

## Condensed Consolidated Statements of Financial Position

Unaudited, in thousands of Canadian dollars		June 30, 2025	December 31, 2024
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		6,567	8,576
Accounts receivable		37,158	50,166
Prepaid expenses and other		6,615	7,311
Inventories		3,669	3,772
Risk management contracts	(Note 12)	35,090	44,161
		89,099	113,986
Risk management contracts	(Note 12)	11,225	23,545
Property, plant, and equipment	(Note 5)	355,065	378,727
Exploration and evaluation assets		8,077	8,073
Right-of-use assets		3,806	4,450
Deferred income tax asset		85,944	83,642
<b>Total assets</b>		<b>553,216</b>	<b>612,423</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		70,484	95,830
Current portion of decommissioning obligations	(Note 8)	6,428	6,965
Current portion of lease liabilities		1,628	1,689
Warrant liability	(Note 7)	3,951	2,773
Current portion of long-term debt	(Note 6)	17,572	9,885
		100,063	117,142
Other amounts payable		1,865	727
Decommissioning obligations	(Note 8)	159,923	165,189
Lease liabilities		2,857	3,035
Long-term debt	(Note 6)	129,162	157,902
<b>Total liabilities</b>		<b>393,870</b>	<b>443,995</b>
<b>Shareholders' equity</b>			
Share capital	(Note 9)	306,304	306,306
Contributed surplus		13,793	13,635
Warrants		1,349	1,349
Accumulated other comprehensive income		39,112	55,163
Deficit		(201,212)	(208,025)
<b>Total shareholders' equity</b>		<b>159,346</b>	<b>168,428</b>
<b>Total liabilities and shareholders' equity</b>		<b>553,216</b>	<b>612,423</b>

Commitments (Note 14)

See accompanying notes to the Interim Condensed Consolidated Financial Statements

## Condensed Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

Unaudited, in thousands of Canadian dollars, except per share amounts		Three months ended June 30,		Six months ended June 30,	
		2025	2024	2025	2024
<b>Revenue</b>					
Petroleum and natural gas	(Note 10)	49,837	48,156	103,132	124,466
Royalties	(Note 10)	(4,477)	(5,589)	(3,944)	(14,362)
		45,360	42,567	99,188	110,104
Processing, marketing revenue	(Note 10)	9,612	4,203	15,773	9,275
Other revenue	(Note 10)	136	144	229	288
		55,108	46,914	115,190	119,667
Realized gain on risk management contracts	(Note 12)	16,710	18,215	37,825	25,494
Unrealized (loss) gain on risk management contracts	(Note 12)	(351)	230	(520)	230
		71,467	65,359	152,495	145,391
<b>Expenses</b>					
Operating		40,409	52,999	84,395	104,503
Transportation		4,918	4,478	9,582	9,588
General and administrative		5,916	6,316	11,492	11,911
Finance	(Note 11)	6,903	8,385	14,731	16,527
Depletion and depreciation	(Note 5)	14,257	15,043	27,086	31,373
Share-based compensation		1,619	682	3,061	1,429
Foreign exchange (gain) loss		(8,157)	1,609	(8,362)	5,514
Loss on warrant liability	(Note 7)	438	246	1,178	93
Gain on asset disposition	(Note 5)	-	-	-	(2,723)
		66,303	89,758	143,163	178,215
<b>Net income (loss) before taxes</b>		5,164	(24,399)	9,332	(32,824)
Deferred income tax expense (recovery)		1,017	(5,203)	2,519	(7,344)
<b>Net income (loss)</b>		4,147	(19,196)	6,813	(25,480)
<b>Other comprehensive income (loss), net of income tax</b>					
Items that may be reclassified to net income (loss)					
Change in fair value of cash flow hedges, net of tax		34,913	4,094	12,749	(26,676)
Reclassification of realized (gain) loss to net (loss) income, net of tax		(12,840)	14,026	(28,800)	19,630
<b>Total comprehensive income (loss)</b>		26,220	(1,076)	(9,238)	(32,526)
<b>Net income (loss) per share</b>					
Basic	(Note 9)	0.01	(0.12)	0.02	(0.16)
Diluted	(Note 9)	0.01	(0.12)	0.02	(0.16)

See accompanying notes to the Interim Condensed Consolidated Financial Statements

## Condensed Consolidated Statements of Changes in Equity

<i>Unaudited, in thousands of Canadian dollars</i>	Share Capital	Contributed Surplus	Warrants	Deficit	Accumulated Comprehensive Income (Loss)	Total Equity Attributable to Equity Holders	Non- Controlling Interests	Total Equity
<b>As at December 31, 2023</b>	275,942	13,191	1,349	(168,779)	53,044	174,747	(341)	174,406
Share-based compensation	-	170	-	-	-	170	-	170
Common shares issued on stock option exercise	12	(4)	-	-	-	8	-	8
Other comprehensive income	-	-	-	-	(7,046)	(7,046)	-	(7,046)
Net loss	-	-	-	(25,480)	-	(25,480)	-	(25,480)
<b>As at June 30, 2024</b>	275,954	13,357	1,349	(194,259)	45,998	142,399	(341)	142,058
<b>As at December 31, 2024</b>	306,306	13,635	1,349	(208,025)	55,163	168,428	-	168,428
Share-based compensation	-	162	-	-	-	162	-	162
Common shares issued on stock option exercise	12	(4)	-	-	-	8	-	8
Share issue costs	(14)	-	-	-	-	(14)	-	(14)
Other comprehensive income	-	-	-	-	(16,051)	(16,051)	-	(16,051)
Net income	-	-	-	6,813	-	6,813	-	6,813
<b>As at June 30, 2025</b>	<b>306,304</b>	<b>13,793</b>	<b>1,349</b>	<b>(201,212)</b>	<b>39,112</b>	<b>159,346</b>	<b>-</b>	<b>159,346</b>

See accompanying notes to the Interim Condensed Consolidated Financial Statements

## Condensed Consolidated Statements of Cash Flows

Unaudited, in thousands of Canadian dollars		Three months ended June 30,		Six months ended June 30,	
		2025	2024	2025	2024
<b>Operating activities</b>					
Net income (loss)		4,147	(19,196)	6,813	(25,480)
Unrealized loss (gain) on risk management contracts	(Note 12)	351	(230)	520	(230)
Depletion and depreciation	(Note 5)	14,257	15,043	27,086	31,373
Non-cash financing costs	(Note 6, 11)	1,218	2,234	3,969	4,410
Accretion of decommissioning obligations	(Note 8, 11)	671	584	1,278	1,149
Stock-based compensation		62	90	158	170
Unrealized (gain) loss on foreign exchange		(8,256)	1,302	(8,450)	5,213
Loss on revaluation of warrants	(Note 7)	438	246	1,178	93
Gain on asset disposition	(Note 5)	-	-	-	(2,723)
Deferred income tax expense (recovery)		1,017	(5,203)	2,519	(7,344)
Other amounts payable		597	256	1,138	539
Settlement of decommissioning obligations	(Note 8)	(269)	(666)	(537)	(4,684)
Changes in non-cash working capital	(Note 13)	(12,634)	3,985	(11,461)	3,008
Cash provided by (used in) operating activities		1,599	(1,555)	24,211	5,494
<b>Investing activities</b>					
Additions to property, plant and equipment	(Note 5)	(2,391)	(4,990)	(8,929)	(9,882)
Additions to exploration and evaluation assets		-	(13)	(4)	(16)
Changes in non-cash working capital	(Note 13)	(2,603)	(1,039)	(73)	(1,027)
Cash used in investing activities		(4,994)	(6,042)	(9,006)	(10,925)
<b>Financing activities</b>					
Share issue costs		-	-	(14)	-
Exercise of stock options		12	4	12	8
Restricted cash		-	180	-	150
Draws on long-term debt	(Note 6)	4,163	6,850	4,163	7,525
Repayment of long-term debt	(Note 6)	(5,291)	(2,761)	(20,736)	(8,446)
Payments on lease obligations		(330)	(479)	(639)	(972)
Cash (used in) provided by financing activities		(1,446)	3,794	(17,214)	(1,735)
<b>Decrease in cash and cash equivalents</b>		<b>(4,841)</b>	<b>(3,803)</b>	<b>(2,009)</b>	<b>(7,166)</b>
<b>Cash and cash equivalents, beginning of period</b>		<b>11,408</b>	<b>14,970</b>	<b>8,576</b>	<b>18,333</b>
<b>Cash and cash equivalents, end of period</b>		<b>6,567</b>	<b>11,167</b>	<b>6,567</b>	<b>11,167</b>
<b>Cash paid:</b>					
Interest paid in cash	(Note 11)	4,744	5,274	8,720	10,705

See accompanying notes to the Interim Condensed Consolidated Financial Statements



## Notes to the Interim Condensed Consolidated Financial Statements

### 1. Corporate Information

Cavvy Energy Ltd. (the “Company” or “Cavvy”) is a publicly traded, Canadian company headquartered in Calgary, Alberta. Cavvy is a significant upstream producer and midstream gathering and processing operator with core assets concentrated in western Alberta. Cavvy’s business is focused on safely producing, processing and delivering treated natural gas, condensate, natural gas liquids (“NGLs”) and sulphur to market.

During the second quarter of 2025 Cavvy underwent a rebranding process. With the approval of shareholders at the May 8<sup>th</sup>, 2025 Annual General Meeting, the name change from Pieridae Energy Limited was made official.

The common shares of Cavvy trade on the Toronto Stock Exchange (“TSX”) under the symbol CVVY. The Company was incorporated on May 29, 2012, under the laws of Canada. It is headquartered at 1100, 411 – 1st Street SE, Calgary, Alberta, T2G 4Y5.

Many of the Company’s activities involve jointly owned assets. The Interim Condensed Consolidated Financial Statements (“Interim Financial Statements”) reflect only the Company’s proportionate interest in such activities. The majority of Cavvy’s assets and business activities are held in a wholly owned subsidiary, Cavvy Production Ltd (“CPL”).

These Interim Financial Statements were approved by the Board of Directors of Cavvy on August 12, 2025.

### 2. Basis of Presentation

#### *Statement of compliance*

These unaudited Interim Financial Statements and the notes thereto have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). These Interim Financial Statements have been prepared following the same accounting policies and methods of computation as the Company’s annual Consolidated Financial Statements for the year ended December 31, 2024 (the “Consolidated Financial Statements”). Certain information and disclosures normally required to be included in the notes to the Consolidated Financial Statements have been condensed or omitted. Accordingly, these Interim Financial Statements should be read in conjunction with the Consolidated Financial Statements. Comparative amounts have been reclassified to match the current period presentation.

### 3. Material Accounting Judgements and Estimates

The preparation of these Interim Financial Statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenue and expenses, and related disclosures with respect to contingent assets and liabilities. Cavvy bases judgments, estimates and assumptions on current facts, historical experience and various other factors that are reasonable under the circumstances. The economic environment could also impact certain judgments, estimates and discount rates necessary to prepare these Interim Financial Statements, including significant estimates and judgments used in assessing for impairment indicators in the current economic environment. Actual results could differ materially from estimates and assumptions. Cavvy reviews estimates and underlying assumptions on an ongoing basis and makes revisions as determined necessary by management. Such revisions are recognized in the period in which the estimates are revised and may impact future periods as well.

Critical accounting judgments and estimates used in preparing the Interim Financial Statements are described in Cavvy’s Consolidated Financial Statements for the year ended December 31, 2024.

### 4. New Accounting Policies and Standards

There were no new accounting policies adopted during the period and there were no new or amended future accounting standards issued during the period. Refer to Note 4 of the Consolidated Financial Statements for a description of new and future accounting policies currently being reviewed by the Company.

## 5. Property, Plant and Equipment

The following table summarizes the Company's property plant and equipment balances at June 30, 2025 and December 31, 2024:

(\$ 000s)		
Cost	June 30, 2025	December 31, 2024
Balance, January 1	675,857	640,616
Additions	8,929	25,649
Dispositions	-	(3,849)
Change in decommissioning obligations (Note 8)	(6,544)	13,441
<b>Balance, end of period</b>	<b>678,242</b>	<b>675,857</b>

  

Accumulated Depletion and Depreciation	June 30, 2025	December 31, 2024
Balance, January 1	297,130	239,625
Depletion and depreciation	26,047	57,505
<b>Balance, end of period</b>	<b>323,177</b>	<b>297,130</b>

  

Net Book Value	June 30, 2025	December 31, 2024
Balance, January 1	378,727	400,991
<b>Balance, end of period</b>	<b>355,065</b>	<b>378,727</b>

At June 30, 2025, future development costs of the Company's proved plus probable reserves of \$753.2 million (December 31, 2024 - \$761.6 million) were included in the depletion calculations.

### Impairment

At June 30, 2025, the Company did not identify any indicators of impairment or potential impairment reversals on any of the cash generating units, thus no impairment test was required.

## 6. Long-Term Debt

The following tables summarize the Company's available liquidity and long-term debt balances as of June 30, 2025:

(\$ 000s)	Interest Rate (%)	Principal outstanding (USD)	Unamortized financing fees (USD)	Subtotal (USD)	Principal outstanding (CAD) <sup>(1)</sup>	Availability (USD)
Senior Facility						
Revolving Loan USD \$22,000 <sup>(1)</sup>	SOFR + 6.75	13,900	-	13,900	18,962	8,100
Term Notes USD \$81,500 <sup>(1)</sup>	SOFR + 6.75	67,690	-	67,690	92,411	-
Subordinated Notes USD \$33,606 <sup>(1)</sup>	13.00	33,606	(3,997)	29,609	40,398	-
<b>Total principal outstanding, June 30, 2025</b>		<b>115,196</b>	<b>(3,997)</b>	<b>111,199</b>	<b>151,771</b>	<b>8,100</b>

<sup>(1)</sup> Converted to CAD using the month end exchange rate of 1.3642 at June 30, 2025.

(\$ 000s)	Senior Facility (i) Revolving Loan	Term Notes	Subordinated Notes (ii)	Financing Costs	Total
Balance, January 1	21,583	112,629	40,052	(6,477)	167,787
Repayment of long-term debt	(5,733)	(15,003)	-	-	(20,736)
Draws on Revolving Loan	4,163	-	-	-	4,163
Non-cash interest paid in kind (Note 11)	-	-	1,577	-	1,577
Accretion of financing costs (Note 11)	-	-	952	1,440	2,392
Foreign exchange gain <sup>(1)</sup>	(1,051)	(5,215)	(2,183)	-	(8,449)
<b>Balance, end of period</b>	<b>18,962</b>	<b>92,411</b>	<b>40,398</b>	<b>(5,037)</b>	<b>146,734</b>
<b>Current</b>	<b>7,913</b>	<b>9,659</b>	<b>-</b>	<b>-</b>	<b>17,572</b>
<b>Long-term</b>	<b>11,049</b>	<b>82,752</b>	<b>40,398</b>	<b>(5,037)</b>	<b>129,162</b>

<sup>(1)</sup> Converted to CAD using the month end exchange rate of 1.3642 at June 30, 2025.

## i. Senior Facility

The Senior Facility is subject to an excess cash flow sweep, which is based on a prescriptive formula and was triggered at June 30, 2025 for \$8.0 million. The principal repayment will be made prior to July 30, 2025. The Senior Facility is repayable in full on March 13, 2027.

The effective interest rate on the Term Notes was 11.2% (June 30, 2024 – 12.2%).

The Revolving Loan is subject to a standby fee of 0.5% per annum payable quarterly on the undrawn portion. The effective interest rate on the Revolving Loan was 11.2% (June 30, 2024 – 12.3%).

## ii. Subordinated Notes

The effective interest rate on the Subordinated Notes for the period ended June 30, 2025, was 19.6% (June 30, 2024 – 20.0%).

## Covenants

As at June 30, 2025 the Company was in compliance with all covenants.

## Letter of credit guarantee facility

Effective July 1, 2025 the guarantee facility from Export Development Canada was renewed and maintained at \$12.0 million. The \$2.0 million formerly allocated to a foreign exchange facility was repurposed back to the trade and commercial facility. This facility provides for 100% guarantee to the issuing bank of the Company's existing and future letters of credit of which \$8.7 million was drawn at June 30, 2025 (June 30, 2024 - \$7.3 million).

## 7. Warrant Liability

As at June 30, 2025, the warrant liability was remeasured and associated change in fair value was recognized in the statements of income (loss). The fair value of the warrants was determined using the Black-Scholes option valuation model. The warrants may be exercised at any time and are therefore presented as a current liability on the statements of financial position. The following table reconciles the warrant liability at June 30, 2025, and December 31, 2024:

(\$ 000s)	June 30, 2025	December 31, 2024
Balance, January 1	2,773	4,192
Change in fair value to Tranche 1 due to re-strike (October 17, 2024)	-	(43)
Initial value of Tranche 2 (November 26, 2024)	-	147
Change in fair value during year	1,178	(1,523)
<b>Balance, end of period</b>	<b>3,951</b>	<b>2,773</b>

The following table provides the assumptions used in the Black-Scholes pricing model to calculate the fair value of the warrants:

	June 30, 2025	December 31, 2024
Risk-free interest rate	2.61%	2.74%
Expected life (years)	4.96	5.45
Volatility	69.81%	69.30%

## 8. Decommissioning Obligations

The following table summarizes the Company's decommissioning obligations at June 30, 2025, and December 31, 2024:

(\$ 000s)	June 30, 2025	December 31, 2024
Balance, January 1	172,154	161,881
Change in cost estimates <sup>(1)</sup>	-	19,608
Change in discount rate	(6,544)	(6,167)
Settlement of obligations	(537)	(5,549)
Accretion	1,278	2,381
<b>Balance, end of period</b>	<b>166,351</b>	<b>172,154</b>
Expected to be incurred within one year	6,428	6,965
Expected to be incurred beyond one year	159,923	165,189

<sup>(1)</sup> Change in cost estimates for the year ended December 31, 2024 relate to the update of AER directive 11, released in 2024.

The Company's decommissioning obligations result from net ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. As at June 30, 2025 the Company estimates the total undiscounted amount of cash flows required to settle its decommissioning obligations is approximately \$294.4 million (December 31, 2024 - \$292.9 million).

The Company uses an observable, market-based and inflation adjusted risk-free real rate of return to estimate the present value of the decommissioning obligation. As at June 30, 2025, the inflation adjusted risk-free discount rate was 1.65% (December 31, 2024 - 1.51%).

## 9. Share Capital

The following table outlines the issued and outstanding shares at June 30, 2025, and December 31, 2024:

(\$ 000s except per share amounts)	Common shares	June 30, 2025 \$	Common shares	December 31, 2024 \$
Balance, January 1	290,387,642	306,306	159,087,336	275,942
Shares issued on stock option exercise	32,000	12	24,000	12
Shares issued on private placement	-	-	12,800,000	3,653
Shares issued on rights offering	-	-	118,476,306	26,699
Share issue costs	-	(14)	-	-
<b>Balance, end of period</b>	<b>290,419,642</b>	<b>306,304</b>	<b>290,387,642</b>	<b>306,306</b>

### Per share amounts

Per common share amounts have been determined based on the following:

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Weighted average common shares	290,401,488	159,064,658	290,394,603	159,062,366
Dilutive effect of warrants <sup>(1)</sup>	-	-	-	-
Dilutive effect of options <sup>(1)</sup>	140,238	-	41,415	-
<b>Weighted average common shares, diluted</b>	<b>290,541,726</b>	<b>159,064,658</b>	<b>290,436,018</b>	<b>159,062,366</b>

<sup>(1)</sup> For the three and six months ended June 30, 2025, 6.4 million and 6.5 million options, respectively and all warrants (for the three and six months ended June 30, 2024 – all options and all warrants) were excluded from the diluted weighted average shares calculation as they were anti-dilutive.



## 10. Petroleum and Natural Gas Sales

The Company's petroleum and natural gas revenues are set out below:

	Three months ended June 30		Six months ended June 30	
(\$ 000s)	2025	2024	2025	2024
Natural gas	20,664	17,821	42,567	60,129
Condensate	19,303	22,482	40,315	45,557
NGLs	6,543	5,546	15,277	14,507
Sulphur	3,327	2,307	4,973	4,273
Total petroleum and natural gas revenue	49,837	48,156	103,132	124,466
Less:				
Gross royalties	11,135	11,127	22,685	28,506
Gas cost allowance	(6,658)	(5,538)	(18,741)	(14,144)
Total royalties	4,477	5,589	3,944	14,362
Processing and marketing revenue	9,612	4,203	15,773	9,275
Other revenue	136	144	229	288
Total processing, marketing and other revenue	9,748	4,347	16,002	9,563
<b>Total revenue</b>	<b>55,108</b>	<b>46,914</b>	<b>115,190</b>	<b>119,667</b>

## 11. Finance Expense

The following is a summary of finance expenses:

	Three months ended June 30		Six months ended June 30	
(\$ 000s)	2025	2024	2025	2024
Cash portion of Interest expense	4,744	5,274	8,720	10,705
Non-cash interest paid in kind (Note 6)	-	1,011	1,577	1,997
	4,744	6,285	10,297	12,702
Accretion of financing costs (Note 6)	1,218	1,223	2,392	2,413
Accretion of decommissioning obligations (Note 8)	671	584	1,278	1,149
Interest on lease liabilities	134	58	265	122
Other charges	136	235	499	141
<b>Total finance expense</b>	<b>6,903</b>	<b>8,385</b>	<b>14,731</b>	<b>16,527</b>

## 12. Financial Instruments and Risk Management

Financial instruments at June 30, 2025, consist of cash and cash equivalents, restricted cash, deposits, accounts receivable, accounts payable, other amounts payable, current and long-term debt, risk management contracts, and warrant liability. Risk management contracts and warrant liability are classified as Level 2 measurements. The carrying value of long-term debt approximates its fair value as it bears interest at market rates. The Company does not have any recurring fair value measurements classified as Level 3. There were no transfers between the levels in the fair value hierarchy for the period ended June 30, 2025. The Company's accounts receivable, deposits, accounts payable and other amounts payable approximate their fair values due to the short-term nature of these instruments.

The Company has exposure to counterparty credit risk, liquidity risk and market risk. Cavvy recognizes that effective management of these risks is a critical success factor in managing organization and shareholder value. Risk management strategies, policies and limits ensure risks and exposures are aligned to the Company's business strategy and risk tolerance. The Board of Directors is responsible for providing risk management oversight and oversees how management assesses and monitors risk. The following analysis provides an assessment of those risks as at June 30, 2025.

### Counterparty credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Company's accounts receivable from hydrocarbon sales, partners in jointly owned assets, counterparties to derivative financial contracts and third-party processing customers.

Substantially all of the Company's accounts receivable balance is with petroleum and natural gas marketers, joint venture partners, hedge counterparties, and third-party processing customers. Sales from petroleum and natural gas marketers are normally collected on the 25<sup>th</sup> day of the month following the sale. Amounts due from joint venture and third-party partners are collected based on billing cycles. The Company's credit policy includes parameters to mitigate credit risk associated with these balances. The Company has not experienced any material collection issues with its counterparties. The Company's financial risk management contracts are held with two counterparties, both of which are large reputable financial institutions; management has concluded that credit risk associated with these parties' contracts is low.

### Liquidity and funding risk

Liquidity and funding risk is the risk that the Company may be unable to obtain sufficient cash or its equivalent in a timely and cost-effective manner in order to meet its commitments as they become due. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. The Company manages its liquidity risk by forecasting cash flows over a twelve-month rolling time period; these requirements are then addressed through management of Cavvy's capital structure, being its share capital and debt facilities, and adjustments are made based on the funds available to the Company.

The Company's significant outstanding financial liabilities consist of accounts payable and accrued liabilities, which are expected to be funded as they come due by cash provided by operating activities.

### Capital management

The Company manages its capital structure and makes adjustments in light of changes in economic and market conditions and the risk characteristics of the underlying assets. The Company's objective when managing capital is to ensure it has sufficient funds to maintain and develop its assets, accelerate debt repayment, develop resource opportunities and meet its commitments. To maintain or adjust the capital structure, the Company may issue new shares, obtain additional debt facilities and/or consider strategic alliances including joint ventures.

The Company manages its capital structure and financing requirements using funds flow from operations, a non-GAAP measure. Funds flow from operations is used to monitor and assess liquidity and the flexibility of the Company's capital structure by providing management and investors with a measure of the cash flows generated by the Company's assets available to meet financial obligations. Funds flow from operations is not a standardized measure and therefore may not be comparable with the calculation of similar measures by other entities.

The calculation of funds flow from operations is as follows:

	Three months ended June 30		Six months ended June 30	
(\$ 000s)	2025	2024	2025	2024
Cash provided by (used in) operating activities	1,599	(1,555)	24,211	5,494
Settlement of decommissioning obligations	269	666	537	4,684
Changes in non-cash working capital	12,634	(3,985)	11,461	(3,008)
<b>Funds flows from operations</b>	<b>14,502</b>	<b>(4,874)</b>	<b>36,209</b>	<b>7,170</b>

The Company funds its share of commitments from existing cash balances, issuing shares and various debt facilities. The Company may require additional financing to advance growth opportunities. Management will explore all options to achieve the appropriate funding levels. Sources of future funds can include the issuance of shares, debt, a partnership agreement, or the sale of an interest in oil or natural gas properties.

### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market conditions. Market risk is comprised of three types of risk: commodity price risk, interest rate risk and currency risk.

### Commodity price risk

The Company's natural gas, condensate, NGL and sulphur sales, and electricity purchase, are directly subject to fluctuations in underlying commodity prices. Fluctuations in commodity prices, both absolute and where relevant, are impacted by changes in the CAD to USD exchange rate. Commodity price volatility may impact the Company's operating cash flows, its ability to attract investment and the ability to generate cashflows to maintain operations. The Company continually evaluates options to manage commodity price volatility and risk.

The Company utilizes fixed price physical delivery contracts and various financial derivative instruments as part of its overall risk management strategy to assist in managing the exposure to commodity price, foreign exchange and interest rate risk. These financial instruments are not used for speculative purposes.

Physical contracts are considered normal purchase or sales contracts and are not included in the risk management account on the statement of financial position but recognized in petroleum and natural gas revenue or operating expense as contracts are settled. The Company had the following fixed price physical commodity sales contracts and power contracts in place at June 30, 2025:

Type of contract	Quantity	Time Period	Average Price
Fixed Price - Natural Gas Sales	5,000 GJ/d	Jul 2025 - Oct 2026	CAD \$3.31 /GJ
Fixed Price - Power Purchases	54 MW	Jul 2025 - Dec 2025	CAD \$79.08 /MWh
Fixed Price - Power Purchases	45 MW	Jan 2026 - Dec 2026	CAD \$75.88 /MWh
Fixed Price - Power Purchases	25 MW	Jan 2027 - Dec 2027	CAD \$70.19 /MWh

The Company had the following financial risk management contracts, to which hedge accounting is applied, in place as at June 30, 2025:

Type of contract	Quantity	Time Period	Contract Price
AECO Natural Gas Swap	105,000 GJ/d	Jul 2025 - Dec 2025	CAD \$3.32 /GJ
AECO Natural Gas Swap	73,500 GJ/d	Jan 2026 - May 2026	CAD \$3.32 /GJ
AECO Natural Gas Swap	53,340 GJ/d	Jun 2026	CAD \$3.40 /GJ
AECO Natural Gas Swap	63,340 GJ/d	Jul 2026 - Mar 2027	CAD \$3.41 /GJ
AECO Natural Gas Swap	42,000 GJ/d	Apr 2027 - May 2027	CAD \$3.40 /GJ
WTI Crude Oil Collar	1,137 bbl/d	Jul 2025 - Dec 2025	CAD \$80.00 - \$90.75 /bbl
WTI Crude Oil Collar	917 bbl/d	Jan 2026 - Dec 2026	CAD \$80.00 - \$90.75 /bbl
WTI Crude Oil Collar	761 bbl/d	Jan 2027 - May 2027	CAD \$80.00 - \$90.75 /bbl
WTI Crude Oil Swap	515 bbl/d	Jun 2025 - Dec 2025	CAD \$94.79 /bbl
WTI Crude Oil Swap	549 bbl/d	Jan 2026 - Dec 2026	CAD \$92.82 /bbl
WTI Crude Oil Swap	828 bbl/d	Jan 2027 - Dec 2027	CAD \$90.57 /bbl
WTI Crude Oil Swap	767 bbl/d	Jan 2028 - Jun 2028	CAD \$88.44 /bbl

The Company did not identify any hedge ineffectiveness as of June 30, 2025. The hedge ratio, representing the relationship between the quantity of the hedging instrument and the quantity of the hedged item in terms of their relative weighting is 1:1 at June 30, 2025.

Changes in fair value of risk management asset and liabilities for the period ended June 30, 2025, are as follows:

(\$ 000s)	Financial Derivatives	Cashflow Hedges	Total
Fair value of assets, balance January 1	520	67,186	67,706
Changes in fair value – profit or loss	(520)	-	(520)
Changes in fair value – other comprehensive income	-	(20,871)	(20,871)
<b>Fair value of assets, balance end of period</b>	<b>-</b>	<b>46,315</b>	<b>46,315</b>
Risk management contracts – current			35,090
Risk management contracts – long-term			11,225
Risk management contract settlements – profit or loss <sup>(1)</sup>	423	37,402	<b>37,825</b>

<sup>(1)</sup> Includes net proceeds from the hedge monetization in the first quarter of 2025 of \$10.2 million.

Changes in fair value of risk management asset and liabilities for the period ended December 31, 2024, are as follows:

(\$ 000s)	Financial Derivatives	Cashflow Hedges	Total
Fair value of assets, balance January 1	-	64,415	64,415
Changes in fair value – profit or loss	520	-	520
Changes in fair value – other comprehensive income	-	2,771	2,771
Fair value of assets, balance end of period	520	67,186	67,706
Risk management asset – current			44,161
Risk management asset – long-term			23,545
Risk management contract settlements	329	66,890	67,219

The following table illustrates the effects of potential movement in commodity prices on net income due to the changes in the fair value of financial derivative contracts in place at June 30, 2025, and 2024. The sensitivity is based on a 10% increase and 10% decrease in forward price curves at June 30, 2025, and December 31, 2024.

(\$ 000s)	10% Decrease in Price		10% Increase in Price	
	2025	2024	2025	2024
<b>Increase (decrease) to OCI</b>				
Crude Oil - WTI (CAD)	9,840	16,616	(9,996)	(17,075)
Natural Gas - AECO (CAD)	12,889	25,108	(12,889)	(25,108)

During the first quarter, the Company monetized a portion of its January 2026 to May 2027 AECO Natural Gas Swaps representing a weighted average of 24,862 GJ/d during that period, and re-structured a portion of the remaining AECO Natural Gas Swaps during the same period from \$3.78/GJ to \$3.40/GJ. The monetization resulted in net proceeds of \$10.2 million, which were recognized in net income. Net proceeds were utilized to reduce long term debt.

During the second quarter the Company entered new AECO Natural Gas Swaps totalling 10,000 GJ/d from July 2026 to March 2027 at \$3.45/GJ.

### Interest rate risk

Interest rate risk is the risk that future cashflows will fluctuate as a result of changes in market interest rate. For the period ended June 30, 2025, the Company's primary interest rate exposure was the variable rate Senior Facility. A 1.0% change in the SOFR rate would result in a \$0.3 million and \$0.6 million change in interest expense for the three and six months ended June 30, 2025 and 2024, respectively.

### Currency risk

Currency risk is the risk that cashflows will fluctuate as a result of changes in foreign currencies and CAD. A small portion of the Company's accounts receivable, accounts payable, accrued liabilities and commitments are denominated in USD, however the impact of currency fluctuations are immaterial to these items.

Periodically, the Company enters into currency hedges, which provide the right but not the obligation to purchase USD at a fixed exchange rate. These provide downside protection on cash flow risk associated with currency fluctuations between USD and CAD for a portion of scheduled debt service obligations denominated in USD.

The Company had the following financial risk management contracts, to which hedge accounting is not applied, in place as at June 30, 2025:

Type of Contract	Quantity (USD '000s)	Time Period	Average Price
USD Forward	US\$2,483	Sep 2025	CAD \$1.4159
USD Forward	US\$2,483	Dec 2025	CAD \$1.4105
USD Forward	US\$2,483	Sep 2025	CAD \$1.3834
USD Forward	US\$2,483	Dec 2025	CAD \$1.3786

The following contracts were entered into subsequent to June 30, 2025:

Type of Contract	Quantity (USD '000s)	Time Period	Average Price
USD Collar	US\$2,308	Mar 2026	CAD \$1.3355 - \$1.3700
USD Collar	US\$2,482	Jun 2026	CAD \$1.3355 - \$1.3700

A 5% change in the foreign exchange rates between CAD and USD would result in a \$0.2 million impact on interest expense for the three months ended June 30, 2025 and \$0.4 million for the six months ended June 30, 2025 respectively (three and six months ended June 30,



2024 - \$1.5 million and \$2.9 million, respectively) and a \$7.9 million impact on the foreign exchange translation gain (loss) related to the long-term debt valuation (June 30, 2024 - \$8.6 million).

### 13. Presentation in Consolidated Statements of Cash Flows

The following table provides a detailed breakdown of certain line items contained within cashflow from operating and investing activities:

(\$ 000s)	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
<b>Changes in non-cash working capital</b>				
Accounts receivable	7,134	5,513	13,008	16,363
Prepaid expenses and deposits	83	872	696	1,060
Inventories	(4)	312	102	116
Accounts payable and accrued liabilities	(22,450)	(3,751)	(25,340)	(15,558)
<b>Total change in non-cash working capital</b>	<b>(15,237)</b>	<b>2,946</b>	<b>(11,534)</b>	<b>1,981</b>
Relating to:				
Operating activities	(12,634)	3,985	(11,461)	3,008
Investing activities	(2,603)	(1,039)	(73)	(1,027)

### 14. Commitments, Provisions and Contingencies

#### Commitments

The following is a summary of the Company's commitments as at June 30, 2025:

(\$ 000s)	2025	2026	2027	Thereafter	Total
Firm transportation	5,497	10,706	2,578	-	18,781

#### Provisions and Contingencies

The Company is involved in various claims and litigation arising in the normal course of business. While the outcome of these matters is uncertain and there can be no assurance that such matters will be resolved in the Company's favor, the Company does not currently believe that adverse outcomes in any of these pending or threatened proceedings would have a material adverse impact on its financial position or results of operations.