

Rubellite Energy Inc. Adds Strategic Mannville Stack Heavy Oil Assets To Its Clearwater Portfolio Advancing Its Growth

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Consolidation And Portfolio Enhancement Strategy; Provides Q2 2024 Operational And Financial Highlights And Updated Guidance

CALGARY, Aug. 2, 2024 - [Rubellite Energy Inc.](#) ("Rubellite", or the "Company") (TSX: RBY) is pleased to announce that today it has acquired Buffalo Mission Energy Corp. ("Buffalo Mission"), a private Mannville stack-focused heavy oil producer, for a total purchase price of approximately \$97.5 million (the "Acquisition").

"The acquisition of Buffalo Mission is a strategic step forward in Rubellite's growth, consolidation and portfolio enhancement strategy" said Sue Riddell Rose, President and CEO of Rubellite. "The acquired assets increase the scale of Rubellite's operations, enhance funds flow, and add material and attractive drilling inventory for Rubellite, which in combination with our existing Clearwater assets, provides the basis for a strong growth profile with increased development inventory, exploration depth and exposure to large oil-in-place assets for future enhanced recovery potential. We are excited about employing our multi-lateral horizontal drilling expertise into this high netback heavy oil play in the Mannville stack and partnering with the Frog Lake First Nation and Frog Lake Energy Resources Corp. ("FLERC") on this development, building upon our established partnerships with Indigenous communities proximal to our field operations. With integration of this acquisition, Rubellite has established substantial positions in both the Clearwater and Mannville stack plays. Our focus is on continued growth by advancing the development of these core assets and evaluating the captured exploration prospects, while in parallel pursuing additional potential consolidation opportunities in these two attractive play trends to further grow shareholder value."

TRANSACTION HIGHLIGHTS

- Provides an attractive land, production and inventory base to ground a growth strategy in the Mannville stack of the Cold Lake Oil Sands Region, complementary to Rubellite's Clearwater assets in northern Alberta;
- Adds approximately 67.3 gross (36.3 net) sections of contiguous, stacked Mannville rights with a total of 170 gross (85 net⁽¹⁾) identified drilling locations in the primary producing Waseca formation and 220 gross (110 net⁽¹⁾) additional potential locations across other zones within the Mannville stack;
- Adds high-netback conventional heavy oil production of approximately 2,500 bbl/d and growing as new wells recently placed on-stream clean up and progressively attain stable oil production; and
- Attractive transaction metrics:
 - 2.3 times annualized net operating income with close to \$47/bbl operating netback at US\$75/bbl WTI;
 - \$39,000 per flowing boe acquired; and
 - Maintains balance sheet strength with a pro forma leverage ratio of 1.2 times year end net debt to Q4 2024 annualized adjusted funds flow.

1. Net locations assume participation elections by FLERC at a 50% working interest in all future drilling activity and are internally estimated. See "Estimated Drilling Locations" in this news release.

STRATEGIC RATIONALE

- Directly aligned with Rubellite's growth and portfolio enhancement strategy. The Mannville stack assets provide an opportunity for the Rubellite team to employ its successful Clearwater multi-lateral horizontal drilling expertise in this analogous region;
- Positions Rubellite as a leading explorer, developer and consolidator in the Clearwater and Mannville stack plays;
- Increases Rubellite's current high netback conventional heavy oil production base by approximately 56%;
- Increases adjusted funds flow by approximately 38% on an annualized basis;
- Value-add inherent through operating, administrative and capital execution synergies across the expanded asset base;
- Improves positioning to accelerate organic growth, advance exploration activities and reduce debt with enhanced free funds flow;
- Increased size and scale enhances ability to pursue further value-add consolidation opportunities; and
- Expands Rubellite's strong relations with Indigenous communities through the new partnership with the Frog Lake First Nation and FLERC.

TRANSACTION DETAILS

The total consideration paid by Rubellite for the Acquisition was \$97.5 million, inclusive of \$23.5 million of Buffalo Mission's assumed net debt, which consisted of \$62.7 million in cash and the issuance of 5.0 million 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 second-lien term loan placed, directly or indirectly, with certain directors and officers of Rubellite and the Company's significant shareholder for \$20 million (the "Second-Lien Term Loan"), all on favorable terms to the Company. The Company's borrowing base has been increased to \$100 million, an increase from \$60 million, until the next scheduled semi-annual borrowing base redetermination on or before November 30, 2024. In addition, the Company's lenders provided a \$20 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.

The Boards of Directors of both Rubellite and Buffalo Mission unanimously approved the Acquisition.

ATB Securities Inc acted as Financial Advisor, BMO Capital Markets acted as Strategic Advisor, and Burnet, Duckworth & Palmer LLP acted as legal advisor on the Acquisition. BMO Capital Markets also acted as Financial Advisor with respect to the Second-Lien Term Loan.

Q2 2024 OPERATIONS AND FINANCIAL HIGHLIGHTS

Rubellite is scheduled to release its second quarter 2024 financial and operating results on August 8, 2024. Select unaudited operational and financial highlights for the second quarter of 2024 are provided below:

- 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
- 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).

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

UPDATED OUTLOOK AND GUIDANCE

Rubellite's Board of Directors has approved 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. 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 (100% heavy oil) 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.

In conjunction with the Acquisition, Rubellite has updated its guidance for 2024 as follows:

	Previous 2024 Guidance ⁽¹⁾	Updated 2024 Q4 Guidance	2024 Guidance
Sales Production (bbl/d)	4,600 - 4,900	5,600 - 5,900	7,400 - 7,800
Development spending (\$ millions) ⁽²⁾⁽³⁾⁽⁴⁾	\$70 - \$75	\$82 - \$87	\$21 - \$23
Multi-lateral development wells / step-out wells (net)	34.0 - 35.0	40.0 - 41.0	12.0
Heavy oil wellhead differential (\$/bbl) ⁽²⁾	\$6.00 - \$6.50	\$5.50 - \$6.00	\$5.50 - \$6.00
Royalties (% of revenue) ⁽²⁾	11% - 12%	11% - 12%	11% - 12%
Production & operating costs (\$/boe) ⁽²⁾	\$6.00 - \$6.50	\$7.25 - \$7.75	\$7.50 - \$8.00
Transportation costs (\$/boe) ⁽²⁾	\$7.50 - \$8.00	\$7.50 - \$8.00	\$7.50 - \$8.00
General & administrative costs (\$/boe) ⁽²⁾	\$5.50 - \$6.00	\$4.75 - \$5.25	\$4.50 - \$5.00

(1) Previous 2024 guidance was contained in the Company's May 13, 2024 news release.

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

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

(4) Excludes land, acquisition and exploration spending.

ABOUT RUBELLITE

Rubellite is a Canadian energy company engaged in the exploration, development and production of heavy crude oil from the Clearwater and Mannville stack Formations in Eastern Alberta, utilizing multi-lateral drilling technology. Rubellite has a prolific, oil focused asset base and is pursuing a robust organic growth plan focused on superior corporate returns and funds flow generation while maintaining a conservative capital structure and prioritizing operational excellence. Additional information on Rubellite and the Acquisition can be accessed on the Company's website at www.rubelliteenergy.com or on SEDAR+ at www.sedarplus.ca.

The Toronto Stock Exchange has neither approved nor disapproved the information contained herein.

ADVISORIES

Certain directors and officers of the Company and the Company's significant shareholder, directly or

indirectly participated in the Second-Lien Term Loan, which may result in the Second-Lien Term Loan being a "related party transaction" as defined under Multilateral Instrument 61-101 ("MI 61-101"). The Second-Lien Term Loan is exempt from the need to obtain minority shareholder approval and a formal valuation as required by MI 61-101 as at the time the transaction was agreed to, neither the fair market value of the subject matter, nor the fair market value of the consideration for, the Second-Lien Term Loan, insofar as it involved "interested parties" (as defined in MI 61-101), exceeded 25 percent of the Company's market capitalization.

BOE VOLUME CONVERSIONS

Barrel of oil equivalent ("boe") may be misleading, particularly if used in isolation. In accordance with 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 news release.

ABBREVIATIONS

The following abbreviations used in this news release have the meanings set forth below:

bbl barrels
bbl/d barrels per day
boe barrels of oil equivalent

INITIAL PRODUCTION RATES

Any references in this news release to initial production rates are useful in confirming the presence of hydrocarbons; however, such rates are not determinate 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

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 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 existing wells in relative close proximity to such unbooked drilling locations, 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.

PRELIMINARY FINANCIAL INFORMATION

Certain anticipated operating and financial results for the second quarter of 2024 included in this news

release, such as production information and adjusted funds flow, are estimated based on preliminary estimates as of the date of this news release. These estimated results are subject to change upon the completion of the unaudited financial statements for the interim period ended June 30, 2024.

NON-GAAP AND OTHER FINANCIAL MEASURES

Throughout this news release 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 spending to measure its capital investments compared to the Company's annual capital budgeted expenditures. Rubellite's capital budget excludes acquisition and disposition activities.

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.

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.

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.

Supplementary Financial Measures

"Royalties (% of 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.

"Production & 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.

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

"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 (Cdn\$/bbl) prior to any price or risk management activities.

FORWARD-LOOKING INFORMATION

Certain information in this news release including management's assessment of future plans and operations, and including the information contained under the headings "Transaction Highlights", "Strategic Rationale", "Updated Outlook and Guidance", and "Q2 Operations and Financial Highlights" 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: the anticipated benefits to be derived from the Acquisition; 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 "Updated 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 news release. In particular and without limitation of the foregoing, material factors or assumptions on which the forward-looking information in this news release is based include: the successful operation of the Clearwater and the 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 including drilling and drilling spacing unit permits and surface right access; 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.

SOURCE Rubellite Energy Inc.

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