

# Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") of Cavvy Energy Ltd. ("Cavvy", "we", "our" or the "Company") provides a review by management of the financial performance and position of the Company, as well as the trends and external factors which may impact the Company's prospects. This MD&A has been prepared as of August 12, 2025, and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and the accompanying notes for the three and six months ended June 30, 2025, (the "Interim Financial Statements") and the MD&A and audited consolidated financial statements and the accompanying notes for the year ended December 31, 2024 and 2023 (the "Consolidated Financial Statements") as well as Cavvy's Annual Information Form ("AIF"). The Interim Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") as issued by the International Accounting Standards Board ("IASB"). The Company's reporting currency is the Canadian dollar ("CAD"). All amounts are presented in CAD, unless otherwise stated.

When preparing the MD&A, the Company considers the materiality of information. Information is considered material if (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. The Company evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Condensate is a natural gas liquid as defined by National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*. Throughout this MD&A, natural gas liquids ("NGLs") comprise all NGLs as defined by NI 51-101 other than condensate, which is disclosed separately. Reference is made to crude oil and natural gas in common units called barrel of oil equivalent ("boe"). A boe is derived by converting six thousand cubic feet ("mcf") of natural gas to one barrel ("bbl") of crude oil (6 mcf:1 bbl). This conversion may be misleading, particularly if used in isolation, since the 6 mcf:1 bbl ratio 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 comparing the value ratio using current crude oil prices relative to natural gas prices, the 6 mcf:1 bbl conversion ratio may be misleading as an indication of value.

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. Cavvy trades on the TSX under the symbol CVVY. Continuous disclosure materials are available on our website [www.cavvyenergy.com](http://www.cavvyenergy.com), or on SEDAR, [www.sedarplus.com](http://www.sedarplus.com).

## SPECIAL NOTE REGARDING NON-GAAP FINANCIAL MEASURES

This MD&A includes references to financial measures such as net operating income ("NOI"), netback, operating netback ("Operating Netback"), net debt, adjusted operating expense, adjusted working capital and funds flow from operations ("FFO"). Management believes these financial measures are important to the understanding of the Company's business activities. These financial measures are not defined by IFRS and therefore are referred to as non-GAAP measures. The non-GAAP measures Cavvy uses may not be comparable to similar measures presented by other companies. The Company uses these non-GAAP measures to evaluate its performance. The non-GAAP measures should not be considered an alternative to, or more meaningful than, measures determined in accordance with IFRS, as an indication of its performance. The non-GAAP measures are reconciled to their closest GAAP measure. Non-GAAP measures are defined as they are used throughout this MD&A.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

Certain of the statements contained in this MD&A constitute forward-looking information relating to, without limitation, management expectations, intentions and assessments of future plans, strategies and operations, the Company's expected capital budget, the Company's future business plan and strategy, the Company's criteria for evaluating acquisitions and other opportunities, intentions with respect to future acquisitions and other opportunities, plans and timing for development of undeveloped and probable resources, timing of when the Company may be taxable, estimated abandonment and reclamation costs, plans regarding hedging, wells to be drilled, the weighting of commodity expenses, expected production and performance of oil and natural gas properties, results and timing of projects, access to adequate pipeline capacity and third-party infrastructure, growth expectations, supply and demand for oil, NGLs, and natural gas, industry conditions, government regulations and regimes, and capital expenditures and the nature of capital expenditures and the timing and method of financing thereof, may constitute "forward-looking statements" or "forward-looking information" within the meaning of Applicable Securities Laws (as defined herein) (collectively "forward-looking statements"). Words such as "may", "will", "should", "could", "anticipate", "believe", "expect", "intend", "focus", "plan", "ensure", "grow", "sustain", "potential", "continue", "estimate", "expect", "project", "forecast", "target", "future", and similar expressions may be used to identify these forward-looking statements. These statements reflect management's current beliefs, estimates and opinions regarding the Company's future growth, results of operations, performance and plans and timing for development of business prospects and opportunities and are based on information currently available to management.

The forward-looking statements are based on current expectations, estimates and projections about the Company and the industry in which the Company operates, which speak only as of the earlier of the date such statements were made or as of the date of the report or document in which they are contained, and are subject to known and unknown risks and uncertainties that could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks and uncertainties include, among others: general economic and business conditions which will, among other things, impact demand for and market prices of the Company's products, and volatility of and assumptions regarding crude oil, natural gas, and NGL prices.

Forward-looking statements involve significant risk and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to: general economic and business conditions, tariffs or other trade restrictions imposed on Canada by the United States ("US"), risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices and interest rates, currency fluctuations, imprecision of resources estimates, environmental risks, competition from other producers, incorrect assessment of the value of acquisitions, failure to realize the anticipated benefits of acquisitions, expectations on leveraging ability to increase third-party utilization and associated revenues, delays resulting from or inability to obtain required regulatory approvals, ability to access sufficient capital from internal and external sources and the risk factors outlined under "Risk Factors" and elsewhere herein. The recovery and resource estimates of the Company's reserves provided herein are estimates only and there is no guarantee that the estimated resources will be recovered. Consequently, actual results may differ materially from those anticipated in the forward-looking statements.

Forward-looking statements are based on a number of factors and assumptions which have been used to develop such forward-looking statements, but which may prove to be incorrect. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, undue reliance should not be placed on forward-looking statements because the Company can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in this document, assumptions have been made regarding, among other things: the impact of increasing competition; the general stability of the economic and political environment in which the Company operates; the timely receipt of any required regulatory approvals; the Company's ability to obtain qualified staff, equipment and services in a timely and cost efficient manner; the feasibility of and effectiveness of management's mitigation plans; the expectations that the current claims and litigation of the Company will not materially affect the Company's Interim Financial Statements, the ability of the operator of the projects which the Company has an interest in to operate the field in a safe, efficient and effective manner; the Company's ability to obtain financing on acceptable terms; the ability to replace and expand oil and natural gas resources through acquisition, development and exploration; the timing and costs of pipeline, storage and facility construction and expansion and the Company's ability to secure adequate product transportation; expectations on future oil and natural gas prices and anticipated production volumes and recoverable quantities; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which Cavvy operates; timing and amount of capital expenditures, future sources of funding, production levels, weather conditions, success of exploration and development activities, access to gathering, processing and pipeline systems, advancing technologies, and the Company's ability to successfully market oil and natural gas products.

Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect Cavvy's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website ([www.sedarplus.com](http://www.sedarplus.com)), and on Cavvy's website ([www.cavvyenergy.com](http://www.cavvyenergy.com)). Although the forward-looking statements contained herein are based upon what management believes to be reasonable assumptions, management cannot assure that actual results will be consistent with these forward-looking statements. Investors should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and the Company assumes no obligation to update or review them to reflect new events or circumstances except as required by applicable securities laws.

Forward-looking statements contained herein concerning the oil and gas industry and the Company's general expectations concerning this industry are based on estimates prepared by management using data from publicly available industry sources as well as from reserve reports, market research, industry analysis and on assumptions based on data and knowledge of this industry which the Company believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While the Company is not aware of any misstatements regarding any industry data presented herein, the industry involves risks and uncertainties and is subject to change based on numerous factors.

## DEFINITIONS AND ABBREVIATIONS

<b>Bcf</b>	Billion cubic feet	<b>MMcf</b>	Million cubic feet
<b>Mcf</b>	Thousand cubic feet	<b>MMcf/d</b>	Million cubic feet per day
<b>Mcf/d</b>	Thousand cubic feet per day	<b>MMBtu</b>	Million British thermal units
<b>GJ</b>	Gigajoules	<b>Bbl</b>	Barrel
<b>GJ/d</b>	Gigajoules per day	<b>Boe</b>	Barrel of oil equivalent
<b>USD</b>	United States Dollars	<b>Boe/d</b>	Barrel of oil equivalent per day
<b>AECO</b>	Alberta benchmark price for natural gas	<b>WTI</b>	West Texas Intermediate benchmark for crude oil
<b>MW</b>	Megawatt	<b>C4</b>	Butane
<b>MWh</b>	Megawatt hour	<b>C5/C5+</b>	Condensate or pentane
<b>C2</b>	Ethane	<b>AB</b>	Alberta
<b>C3</b>	Propane	<b>BC</b>	British Columbia

## CAVVY'S OBJECTIVES AND STRATEGY

Cavvy is a Canadian energy company headquartered in Calgary, Alberta, and a significant upstream producer and midstream gathering and processing ("G&P") operator with core assets concentrated in western Alberta. Cavvy's business is focused on safely producing, processing and delivering treated natural gas, condensate, NGLs and sulphur to market.

Management is optimistic about the opportunities within the asset base and in the regions where the Company operates. As Cavvy continues to mature its deep inventory of conventional drilling prospects, it is focused on diversifying revenue and improving cash flow by increasing third-party utilization of owned G&P infrastructure, which consists primarily of three major sour gas processing and fractionation facilities – the "Waterton Facility", the "Jumping Pound Facility" and the "Caroline Facility", and associated gathering systems. These assets are strategically located in central and southern Alberta to provide local customers competitive processing and egress to natural gas, condensate, NGL, and sulphur markets. Cavvy continues to leverage the long-term, low decline characteristics of its reserve base and supporting infrastructure to create long-term shareholder value. The following items are also fundamental to Cavvy's strategic vision:

- Sustaining a safe and regulatory compliant business.
- Expanding utilization of the Company's G&P assets by competitively attracting third-party volumes derived from existing production, local capacity consolidation, and new development drilling within the reach and capacity of its gathering systems.
- Proving the Company's resource upside by successfully investing in identified high impact drilling opportunities.
- Improving capital structure and financial flexibility by reducing leverage.
- Identifying and pursuing cashflow growth and revenue diversification opportunities.
- Instilling and driving a high-performance culture.
- Expanding the Company's carbon emissions management plan with focus on mitigating or eliminating Technology Innovation and Emissions Reduction Regulation ("TIER Regulation") carbon compliance cost.
- Applying technology solutions to improve profitability.
- Seeking new markets for its products; and
- Pursuing emerging opportunities aligned with implementing a "new ventures" strategy.

## QUARTERLY HIGHLIGHTS

The tables below provide a summary of the consolidated financial results for the current quarter and the previous seven quarters:

(\$ 000s unless otherwise noted)	2025		2024				2023	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
<b>Production</b>								
Natural gas (mcf/d)	126,198	105,338	111,787	115,196	157,077	175,356	174,211	155,763
Condensate (bbl/d)	2,507	2,454	2,149	2,191	2,472	2,781	2,384	2,020
NGLs (bbl/d)	2,524	2,574	1,788	1,726	2,210	2,613	1,921	2,273
Sulphur (tonne/d)	1,128	1,076	968	1,444	1,376	1,491	1,284	1,124
Total production (boe/d) <sup>(1)</sup>	26,064	22,584	22,568	23,116	30,861	34,620	33,340	30,253
Third-party volumes processed (mcf/d) <sup>(2)</sup>	119,761	81,777	71,497	66,518	53,763	58,423	67,350	57,363
<b>Financial</b>								
<b>Natural gas price (\$/mcf)</b>								
Realized before Risk Management Contracts	1.73	2.24	1.55	0.77	1.14	2.53	2.32	2.65
Realized after Risk Management Contracts <sup>(3)</sup>	3.23	3.58	3.36	3.43	2.71	3.21	3.12	3.25
Benchmark natural gas price	1.72	2.14	1.46	0.68	1.17	2.48	2.29	2.59
<b>Condensate price (\$/bbl)</b>								
Realized before Risk Management Contracts	84.60	95.15	94.87	92.13	99.96	91.18	97.15	97.47
Realized after Risk Management Contracts <sup>(3)</sup>	85.88	88.29	90.61	84.61	87.75	84.49	86.34	80.49
Benchmark condensate price (\$/bbl)	87.71	100.24	98.85	97.10	105.62	98.43	104.30	106.30
<b>Sulphur price (\$/tonne)</b>								
Realized sulphur price <sup>(4)</sup>	32.40	17.00	12.09	8.86	18.43	14.49	22.54	13.34
Benchmark sulphur price	373.11	246.36	180.54	128.47	103.19	94.84	118.29	107.09
Net income (loss)	4,147	2,666	(20,921)	7,496	(19,196)	(6,284)	7,414	(16,254)
Net income (loss) \$ per share, basic	0.01	0.01	(0.08)	0.04	(0.12)	(0.04)	0.06	(0.10)
Net income (loss) \$ per share, diluted	0.01	0.01	(0.08)	0.04	(0.12)	(0.04)	0.04	(0.10)
Net operating income <sup>(5)</sup>	26,491	32,550	13,720	19,818	7,652	23,418	25,441	11,650
Cashflow provided by (used in) operating	1,599	22,612	(592)	2,260	(1,555)	7,049	31,983	7,577
Funds flow from operations <sup>(5)</sup>	14,502	21,707	2,824	8,234	(4,874)	12,044	14,269	(1,422)
Total assets	553,216	571,470	612,423	615,040	585,940	590,531	638,541	564,921
Adjusted working capital deficit <sup>(5)</sup>	(20,144)	(30,540)	(29,777)	(42,658)	(37,986)	(31,671)	(31,830)	(21,454)
Net debt <sup>(5)</sup>	(166,878)	(185,438)	(197,564)	(206,779)	(219,204)	(209,964)	(204,046)	(205,536)
Capital expenditures <sup>(6)</sup>	2,391	6,538	5,800	10,002	5,003	4,897	9,306	16,363

(1) Total production excludes sulphur.

(2) Third-party volumes processed are raw inlet natural gas volumes reported by activity month, which do not include accounting accruals.

(3) Includes physical commodity and financial risk management contracts inclusive of cash flow hedges, (together "Risk Management Contracts"). The realized natural gas price after Risk Management Contracts shown above is normalized to exclude the impact of the hedge monetization.

(4) Realized sulphur price is net of deductions such as transportation, marketing and storage fees.

(5) Refer to the "Net Operating Income", "Capital Resources", "Funds Flow from Operations" and "Working Capital and Capital Strategy" sections of this MD&A for reference to non-GAAP measures.

(6) Excludes reclamation and abandonment activities.

## SECOND QUARTER 2025 OPERATIONAL AND FINANCIAL HIGHLIGHTS

Highlights for the second quarter of 2025 include:

- Produced 26,064 boe/d (81% natural gas) reflecting solid core area reliability, plus temporary reactivation of certain marginally economic production in certain operating areas.
- Reduced operating expenses by 24% compared to the second quarter of 2024, primarily related to lower processing fees as a result of the ongoing voluntary shut-in of uneconomic Central Alberta ("CAB") production, and lower carbon compliance costs driven by higher owned-facility utilization.
- Processed 119.8 MMcf/d of third-party raw natural gas through Cavvy's three gas processing facilities resulting in a 129% increase in quarter-over-quarter revenue to \$9.6 million.
- Generated NOI of \$26.5 million (Operating Netback of \$11.17 per boe), including realized hedging gains and the positive cash flow impact of previously disclosed voluntary shut-ins.
- Reduced net debt from the first quarter of 2025 by \$18.4 million to \$166.9 million through payments against long-term debt and a reduction of non-cash working capital deficit.

- Further accelerated long-term debt repayment following the end of quarter through a quarterly excess cash flow sweep to the Senior Facility of \$8.0 million (USD \$5.8 million), which was paid in July, 2025.
- Incurred capital expenditures of \$2.4 million, primarily related to ongoing field and facility optimization efforts, as well as the remaining repairs to the Jumping Pound Facility sulphur condenser carried over from the first quarter.
- The discounted unrealized gain on the Company's natural gas and C5 hedge positions on June 30, 2025 was approximately \$46.3 million using the June 30, 2025 forward strip.
- Completed corporate rebranding to Cavvy Energy Ltd. on May 12, 2025, capping our strategic pivot to affirm our identity as a western Canadian based energy company.

During the second and third quarters of 2024, several low margin, dry gas properties in Northern Alberta Foothills, Northeast BC, and CAB which all produce to non-operated facilities were shut-in due to low AECO natural gas prices and high variable operating costs. During February and March 2025 AECO pricing improved sufficiently to reactivate approximately 1,000 boe/d of production in Northern Alberta Foothills and 800 boe/d of production in Northeast BC. However, these properties were again shut-in during June 2025 as AECO prices weakened. This production will be reactivated when AECO pricing improves. Shut-in production in CAB, representing approximately 8,000 boe/d or 24% of the Company's production capability, is expected to remain shut-in at least through 2025. Subsequent well performance is not expected to be negatively impacted by voluntary shut-ins.

## 2025 OUTLOOK

Management's near-term priority remains strengthening our balance sheet while safely and responsibly operating our assets. Delivering on this priority requires continued focus on attracting incremental third-party volumes, implementing cost reduction initiatives, optimizing infrastructure, and executing non-core asset dispositions to maintain profitability during all periods of the commodity cycle. Our long-term strategy requires continuous improvement in the business while identifying opportunities to generate growth for our shareholders.

While guidance remains unchanged at this time, management expects 2025 NOI at or above the high end of the guidance range.

(\$ 000s unless otherwise noted)	2025 Guidance	
	Low	High
Total production (boe/d) <sup>(1)</sup>	23,000	25,000
Net operating income <sup>(2)(4)(5)</sup>	\$75,000	\$95,000
Operating Netback (\$/boe) <sup>(4)(3)(5)</sup>	\$9.00	\$11.00
Capital expenditures	\$25,000	\$30,000

(1) 2025 production guidance assumes persistence of previously announced shut-ins in CAB and periodic production of previously announced shut-ins in Northern AB and Northeast BC through 2025.

(2) Refer to the "Net Operating Income" section of this MD&A for reference to this non-GAAP measure.

(3) Refer to "Operating Netback" section of this MD&A for reference to this non-GAAP measure.

(4) Assumes average 2025 AECO price of \$1.85/GJ and average 2025 WTI price of USD\$66.92/bbl.

(5) Includes the impact of hedge contracts in place at August 12, 2025.

Cavvy's specific priorities for 2025 remain to:

- Sustain a safe and regulatory compliant business.
- Maximize facility reliability to maximize sales and processing revenue.
- Capture opportunities to grow our third-party G&P business.
- Meaningfully reduce operating expenses to improve corporate netback.
- Deliver attractive return on investment on value adding optimization projects included in the 2025 capital program.
- Reduce long-term debt to improve financial flexibility.

Our ongoing priority to grow third-party G&P revenues at our operated facilities has yielded growth in processed volumes at the Caroline Facility over the last four quarters, reflecting strong demand and increased utilization. As a result, third-party processing revenues are forecasted to exceed management's expectations for the year.

The legacy fixed price sulphur contract, entered into in 2019, expires on December 31, 2025. Under this contract, the Company receives a fixed price of approximately \$6/tonne for the majority of its sulphur production capability of approximately 1,400 tonnes per day. On January 1, 2026, the Company will receive market price for all sulphur production, less normal deductions for transportation, handling, and marketing. The expiration of this contract represents a significant potential revenue opportunity beginning in 2026. As of August 12, 2025, the spot west coast sulphur price was US\$252.50/tonne, prior to processing, transportation and marketing costs.

Due to the current outlook for North American natural gas prices, Cavvy is not planning to resume drilling operations in 2025 although may participate in a low working interest, non-operated, liquids rich gas drilling prospect in Central AB. The Company will only develop its portfolio of high impact conventional Foothills drilling opportunities once natural gas prices sustainably recover and the Company has achieved its deleveraging target.

## FUNDS FLOW FROM OPERATIONS

The following table summarizes the Company's FFO for the three and six months ended June 30, 2025, and 2024:

(\$ 000s)	Three months ended June 30		Six months ended June 30	
	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 Flow from Operations</b>	<b>14,502</b>	<b>(4,874)</b>	<b>36,209</b>	<b>7,170</b>

(1) FFO is a non-GAAP measure. Management considers FFO an important measure to evaluate operational performance as it demonstrates ability to generate cash. FFO equals cash provided by operating activities, less settlement of decommissioning obligations and changes in non-cash working capital.

## NET OPERATING INCOME

The following table summarizes the Company's NOI for the three and six months ended June 30, 2025, and 2024:

(\$ 000s)	Three months ended June 30			Six months ended June 30		
	2025	2024	% Change	2025	2024	% Change
Revenue before Risk Management Contracts	49,060	46,565	5	101,727	120,929	(16)
Gain on physical commodity contracts	777	1,591	(51)	1,405	3,537	(60)
Realized gains on Financial Contracts <sup>(1)(2)</sup>	16,710	18,215	(8)	37,825	25,494	48
Revenue after Risk Management Contracts	66,547	66,371	-	140,957	149,960	(6)
Third-party processing and other revenue <sup>(3)</sup>	9,748	4,347	124	16,002	9,563	67
Revenue	76,295	70,718	8	156,959	159,523	(2)
Royalties	(4,477)	(5,589)	(20)	(3,944)	(14,362)	(73)
Operating	(40,409)	(52,999)	(24)	(84,395)	(104,503)	(19)
Transportation	(4,918)	(4,478)	10	(9,582)	(9,588)	-
<b>Net Operating Income <sup>(4)</sup></b>	<b>26,491</b>	<b>7,652</b>	<b>246</b>	<b>59,038</b>	<b>31,070</b>	<b>90</b>

(1) Includes gains or losses on financial risk management contracts and cash flow hedges, together ("Financial Contracts").

(2) The six month period ended June 30, 2025 includes the early monetization of certain AECO natural gas contracts for proceeds of \$10.2 million net of transaction costs.

(3) Other revenue includes marketing and transportation and gathering income.

(4) NOI is a non-GAAP measure. Management considers NOI an important measure to evaluate operational performance as it demonstrates field level profitability. NOI equals revenue including realized gains (losses) on Financial Contracts, less royalties, operating expenses, and transportation expenses.

## OPERATING NETBACK PER BOE

The following table summarizes the Company's Operating Netback for the three and six months ended June 30, 2025, and 2024:

(\$ per boe)	Three months ended June 30			Six months ended June 30		
	2025	2024	% Change	2025	2024	% Change
Revenue before Risk Management Contracts	20.68	16.58	25	23.10	20.29	14
Gain on physical commodity contracts	0.33	0.57	(42)	0.32	0.59	(46)
Realized gains on Financial Contracts	7.05	6.49	9	8.59	4.28	101
Revenue after Risk Management Contracts	28.06	23.64	19	32.01	25.16	27
Processing, marketing and other revenue	4.11	1.55	165	3.63	1.60	127
Revenue	32.17	25.19	28	35.64	26.76	33
Royalties	(1.89)	(1.99)	(5)	(0.90)	(2.41)	(63)
Operating	(17.04)	(18.87)	(10)	(19.16)	(17.54)	9
Transportation	(2.07)	(1.59)	30	(2.18)	(1.61)	35
<b>Operating Netback (\$/boe) <sup>(1)</sup></b>	<b>11.17</b>	<b>2.74</b>	<b>308</b>	<b>13.40</b>	<b>5.20</b>	<b>158</b>

(1) Operating Netback per boe is a non-GAAP measure. Management considers Operating Netback per boe an important measure to evaluate the Company's operational performance as it demonstrates Cavity's field level profitability relative to current commodity prices.

## NET OPERATING INCOME SENSITIVITY ANALYSIS

The following table summarizes the Company's NOI sensitivity for the three and six months ended June 30, 2025:

	Three months ended June 30				Six months ended June 30			
	2025	% Change	\$ Impact	% Impact	2025	% Change	\$ Impact	% Impact
<b>Business Environment</b> <sup>(1) (2)</sup>								
WTI price (USD/bbl) <sup>(3)</sup>	64.04	10	1,053	4	67.78	10	2,369	3
AECO price (\$/mcf) <sup>(4)</sup>	1.72	10	182	1	1.93	10	123	-
Sulphur price (\$/tonne)	373.11	10	303	1	310.08	10	436	1
USD/CAD average exchange rate <sup>(5)</sup>	0.7229	10	958	4	0.7099	10	2,154	3
<b>Operational</b> <sup>(1) (6) (7)</sup>								
NGLs & condensate production (bbl/d)	5,031	10	1,630	6	5,029	10	3,620	5
Natural gas (mcf/d)	126,198	10	205	1	115,825	10	11	-
Sulphur production (tonne/d)	1,128	10	303	1	1,102	10	478	1
Royalty burden	9%	1	498	2	4%	1	1,031	1
Operating expense (\$/boe)	17.04	10	4,041	15	19.16	10	8,437	12

(1) Calculations are performed independently and may not be indicative of actual results that would occur when multiple variables change simultaneously.

(2) The indicative impact on NOI is only applicable within a limited range of these amounts as royalty burden is held constant.

(3) Includes the impact of WTI price on NGL (C3, C4) and condensate (C5) prices assuming a correlation to USD WTI.

(4) Includes the impact of AECO price on NGL (C2) price assuming a correlation to AECO.

(5) Includes the impact of foreign exchange on NGL and Condensate prices assuming a correlation to USD WTI.

(6) Includes the impact of commodity hedges that were in place during the period.

(7) Operational assumptions are based upon the results for the three and six months ended June 30, 2025, and the calculated impact on NOI is only applicable within a limited range of these amounts.

## PRODUCTION

The following table summarizes the Company's production by commodity for the three and six months ended June 30, 2025, and 2024:

(boe/d)	Three months ended June 30			Six months ended June 30		
	2025	2024	% Change	2025	2024	% Change
Natural gas (mcf/d)	126,198	157,077	(20)	115,825	166,217	(30)
Condensate (bbl/d)	2,507	2,472	1	2,480	2,626	(6)
NGLs (bbl/d)	2,524	2,210	14	2,549	2,411	6
Sulphur (tonne/d)	1,128	1,376	(18)	1,102	1,433	(23)
<b>Total production (boe/d) <sup>(1)</sup></b>	<b>26,064</b>	<b>30,861</b>	<b>(16)</b>	<b>24,334</b>	<b>32,740</b>	<b>(26)</b>
Natural gas production (%)	81	85	-	79	85	-
Liquids production (%)	19	15	-	21	15	-

(1) Total production excludes sulphur.



## Production By Area

The following table summarizes the Company's production by core area for the three and six months ended June 30, 2025, and 2024:

(boe/d)	Three months ended June 30			Six months ended June 30		
	2025	2024	% Change	2025	2024	% Change
Waterton	8,963	9,451	(5)	8,704	9,384	(7)
Jumping Pound	7,564	2,839	166	6,048	4,710	28
Caroline	4,848	6,348	(24)	5,091	6,118	(17)
CAB	1,078	8,467	(88)	1,106	8,477	(87)
Northern Alberta Foothills	3,121	3,390	(8)	3,038	3,487	(13)
Northeast BC	490	366	34	347	564	(38)
<b>Total production (boe/d)</b>	<b>26,064</b>	<b>30,861</b>	<b>(16)</b>	<b>24,334</b>	<b>32,740</b>	<b>(26)</b>

As described in the Highlights section of this MD&A, total production decreased compared to prior periods primarily due to the ongoing voluntary production shut-ins affecting the CAB and both Northern areas. Additional items that impacted year-to-date production include:

- Jumping Pound Facility sulphur condenser repair affected production for six weeks from late February to early April 2025. In 2024, similar repairs impacted the facility and associated production for ten weeks between March and May.
- Production into the Caroline Facility was temporarily restricted during the second quarter as third-party volumes were prioritized due to a non-owned facility outage impacting a processing customer. Volumes were also temporarily constrained in the first quarter while additional third-party volumes were tied into the gas gathering system.

## BENCHMARK PRICES

The following table summarizes benchmark commodity pricing for the three and six months ended June 30, 2025, and 2024:

	Three months ended June 30				Six months ended June 30		
	2025	2024	% Change		2025	2024	% Change
Natural Gas							
AECO (\$/mcf)	1.72	1.17	47	2.14	1.93	1.83	5
Henry Hub (USD/MMbtu)	3.14	2.05	53	4.23	3.69	2.23	65
Chicago Citygate (USD/MMbtu)	2.85	1.65	73	4.02	3.43	2.22	55
Basis Differential AECO-NYMEX Premium (Discount) (USD/MMbtu)	(1.91)	(1.19)	61	(2.74)	(2.32)	(0.89)	161
Condensate							
C5 at Edmonton (\$/bbl)	87.71	105.62	(17)	100.24	94.03	102.02	(8)
West Texas Intermediate (“WTI”) crude oil (USD/bbl)	64.04	80.78	(21)	71.56	67.78	78.95	(14)
Sulphur (\$/tonne)	373.11	103.19	262	246.36	310.08	99.01	213
USD/CAD average exchange rate	0.7229	0.7309	(1)	0.6967	0.7099	0.7363	(4)

Cavvy sells natural gas into the TC Energy Nova Gas Transmission Ltd. System; 100% of natural gas production is priced at AECO. AECO pricing is derived from the Henry Hub and Chicago markets less an AECO basis differential related to the transportation of Canadian gas into the US gas transportation system.

AECO natural gas prices were 47% and 5% higher in the three and six months ended June 30, 2025, compared to the same periods in 2024, but declined 15% compared to the first quarter of 2025. US natural gas benchmarks followed the same trending as Canadian prices.

The increase in prices reflects tightening North American gas fundamentals, including improved storage balances and reduced supply growth, primarily related to planned maintenance on the Nova Gas Transmission Limited pipeline system which decreased supply. Additionally, the commencement of LNG Canada commissioning operations late in the second quarter of 2025 added incremental demand which has begun to help absorb surplus volumes and support AECO pricing with new export capacity. These events mark a structural shift; however, prices weakened from the first quarter of 2025 due to typical seasonal demand softening following the winter season.

Despite this decline, AECO remains supported by a more balanced supply/demand environment. The Canadian natural gas market continues to exhibit less integration with the US, which alongside regional infrastructure limitations, contributed to ongoing volatility and basis differentials relative to US benchmarks.

Cavvy primarily sells produced condensate into the Edmonton market for use as diluent to reduce the viscosity of heavy oil for transportation through pipelines. Condensate pricing is highly correlated to the WTI crude oil price. During the three and six months ended



June 30, 2025, C5 and WTI pricing declined compared to the same periods in the prior year which was largely driven by market volatility stemming from global trade tensions involving the US.

The Company's sulphur production is sold into a variety of markets including directly to North American fertilizer manufacturers as well as international markets through Vancouver or Tampa Bay sulphur export terminals. In the second quarter and the year to date period, sulphur benchmark prices increased significantly as compared to the same periods in 2024. The sharp increase in sulphur prices in both periods was primarily driven by a recovery in global fertilizer and metal pricing as agriculture and mining activities boosted consumption of sulphur-based inputs. At the same time, supply was constrained by maintenance outages, logistical disruptions, and reduced export volumes from key producers, creating tighter market conditions. Elevated freight costs, shifting trade flows, and a weaker Canadian dollar further supported CAD-denominated sulphur prices throughout the first half of 2025.

## REALIZED PRICES

The following table summarizes the Company's realized pricing for the three and six months ended June 30, 2025, and 2024:

	Three months ended June 30			Q1 2025	Six months ended June 30		
	2025	2024	% Change		2025	2024	% Change
<b>Realized Natural Gas Price</b>							
Before Risk Management Contracts (\$/mcf)	1.73	1.14	52	2.24	1.96	1.87	5
After Risk Management Contracts (\$/mcf) <sup>(1)</sup>	3.23	2.71	19	3.58	3.87	2.98	30
<b>Realized Condensate Price</b>							
Before Risk Management Contracts (\$/bbl)	84.60	99.96	(15)	95.15	89.79	95.31	(6)
After Risk Management Contracts (\$/bbl)	85.88	87.75	(2)	88.29	87.06	86.03	1
NGLs (\$/bbl)	28.49	27.58	3	37.70	33.11	33.05	-
Sulphur (\$/tonne) <sup>(2)</sup>	32.40	18.43	76	17.00	24.92	16.38	52

(1) The realized price of natural gas after Risk Management Contracts was normalized for the hedge monetization in the first quarter of 2025, which also affects the six-month period ended June 30, 2025.

(2) The realized price of sulphur is net of deductions such as transportation, processing and marketing.

The following table outlines volumes sold at spot price versus volumes sold under Risk Management Contracts for the three and six months ended June 30, 2025, and 2024:

	Three months ended June 30				Six months ended June 30			
	2025		2024		2025		2024	
(% of product volume)	% spot	% hedge	% spot	% hedge	% spot	% hedge	% spot	% hedge
Natural gas	13	87	28	72	5	95	29	71
Condensate	35	65	27	73	32	68	36	64
NGLs	100	-	100	-	100	-	100	-
Sulphur	13	87	25	75	14	86	22	78
<b>Total production<sup>(1)</sup></b>	<b>23</b>	<b>77</b>	<b>33</b>	<b>67</b>	<b>18</b>	<b>82</b>	<b>34</b>	<b>66</b>

(1) Total production excludes sulphur.

## RISK MANAGEMENT CONTRACTS

The Company's risk management program is governed by its hedge policy. Cavvy's hedge policy is designed to manage risks associated with volatility in natural gas, NGLs, power prices, and fluctuations in foreign exchange rates. Risk management contracts are not meant to be speculative and are considered within the broader framework of financial stability and flexibility. Management continuously reviews the need or requirement to utilize risk management contracts. As at June 30, 2025, future production is also hedged in accordance with the thresholds of the Senior Facility agreements.

Financial Contracts are considered financial derivative instruments. Their impacts are recorded at fair value with changes in fair value and unrealized gains and losses being recognized in net income if hedge accounting is not applied and through other comprehensive income ("OCI") if hedge accounting is applied. Realized gains and losses are recognized in net income. Cavvy classifies AECO natural gas swaps and WTI crude oil collars and swaps as cash flow hedges and applies hedge accounting accordingly. There was no hedge ineffectiveness identified as of June 30, 2025.

Fixed price physical power purchase and commodity sales contracts are recognized in the applicable financial statement line item they are associated with; physical power contracts are recognized in operating expense and physical commodity contracts are recognized in revenue. Physical risk management contracts are not considered to be derivative financial instruments as they are settled based on physical receipt or delivery of the product and therefore are not recorded at fair value.

During the first quarter, the Company elected to unwind and monetize certain in-the-money AECO natural gas contracts, originally scheduled to mature between January 2026 and May 2027. The transaction reduced the Company's hedge position by approximately 30% or 24,862 GJ/d over the 17-month future period. In addition, the strike price on the remaining AECO hedges between June 2026 and May 2027 was adjusted to \$3.40/GJ from \$3.78/GJ. This monetization transaction resulted in proceeds of \$10.2 million, net of transaction costs, which was recognized as a realized gain on financial contracts in March 2025. 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.

The following realized gains or losses were generated from risk management contracts for the three and six months ended June 30, 2025, and 2024:

(\$ 000s)	Three months ended June 30			Six months ended June 30		
	2025	2024	% Change	2025	2024	% Change
(Loss) gain on physical power contracts	(4,422)	(3,523)	(30)	(9,001)	453	(2,087)
(Loss) on physical Sulphur Contract	(12,141)	(3,139)	(287)	(19,918)	(7,380)	(170)
Gain on physical commodity contracts						
AECO	777	1,591	(51)	1,405	3,537	(60)
Realized gain (loss) on Financial Contracts						
AECO	16,385	20,961	(22)	38,626	29,931	29
WTI	291	(2,746)	111	(1,224)	(4,437)	72
Foreign exchange	34	-	100	423	-	100
<b>Total realized gain (loss) on risk management contracts</b>	<b>924</b>	<b>13,144</b>	<b>(94)</b>	<b>10,311</b>	<b>22,104</b>	<b>(53)</b>

The following unrealized gains or losses were generated from Financial Contracts for the three and six months ended June 30, 2025 and 2024:

(\$ 000s)	Three months ended June 30			Six months ended June 30		
	2025	2024	% Change	2025	2024	% Change
Unrealized (loss) on Financial Contracts <sup>(1)</sup>						
Foreign exchange	(351)	-	(100)	(520)	-	(100)
Unrealized (loss) gain on Financial Contracts, net of tax <sup>(2)</sup>						
AECO	(24,924)	1,587	(1,671)	(1,993)	(20,704)	90
WTI	(9,989)	2,507	(498)	(10,756)	(5,972)	(80)
<b>Total unrealized (loss) gain Financial Contracts <sup>(3)</sup></b>	<b>(35,264)</b>	<b>4,094</b>	<b>(961)</b>	<b>(13,269)</b>	<b>(26,676)</b>	<b>50</b>

(1) Recognized in net income (loss) on the Interim Financial Statements.

(2) Recognized in OCI on the Interim Financial Statements.

(3) Unrealized gains on Financial Contracts include financial risk management contracts inclusive of cash flow hedges and are net of tax.

The following fixed price physical commodity sales contracts and power contracts were in place at June 30, 2025:

Type of contract	Quantity	Time Period	Average Contract 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 following Financial Contracts, which hedge accounting was applied, were in place 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

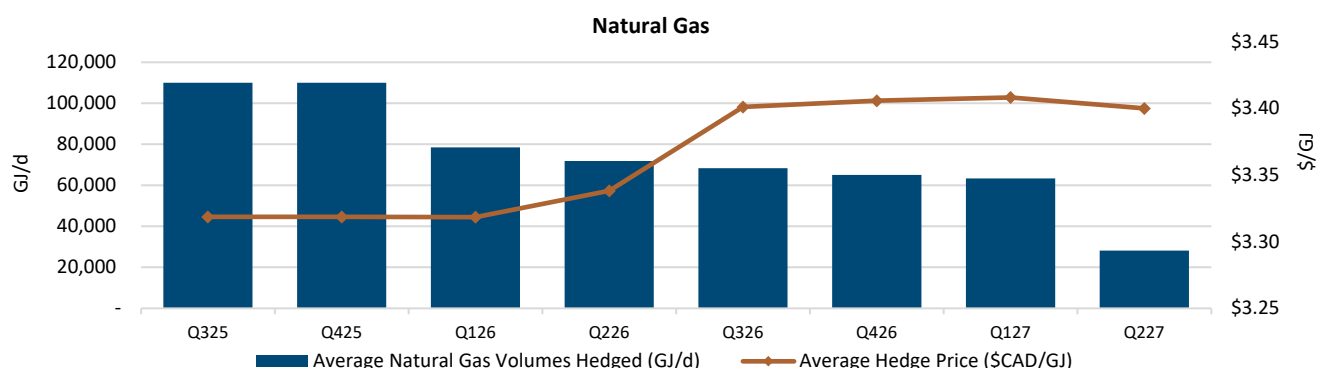
The following financial risk management contracts, for which hedge accounting was not applied, were in place at June 30, 2025 to manage foreign exchange cash flow exposure:

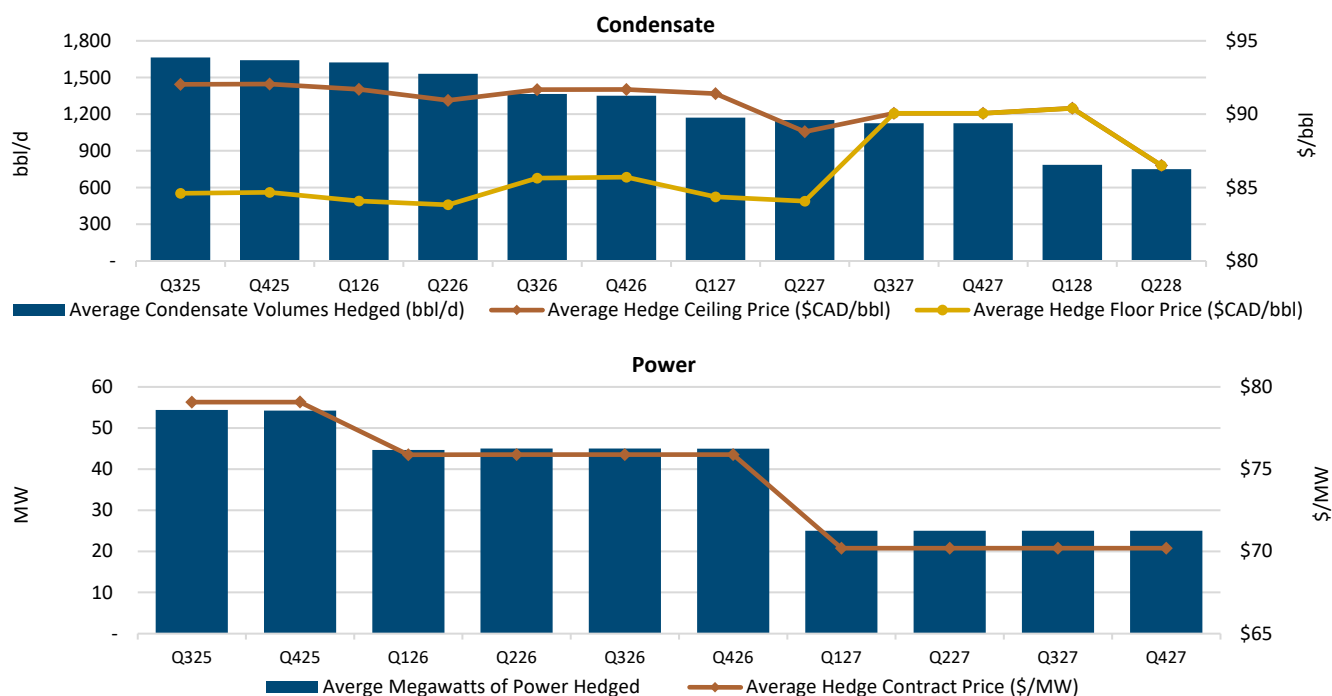
Type of contract	Quantity (USD) (\$ 000s)	Time Period	Average Contract Price
USD Forward	US\$2,483	Sep 2025	CAD \$1.4159
USD Forward	US\$2,483	Dec 2025	CAD \$1.4105
USD Forward	US\$2,483	Sep 2025	CAD \$1.3834
USD Forward	US\$2,483	Dec 2025	CAD \$1.3786

The following financial risk management contracts, for which hedge accounting is not applied, were placed subsequent to June 30, 2025 to manage foreign exchange cash flow exposure:

Type of contract	Quantity (USD) (\$ 000s)	Time Period	Average Contract Price
USD Collar	US\$2,308	Mar 2026	CAD \$1.3355 - \$1.3700
USD Collar	US\$2,283	Jun 2026	CAD \$1.3355 - \$1.3700

The following charts outline Cavy's hedge position at June 30, 2025:





## REVENUE

The following table summarizes the Company's revenue for the three and six months ended June 30, 2025, and 2024:

(\$ 000s except per boe)	Three months ended June 30			Six months ended June 30		
	2025	2024	% Change	2025	2024	% Change
Natural gas	20,664	17,821	16	42,567	60,129	(29)
Condensate	19,303	22,482	(14)	40,315	45,557	(12)
NGLs	6,543	5,546	18	15,277	14,507	5
Sulphur	3,327	2,307	44	4,973	4,273	16
<b>Petroleum and natural gas revenue <sup>(1)</sup></b>	<b>49,837</b>	<b>48,156</b>	<b>3</b>	<b>103,132</b>	<b>124,466</b>	<b>(17)</b>
Petroleum and natural gas revenue (\$/boe)	21.02	17.15	23	23.42	20.89	12
Processing and marketing revenue	9,612	4,203	129	15,773	9,275	70
Other revenue <sup>(2)</sup>	136	144	(6)	229	288	(20)
Realized gain (loss) on Financial Contracts	16,710	18,215	(8)	37,825	25,494	48
<b>Total revenue</b>	<b>76,295</b>	<b>70,718</b>	<b>8</b>	<b>156,959</b>	<b>159,523</b>	<b>(2)</b>

(1) Petroleum and natural gas revenue includes gains and losses on physical commodity contracts.

(2) Other revenue includes road use income and contract operating income.

### Petroleum and Natural Gas Revenue

Petroleum and natural gas revenue is derived from the sale of natural gas, condensate, NGLs and sulphur. Fluctuations in revenue occur due to production variability and commodity price volatility which is mitigated through the Company's hedge policy.

## ROYALTIES

The following table summarizes the Company's royalty obligations for the three and six months ended June 30, 2025, and 2024:

(\$ 000s except per boe)	Three months ended June 30			Six months ended June 30		
	2025	2024	% Change	2025	2024	% Change
Gross royalties	11,135	11,127	-	22,685	28,506	(20)
Gas cost allowance	(6,658)	(5,538)	20	(18,741)	(14,144)	33
Royalties	4,477	5,589	(20)	3,944	14,362	(73)
Royalties (\$/boe)	1.89	1.99	(5)	0.90	2.41	(63)
Royalties as percentage of revenue (%)	9	12	(25)	4	12	(67)

Gross natural gas royalties are reduced by Gas Cost Allowance ("GCA"), which is provided by the Alberta Crown ("Crown") to account for operating and capital expenses incurred to process and transport the Crown's royalty portion of natural gas production. For the three months ended June 30, 2025 gross royalties remained consistent as lower production was offset by higher pricing compared to the prior year. For the six months ended June 30, 2025 gross royalties decreased, primarily due to lower volume compared to the prior year. GCA increased in the three and six months ended June 30, 2025 due to an annual estimate revision made during the first quarter of 2025.

## PROCESSING AND MARKETING REVENUE

### Processing and Marketing Volumes

Cavvy owns and operates three gas processing facilities and related infrastructure located through the Alberta foothills. In addition to Cavvy's produced volumes, these facilities process working interest owner production and third-party production. These three facilities offer various services including raw gas sweetening, deep-cut NGL recovery, NGL fractionation, sulphur processing, and product marketing.

The following table summarizes the gross raw inlet third-party volumes processed by facility for the three and six months ended June 30, 2025, and 2024:

(mcf/d) <sup>(1)</sup>	Three months ended June 30			Six months ended June 30		
	2025	2024	% Change	2025	2024	% Change
Caroline	84,359	37,059	128	76,392	31,781	140
Jumping Pound	30,493	11,097	175	24,156	18,758	29
Waterton	4,909	5,607	(12)	5,158	5,708	(10)
<b>Total</b>	<b>119,761</b>	<b>53,763</b>	<b>123</b>	<b>105,706</b>	<b>56,247</b>	<b>88</b>

(1) Volumes shown are reported on a raw basis by activity month, which does not include timing differences due to accounting accruals.

Third-party processed volumes fluctuated in 2025 as a result of:

- Caroline – Higher during 2025 due to Cavvy's ongoing success tying in new volumes from several processing customers.
- Jumping Pound – Higher due to unplanned maintenance at the Jumping Pound Facility affecting the comparative year figures.

### Processing and Marketing Revenue

Processing and marketing revenue is primarily derived from fees charged to third parties for processing and handling their produced volumes through the gas processing facilities.

The following table summarizes the Company's processing and marketing revenue by area for the three and six months ended June 30, 2025, and 2024:

(\$ 000s except per boe)	Three months ended June 30			Six months ended June 30		
	2025	2024	% Change	2025	2024	% Change
Caroline	5,194	2,071	151	8,191	3,734	119
Jumping Pound	3,632	1,277	184	6,075	3,711	64
Waterton	672	658	2	1,286	1,327	(3)
Other <sup>(1)</sup>	114	197	(42)	221	503	(56)
<b>Total</b>	<b>9,612</b>	<b>4,203</b>	<b>129</b>	<b>15,773</b>	<b>9,275</b>	<b>70</b>

(1) Other contains third-party processing and marketing revenue that is not related to the three gas processing facilities.

For the three and six months ended June 30, 2025, processing and marketing revenue increased by 129% and 70%, respectively. Revenues are tied to third-party volumes, as previously discussed, and are influenced by market prices for G&P and marketing services, which are subject to various industry conditions.

## OPERATING EXPENSE

The following table summarizes the Company's operating expense and adjusted operating expense for the three and six months ended June 30, 2025, and 2024:

(\$ 000s except per boe)	Three months ended June 30			Six months ended June 30		
	2025	2024	% Change	2025	2024	% Change
Operating expense	<b>40,409</b>	52,999	(24)	<b>84,395</b>	104,503	(19)
Operating expense (\$/boe)	<b>17.04</b>	18.87	(10)	<b>19.16</b>	17.54	9

For the three and six months ended June 30, 2025, operating expense decreased by 24% and 19% respectively, primarily due to lower processing fees incurred following the voluntary production shut-ins previously discussed. Also contributing to the decreases were lower carbon compliance costs estimates, and various other operating expense reductions related to ongoing cost reduction efforts. The decreases were partially offset by higher power costs related to both higher realized power prices and increased power consumption at the Caroline Facility.

Cavvy remains committed to reducing operating costs, in absolute and on a per boe basis through cost reduction initiatives and by increasing facility throughput volumes. Ongoing and future cost reduction efforts are focused on:

- Reducing fuel gas consumption in the field and in facilities. Lower fuel gas use increases natural gas sales and decreases carbon emission intensity and associated emission compliance costs.
- Reducing power consumption through optimization while continuing to hedge power price exposure.
- Reducing dependence on third-party contractors for routine operations by training and empowering employees.
- Centralizing contracting and procurement and deploying category management to ensure efficiencies and economies of scale in the supply chain.
- Optimizing maintenance activities and costs while maintaining and improving operating reliability.

The following table summarizes the Company's operating cost per boe by core area for the three and six months ended June 30, 2025, and 2024:

(\$ per boe)	Three months ended June 30			Six months ended June 30		
	2025	2024	% Change	2025	2024	% Change
Caroline	<b>30.80</b>	19.04	62	<b>27.19</b>	18.64	46
Jumping Pound <sup>(1)</sup>	<b>16.09</b>	37.45	(57)	<b>20.38</b>	21.94	(7)
Waterton	<b>14.82</b>	15.42	(4)	<b>14.75</b>	14.46	2
CAB <sup>(2)</sup>	<b>n/a</b>	18.05	n/a	<b>n/a</b>	18.98	n/a
Northern Alberta Foothills	<b>16.37</b>	12.30	33	<b>15.44</b>	12.17	27
Northeast BC	<b>30.62</b>	40.62	(25)	<b>42.74</b>	34.56	24

(1) The Jumping Pound area was impacted by a ten-week outage impacting volumes at the Jumping Pound Facility during the comparative period.

(2) CAB is impacted by voluntary shut-ins thus per boe measures have been removed as they are not reflective of normal operating conditions.

Operating expense per boe among Cavvy's core areas is influenced by whether production from the area flows into a Company-owned or a third-party processing facility. Caroline, Jumping Pound and Waterton areas all have Company-owned processing facilities with dedicated feedstock, fixed operating costs, and hedged power costs, which stabilizes operating expense; costs per boe in these areas vary mainly due to production volume variability. CAB, Northern Alberta Foothills and Northeast BC volumes currently flow to third-party processing facilities creating a significant variable component to operating expense.

### Adjusted Operating Expense

While Cavvy's three facilities are significantly more complex and costly to operate than similar sweet-gas processing facilities, they offer acid gas extraction, deep-cut NGL recovery, NGL fractionation (at two of the three), and sulphur recovery. As a result, they contribute to Cavvy's ability to process sour gas into sulphur, earn G&P fees and associated marketing income. These revenue streams contribute to Operating Netback but cannot be used in the calculation of "operating expense per boe" which is a significant industry comparator.

Processing third-party volumes does not add materially to the cost of operating the Company's gas processing facilities, in some cases additional volumes decrease absolute cost through process efficiency. Due to the high proportion of fixed operating costs, volume changes are highly impactful to per boe values.

By disclosing adjusted operating expense, Cavvy is able to better demonstrate the significant value of its owned infrastructure, and the growing importance of sulphur production and third-party G&P revenue to net income.

Adjusted operating expense is a non-GAAP measure. Adjusted operating expense provides an industry-comparable view of the cash cost to operate.

The following table summarizes the Company's adjusted operating expense by area for the three months ended June 30, 2025:

<i>Three months ended June 30 (\$ per boe)</i>	<b>Caroline</b>	<b>Jumping Pound</b>	<b>Waterton</b>	<b>Other <sup>(1)</sup></b>	<b>Total</b>
Operating expense	30.80	16.09	14.82	n/a	<b>17.04</b>
Less:					
G&P and marketing revenue	11.77	5.28	0.82	n/a	<b>4.05</b>
Sulphur revenue	2.85	0.45	1.59	n/a	<b>1.40</b>
<b>Adjusted operating expense - 2025</b>	<b>16.18</b>	<b>10.36</b>	<b>12.41</b>	<b>n/a</b>	<b>11.59</b>
<b>Adjusted operating expense - 2024</b>	<b>14.84</b>	<b>32.34</b>	<b>14.20</b>	<b>15.59</b>	<b>16.55</b>

(1) Other is impacted by voluntary shut-ins thus per boe measures have been removed as they are not reflective of normal operating conditions.

The following table summarizes the Company's adjusted operating expense by area for the six months ended June 30, 2025:

<i>Six months ended June 30 (\$ per boe)</i>	<b>Caroline</b>	<b>Jumping Pound</b>	<b>Waterton</b>	<b>Other <sup>(1)</sup></b>	<b>Total</b>
Operating expense	27.19	20.38	14.75	n/a	<b>19.16</b>
Less:					
G&P and marketing revenue	8.89	5.55	0.82	n/a	<b>3.58</b>
Sulphur revenue	1.81	0.45	1.36	n/a	<b>1.13</b>
<b>Adjusted operating expense - 2025</b>	<b>16.49</b>	<b>14.38</b>	<b>12.57</b>	<b>n/a</b>	<b>14.45</b>
<b>Adjusted operating expense - 2024</b>	<b>14.58</b>	<b>17.42</b>	<b>13.06</b>	<b>16.43</b>	<b>15.28</b>

(1) Other is impacted by voluntary shut-ins thus per boe measures have been removed as they are not reflective of normal operating conditions.

## TRANSPORTATION EXPENSE

The following table summarizes the Company's transportation expense for the three and six months ended June 30, 2025, and 2024:

	<b>Three months ended June 30</b>			<b>Six months ended June 30</b>		
<i>(\$ 000s except per boe)</i>	<b>2025</b>	<b>2024</b>	<b>% Change</b>	<b>2025</b>	<b>2024</b>	<b>% Change</b>
Transportation expense	<b>4,918</b>	4,478	10	<b>9,582</b>	9,588	-
Transportation expense (\$/boe)	<b>2.07</b>	1.59	30	<b>2.18</b>	1.61	35

Approximately 96% of Cavvy's natural gas production is shipped under firm service transport contracts, which provide Cavvy guaranteed fixed cost access to firm pipeline transportation capacity. Transportation expense is partially influenced by the cost of fuel gas, which is based on AECO pricing. Transportation expense per boe increased in the current period primarily due to the voluntary shut-in of uneconomic production and secondarily due to longer downtime at the Jumping Pound Facility compared to the first half of 2024.

## GENERAL AND ADMINISTRATIVE EXPENSE

The following table summarizes the Company's general and administrative ("G&A") expense for the three and six months ended June 30, 2025, and 2024:

	<b>Three months ended June 30</b>			<b>Six months ended June 30</b>		
<i>(\$ 000s except per boe)</i>	<b>2025</b>	<b>2024</b>	<b>% Change</b>	<b>2025</b>	<b>2024</b>	<b>% Change</b>
General and administrative expense	<b>5,916</b>	6,316	(6)	<b>11,492</b>	11,911	(4)
General and administrative expense (\$/boe)	<b>2.49</b>	1.78	40	<b>2.61</b>	2.00	31

G&A expenses were lower for the three and six months ended June 30, 2025, but were higher on a per boe basis due to the voluntary shut-in of uneconomic production. Management continues to focus on cost reduction initiatives including the ongoing optimization of staffing levels and consulting costs to ensure the business operates as efficiently as possible.



## FINANCE EXPENSE

The following table summarizes the Company's finance expense for the three and six months ended June 30, 2025, and 2024:

(\$ 000s)	Three months ended June 30			Six months ended June 30		
	2025	2024	% Change	2025	2024	% Change
Cash portion of interest expense	4,744	5,274	(10)	8,720	10,705	(19)
Non-cash interest paid in-kind	-	1,011	(100)	1,577	1,997	(21)
	4,744	6,285	(25)	10,297	12,702	(19)
Accretion of financing costs	1,218	1,223	-	2,392	2,413	(1)
Accretion of decommissioning obligations	671	584	15	1,278	1,149	11
Interest on lease liabilities	134	58	131	265	122	117
Other charges	136	235	(42)	499	141	254
<b>Total finance expense</b>	<b>6,903</b>	<b>8,385</b>	<b>(18)</b>	<b>14,731</b>	<b>16,527</b>	<b>(11)</b>

The majority of Cavvy's interest expense relates to variable rate debt tied to the Secured Overnight Financing Rate ("SOFR") plus 6.75%. Total interest expense has declined in both periods due to a combination of lower outstanding debt levels and a reduction in the SOFR rate.

Under the debt facilities, interest is incurred in USD and is subject to fluctuations in the USD/CAD exchange rates. Cavvy has currency hedge instruments in place to provide downside protection on a portion of USD-denominated debt service cost.

## DEPLETION AND DEPRECIATION

The following table summarizes the Company's depletion and depreciation for the three and six months ended June 30, 2025, and 2024:

(\$ 000s)	Three months ended June 30			Six months ended June 30		
	2025	2024	% Change	2025	2024	% Change
Depletion and depreciation	14,257	15,043	(5)	27,086	31,373	(14)

Depletion and depreciation expense decreased during the three and six months ended June 30, 2025 primarily due to a lower depletion rate caused by lower production in the current period, slightly offset by decreased reserves. In addition, the depletable base declined compared to the prior period, largely driven by lower estimated future development costs.

## SHARE-BASED COMPENSATION

The following table summarizes the Company's share-based compensation for the three and six months ended June 30, 2025, and 2024:

(\$ 000s)	Three months ended June 30			Six months ended June 30		
	2025	2024	% Change	2025	2024	% Change
Share-based compensation	1,619	682	137	3,061	1,429	114

Share-based compensation is comprised of expense recognized under the Stock Option Plan, Restricted Share Unit ("RSU") Plan and Deferred Share Unit ("DSU") Plan. Share based compensation expense is primarily made up of expenses related to the RSU and Stock Option Plans. Share-based compensation increased in the three and six months ended June 30, 2025 primarily due to an increase in the number of RSU's outstanding.

RSUs and DSUs are non-dilutive, cash settled and valued based on the five-day volume-weighted average share price and the number of awards outstanding at each reporting period.

## CAPITAL EXPENDITURES

The following table summarizes the Company's capital expenditures for the three and six months ended June 30, 2025, and 2024:

(\$ 000s)	Three months ended June 30			Six months ended June 30		
	2025	2024	% Change	2025	2024	% Change
Turnarounds	597	2,832	(79)	3,287	3,754	(12)
Facilities and well optimization	617	1,249	(51)	3,182	4,152	(23)
Facilities maintenance	191	122	57	424	222	91
Land	140	71	97	226	247	(9)
Development	-	4	(100)	-	4	(100)
Corporate	846	725	17	1,814	1,521	19
<b>Capital expenditures</b>	<b>2,391</b>	<b>5,003</b>	<b>(52)</b>	<b>8,933</b>	<b>9,900</b>	<b>(10)</b>
Reclamation and abandonment	269	666	(60)	537	4,684	(89)
<b>Total capital expenditures</b>	<b>2,660</b>	<b>5,669</b>	<b>(53)</b>	<b>9,470</b>	<b>14,584</b>	<b>(33)</b>

Cavvy's focus during the current reporting periods was, and continues to be, capital optimization and preservation. Notable capital spending for the second quarter and year-to-date 2025 includes:

- Turnarounds – Repairs to the sulphur condenser at the Jumping Pound Facility took place from late February to early April impacting the six-month period.
- Facilities and Well Optimization – Approximately \$10.0 million of the equity raised during the fourth quarter of 2024 was allocated to high-impact well and facility optimization expenditures to support mitigation of the natural reserve decline and facility reliability, of which \$3.2 million has been incurred year-to-date (\$4.7 million has been incurred in total), generating returns in excess of 100%.
- Corporate – Primarily comprised of capitalized G&A and field information technology expenses.
- Reclamation and Abandonment – Cavvy's BC reclamation and abandonment program for 2025 is planned to be executed in the third and fourth quarter 2025. In the prior year, the program was mainly concentrated in the first quarter.

## LIQUIDITY AND CAPITAL RESOURCES

### Capital Resources

As at June 30, 2025, Cavvy's capital structure was comprised of share capital, adjusted working capital and long-term debt. The following table summarizes the capital structure at June 30, 2025 and December 31, 2024:

(\$ 000s)	June 30, 2025	December 31, 2024
Adjusted working capital deficit <sup>(1)</sup>	(20,144)	(29,777)
Current portion of long-term debt	(17,572)	(9,885)
Long-term debt	(129,162)	(157,902)
<b>Net debt <sup>(2)</sup></b>	<b>(166,878)</b>	<b>(197,564)</b>
Shareholders' equity	159,346	168,428

(1) Adjusted working capital is a non-GAAP measure and is calculated as accounts payable and accrued liabilities, less cash and cash equivalents, restricted cash, accounts receivable, prepaid expenses and other. Please refer to the working capital table below for this calculation.

(2) Net debt is a non-GAAP measure. Management considers net debt an important measure as it demonstrates the ability to pay off debt and take on new debt, if necessary. Net debt is calculated as adjusted working capital less the current and long-term portions of debt.

### Cash and Cash Equivalents

Cavvy held \$6.6 million in cash and cash equivalents as at June 30, 2025.

### Guarantee Facility from Export Development Canada

Effective July 1, 2025, Cavvy renewed its \$12.0 million unsecured guarantee facility with Export Development Canada ("EDC"). A portion of this facility previously 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.

## Long-Term Debt

The table below summarizes long-term debt obligations as of June 30, 2025 and December 31, 2024:

(\$ 000s)	Maturity		June 30, 2025	December 31, 2024
Senior Facility				
Revolving Loan \$22,000	March 2027	USD	13,900	15,000
Term Notes \$81,500	March 2027	USD	67,690	78,230
Subordinated Notes \$33,606 <sup>(1)</sup>	September 2027	USD	33,606	32,509
Total debt		USD	115,196	125,739
USD/CAD exchange rate <sup>(2)</sup>			1.3642	1.4394
Total principal outstanding		CAD	157,150	180,989

(1) Excludes unamortized deferred financing fees of USD \$4.0 million (December 31, 2024 – USD \$4.6 million), which includes warrants issued in concurrence with the debt refinancing. Includes interest payable in-kind of USD \$2.1 million.

(2) USD to CAD exchange rate at June 30, 2025 and December 31, 2024, respectively.

The monetization of certain risk management contracts, as previously outlined in the Risk Management section, plus internally generated cash flow enabled net payments of \$16.5 million (USD \$11.6 million) toward long-term debt reduction during the six months ended June 30, 2025. Subsequent to June 30, 2025, a further \$8.0 (USD \$5.8 million) was paid against the Revolving Loan in satisfaction of the second quarter cash flow sweep.

As at June 30, 2025, and as at the date of this MD&A, the Company was in compliance with all debt covenants.

The table below summarizes available liquidity as of June 30, 2025, and December 31, 2024:

(\$ 000s)	June 30, 2025	December 31, 2024
Cash and cash equivalents	6,567	8,576
Undrawn Revolving Loan <sup>(1)</sup>	11,051	10,072
<b>Total available liquidity <sup>(2)</sup></b>	<b>17,618</b>	<b>18,648</b>

(1) Converted to CAD using the June 30, 2025 month end exchange rate.

(2) Total available liquidity is a non-GAAP measure. Management considers total available liquidity an important measure to evaluate Cavvy's cash available to meet financial obligations. Total available liquidity equals cash and cash equivalents plus the undrawn portions of the delayed draw term loan and the undrawn portion of the Revolving Loan.

## Working Capital and Capital Strategy

The following table summarizes the Company's working capital position at June 30, 2025, and December 31, 2024:

(\$ 000s)	June 30, 2025	December 31, 2024
Cash and cash equivalents	6,567	8,576
Accounts receivable	37,158	50,166
Prepays expenses and other	6,615	7,311
<b>Total current assets</b>	<b>50,340</b>	<b>66,053</b>
Accounts payable	21,409	32,997
Accrued liabilities	49,075	62,833
<b>Total current liabilities</b>	<b>70,484</b>	<b>95,830</b>
<b>Adjusted working capital (deficit) <sup>(1)</sup></b>	<b>(20,144)</b>	<b>(29,777)</b>

(1) Adjusted working capital (deficit) is a non-GAAP measure. Management considers adjusted working capital (deficit) an important measure to evaluate operational liquidity. Adjusted working capital (deficit) equals operational current assets less operational current liabilities.

Cavvy generally operates with a sustainable working capital deficit. Adjusted working capital deficit at June 30, 2025 decreased compared to December 31, 2024; primarily driven by lower accounts payable and accrued liabilities reflecting lower processing fees incurred and carbon compliance costs, partially offset by lower accrued receivables.

Management monitors working capital on a continuous basis with a focus on strengthening the balance sheet through sustaining production, and rigorous cost control across operations and administration. The Company's capital strategy is aligned with its business strategy and is focused on maintaining sufficient liquidity to fund operations, expanding third-party processing revenues and marketing income, and partially mitigating reserves decline. The Company's principal sources of liquidity are the undrawn balance of the Revolving Loan, available capacity on the EDC guarantee facility, and any potential future debt and equity offerings.

## SHARE CAPITAL, WARRANTS AND STOCK OPTIONS OUTSTANDING

The following table outlines the Company's share capital, stock options and warrants outstanding at August 12, 2025, June 30, 2025, and December 31, 2024:

	August 12, 2025	June 30, 2025	December 31, 2024
Share capital	290,472,642	290,419,642	290,387,642
Stock options	5,816,087	6,511,080	6,948,475
Stock options – weighted average exercise price (\$/share)	\$0.48	\$0.49	\$0.49
Warrants	24,804,414	24,804,414	24,804,414
Warrants – weighted average exercise price (\$/warrant)	\$0.50	\$0.50	\$0.50

## COMMITMENTS, PROVISIONS AND CONTINGENCIES

The Company has entered into several financial obligations during the normal course of business. As at June 30, 2025, these obligations and the expected timing of their settlement, are detailed below:

(\$ 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, Management believes that any liabilities that may arise from such matters are not likely to have a material effect on the Interim Financial Statements.

### Off Balance Sheet Transactions

Cavvy does not have any financial arrangements that are excluded from the Interim Financial Statements, nor are any such arrangements outstanding as of the date at this MD&A.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Cavvy conducts its operations with high standards, aiming to meet or exceed all regulations. The Company's prime consideration is to protect employees and consultants, the general public, and the environment. The Company is within both the British Columbia Energy Regulators Permittee Capability Assessment and the Alberta Energy Regulator Liability Management Framework's ("LMR") compliance requirements.

The amendments to the Competition Act, and the absence of any transition period or guidance from the government, have created uncertainty with respect to how organizations can communicate about their environmental performance. The Company remains committed to meeting or exceeding environmental and safety standards applicable to the business. Management will continue to prioritize the safety and security of employees, contractors, customers, neighbors and the environment, and will monitor developments relating to the Competition Act and will re-evaluate website content and other Company disclosures as more clarity is obtained.

## RISK FACTORS

The Company complies with current government regulations that affect its activities, although operations may be adversely affected by changes in government policy, regulations, or taxation. In addition, Cavvy maintains a level of liability, and property and business interruption insurance, which is believed adequate for its size and activities, but it is unable to obtain insurance to cover all risks within the business or in amounts to cover all possible claims. Risk to the business and operations include, but are not limited to:

<b>Risks Related to Cavvy's Business and Industry</b>
Adverse Economic Conditions
Access to Capital
Liquidity
Prices, Volatility and Marketing of Oil, Natural Gas and NGLs
Operational Matters and Hazards
Labour Relations
Development and Production
Regulatory Permits, Licenses and Approvals
Variations in Foreign Exchange and Interest Rates
Skilled Workforce
Pipeline Systems, Rail, Co-ownership of Assets, and Operational Dependence
Facilities Throughput and Utilization
Information Technology Systems and Cyber-Security
Inflation and Cost Management
Hedging Activities
Political Uncertainty and Geo-Political Risk
Project Execution
Climate Change
Climate Change – Physical Risks
Climate Change – Transition Risks
Climate Change Regulations and Carbon Pricing
Royalty Regimes
Environmental
Reputational
Third-Party Credit Risk
Technological Change
Competition
Conflicts of Interest
Indigenous Land Rights Claims
Reserve Estimates
Litigation
Insurance Coverage
Breach of Confidentiality
<b>Risks Related to Cavvy's Common Shares</b>
Volatility
Return on Investment
Dilution
Liquidity

Refer to the Company's AIF for the year ended December 31, 2024, for fulsome discussion of these risks. See also "Cautionary Note Regarding Forward-Looking Information" in this MDA.

## **SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

The timely preparation of the Interim Financial Statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and income and expenses. Accordingly, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The use of significant judgments and estimates made by management in the preparation of the Interim Financial Statements are discussed in Note 3 of the Consolidated Financial Statements for the year ended December 31, 2024.

## **CONTROL ENVIRONMENT**

The Company is required to comply with National Instrument 52-109 “Certification of Disclosure in Issuers’ Annual and Interim Filings.” The certification of interim filings for the period ended June 30, 2025, requires that the Company disclose in the interim MD&A any changes in disclosure controls and procedures (DC&P) and internal controls over financial reporting (ICFR) that occurred during the period that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting. No such changes were made to our DC&P and ICFR during the three and six months ended June 30, 2025. Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

## **NEW ACCOUNTING POLICIES**

The Company’s significant accounting policies under IFRS are presented in Note 4 to the Consolidated Financial Statements. Certain information and disclosures normally required to be included in the notes to the Consolidated Financial Statements presented in accordance with IFRS have been condensed or omitted in the Interim Financial Statements.