



The Cavy Round Up

An update from the desk of CEO, Darcy Reding

To Our Shareholders,

Reflecting on 2025, I'd like to thank our shareholders, employees, and partners for their continued trust and support. The year was defined by an important period of strategic execution and momentum building as we completed our strategic pivot along with corporate rebranding and name change, while delivering strong operational progress and financial performance.

A "Cavy" refers to a carefully selected group of working horses – each chosen for their strength, reliability, and specific capabilities and is proudly connected to our western Canadian roots.

Financial and Operational Resilience

Our focus on operational excellence and disciplined cash flow management helped to meet our 2025 objectives, despite continued market volatility and uncertainty. We achieved our production targets thanks to the dedication of our teams and improved run-time reliability at each of our core facilities at Waterton, Jumping Pound and Caroline. We generated significant free cash flow, reduced our debt and strengthened our balance sheet. We expect our full year outcomes are aligned with our 2025 guidance and look forward to sharing our fourth quarter and full year 2025 results, which are scheduled for release on March 19, 2026.

These outcomes are very deliberate and not a result of luck or chance. They stem from a relentless focus on safety, a continuous improvement mindset, and our drive to maximize the value of our asset portfolio, while recognizing and mitigating risks and threats to our business - all in service of creating value for our shareholders. Our people have proven their ability to operate with excellence, and I extend my deepest gratitude to every member of the Cavy team for a job well done. Our greatest asset is our people and our "can do" attitude. That's the Cavy advantage.

Sulphur Business: Substantial Contributor to 2026 Financial Performance

As we've discussed previously, Cavy's sulphur business is a more significant contributor to free cash flow in 2026, without having to invest any additional capital to realize this incremental margin. Sulphur, derived from the processing of raw natural gas production, differentiates Cavy from peers, provides a competitive advantage, and remains a significant catalyst to unlocking incremental shareholder value.

Third-party Processing: A Growing Driver of Stable Revenue

Cavy's three core gas processing complexes, strategically located along Alberta's western foothills, are key to delivering shareholder value. These are "deep-cut" facilities, meaning they extract a very high percentage of the propane and butane in the raw gas stream to be sold as higher-valued natural gas liquids ("NGLs"). This is unique amongst many competing processing facilities which leave butane and propane in the sales gas stream.

In 2025, Cavy was successful in attracting additional raw gas volumes from both new and existing customers, which positively impacted financial performance in two ways. First, the increased volumes generated higher third-party processing and marketing revenue, and secondly, the additional volume diluted the fixed cost incurred to operate the facilities.



Further enhancing the value of this business line, Cavy recently secured a five year take-or-pay commitment from an anchor tenant at our Caroline facility and consolidated volumes from a recently decommissioned third-party gas plant connected to our Jumping Pound facility.

Robust Upstream Natural Gas Business: Reliable Foundation

Our natural gas production boasts a natural decline of only 7%, amongst the lowest in the industry. We have successfully reduced this decline even further in recent years with small investments that optimize and debottleneck wells and facilities. With such a low base decline, only a modest capital investment is needed to maintain flat production year-over-year, another aspect of Cavy's business that distinguishes us from our competitors.

This low decline and its associated small capital requirement provide additional "runway" to allow focusing our cash flow on debt reduction and to defer development drilling until we can generate even stronger investment returns. Moving forward, as we approach our long-term debt target – a Net Debt/EBITDA ratio of less than 1.0 times, we are excited to begin planning a return to drilling operations.

Looking Ahead

We approach the coming year with focus and passion, energized by the challenge and opportunity ahead. Despite the uncertainties of energy markets and geopolitics, we will continue to apply our expertise by leaning into our core strengths:

- Optimizing existing assets
- Enhancing operational efficiency
- Skilled execution
- Financial discipline

We have positioned Cavy for sustainable, long-term value creation. In 2026 our strategic plan begins to shift toward value growth by commencing detailed planning for developing our extensive western Canadian foothills drilling inventory and identifying accretive acquisition opportunities with development drilling upside.

We announced 2026 guidance on December 8, 2025, highlighted by a 25% increase in net operating income versus the mid-point of 2025 guidance and a total debt reduction of up to \$50 million.

With a robust risk management program on a substantial portion of the Company's natural gas, condensate and sulphur sales, Cavy is defensively positioned against a downturn in commodity prices in 2026, while also retaining the ability to participate in commodity price upside. Hedging our business against uncertain and volatile commodity prices remains appropriate to protect our capital program and debt reduction targets, and helps position the company for growth in 2027 and beyond.

We predict 2026 will be especially fast paced and will require decisive action and leadership. We are excited for the year ahead and look forward to delivering another strong year of performance for our shareholders.

Sincerely,

Date: January 29, 2025

/s/ Darcy Reding

Darcy Reding
President & Chief Executive Officer
Cavy Energy Inc.