(0.07)	0.15	0.06
Per share – diluted ⁽³⁾	0.19	(0.07)	0.15	0.06
Total assets	281,549	267,298	271,153	223,353
Cash flow from operating activities	19,916	16,497	18,963	14,957
Adjusted funds flow, including transaction costs ⁽¹⁾	20,664	18,452	16,923	15,554
Per share – basic ⁽²⁾⁽³⁾	0.33	0.30	0.27	0.25
Per share – diluted ⁽²⁾⁽³⁾	0.33	0.30	0.27	0.25
Common shares (thousands)				
Weighted average – basic	62,494	62,457	62,440	61,956
Weighted average – diluted	63,446	62,457	62,958	62,597
Operating				
Daily average oil sales production (bbl/d) ⁽⁴⁾	4,503	4,514	4,209	3,154
Rubellite average realized oil price⁽²⁾				
Average realized oil price (\$/bbl)	87.35	72.60	70.31	88.85
Average realized oil price – after risk management contracts (\$/bbl)	82.99	75.13	72.12	82.15
(\$ thousands, except as noted)	Q2 2023	Q1 2023	Q4 2022	Q3 2022
Financial				
Oil revenue	18,863	17,104	14,329	13,654
Net income and comprehensive income	3,397	1,699	18,725	10,426
Per share – basic ⁽³⁾	0.05	0.03	0.34	0.19
Per share – diluted ⁽³⁾	0.05	0.03	0.34	0.19
Total assets	218,218	222,747	204,030	170,206
Cash flow from (used in) operating activities	12,186	9,285	14,950	(745)
Adjusted funds flow ⁽¹⁾	11,998	9,682	8,145	6,459
Per share – basic ⁽²⁾⁽³⁾	0.19	0.18	0.15	0.12
Per share – diluted ⁽²⁾⁽³⁾	0.19	0.17	0.15	0.12
Common shares (thousands)				
Weighted average – basic	61,830	55,060	54,824	54,748
Weighted average – diluted	62,432	55,550	55,202	55,265
Operating				
Daily average oil sales production (bbl/d) ⁽⁴⁾	2,844	2,990	2,181	1,760
Rubellite average realized oil price⁽²⁾				
Average realized oil price (\$/bbl)	72.88	63.56	71.42	84.31
Average realized oil price – after risk management contracts (\$/bbl)	75.65	64.33	68.05	65.82

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

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

(3) Per share amounts are calculated using the weighted average number of basic or diluted common shares.

(4) Conventional heavy oil sales production excludes tank inventory volumes.

Oil revenue has ranged between \$13.7 million and \$35.8 million over the prior eight quarters largely due to a 205% growth in sales volumes from 1,760 bbl/d to 4,514 bbl/d, partially offset by volatility in commodity pricing. Net income (loss) has ranged between a loss of \$4.2 million and income of \$18.7 million primarily due to increasing production, volatility of commodity prices and its impact on revenue, royalties and realized and unrealized risk management contract gains and losses and deferred income taxes.