Cavvy ENERGY

Condensed Consolidated Statements of Financial Position

In thousands of Canadian dollars		March 31, 2026	December 31, 2025
Assets			
Current assets			
Cash		**9,500**	5,799
Accounts receivable		**41,008**	45,830
Prepaid expenses and other		**6,422**	6,122
Inventories		**3,734**	3,783
Risk management contracts	(Note 12)	**23,125**	24,990
		83,789	86,524
Risk management contracts	(Note 12)	**-**	8,162
Property, plant, and equipment	(Note 5)	**358,436**	347,934
Exploration and evaluation assets		**8,097**	8,095
Right-of-use assets		**3,186**	3,396
Deferred income tax asset		**84,360**	85,025
Total assets		**537,868**	539,136
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**82,534**	77,520
Deferred revenue	(Note 10)	**13,886**	-
Current portion of decommissioning obligations	(Note 8)	**1,100**	7,900
Current portion of lease liabilities		**1,742**	1,826
Current portion of long-term debt	(Note 6)	**74,176**	9,704
Warrant liability	(Note 7)	**-**	12,877
		173,438	109,827
Other amounts payable		**4,916**	2,626
Risk management contracts	(Note 12)	**1,380**	-
Decommissioning obligations	(Note 8)	**158,344**	144,319
Lease liabilities		**2,539**	2,673
Long-term debt	(Note 6)	**42,947**	141,144
Total liabilities		**383,564**	400,589
Shareholders' equity			
Share capital	(Note 9)	**329,482**	307,182
Contributed surplus		**13,963**	13,922
Warrants	(Note 9)	**-**	1,349
Accumulated other comprehensive income		**20,217**	28,990
Deficit		**(209,358)**	(212,896)
Total shareholders' equity		**154,304**	138,547
Total liabilities and shareholders' equity		**537,868**	539,136

Commitments (Note 14)
See accompanying notes to the Interim Financial Statements.

Condensed Consolidated Statements of Income and Comprehensive Loss

In thousands of Canadian dollars		Three months ended March 31, 2026	2025
Revenue			
Natural gas, natural gas liquids and sulphur	(Note 10)	**83,809**	53,296
Royalties		**(9,700)**	533
		74,109	53,829
Processing and marketing		**12,292**	6,161
Other revenue		**123**	93
		86,524	60,083
Realized gain on risk management contracts	(Note 12)	**7,897**	21,115
Unrealized loss on risk management contracts	(Note 12)	**-**	(169)
		94,421	81,029
Expenses			
Operating		**47,816**	43,985
Transportation		**4,729**	4,663
General and administrative		**6,280**	5,576
Finance	(Note 11)	**5,942**	7,828
Depletion and depreciation	(Note 5)	**9,614**	12,829
Share-based compensation		**6,688**	1,443
Foreign exchange loss (gain)		**2,060**	(204)
Revaluation of warrant liability	(Note 7)	**4,454**	740
		87,583	76,860
Net income before taxes		**6,838**	4,169
Deferred income tax expense		**3,300**	1,503
Net income		**3,538**	2,666
Other comprehensive loss, net of income tax			
Change in fair value of cash flow hedges, net of tax		**(2,691)**	(22,164)
Reclassification of realized gain to net (loss) income, net of tax		**(6,082)**	(15,959)
Total comprehensive loss		**(5,235)**	(35,457)
Net income per share			
Basic and diluted	(Note 9)	**0.01**	0.01

See accompanying notes to the Interim Financial Statements.

Condensed Consolidated Statements of Changes in Equity

Unaudited, in thousands of Canadian dollars	Share Capital	Contributed Surplus	Warrants	Deficit	Accumulated Other Comprehensive Income (Loss)	Total Equity
As at December 31, 2024	306,306	13,635	1,349	(208,025)	55,163	168,428
Share-based compensation	-	345	-	-	-	345
Common shares issued on stock option exercise (Note 9)	156	(58)	-	-	-	98
Tax effect of share issue costs	720	-	-	-	-	720
Net loss	-	-	-	(4,871)	-	(4,871)
Other comprehensive loss, net of income tax	-	-	-	-	(26,173)	(26,173)
As at December 31, 2025	307,182	13,922	1,349	(212,896)	28,990	138,547
Share-based compensation	-	85	-	-	-	85
Common shares issued on stock option exercise (Note 9)	120	(44)	-	-	-	76
Common shares issued on warrant exercise (Note 7 & 9)	22,180	-	(1,349)	-	-	20,831
Net income	-	-	-	3,538	-	3,538
Other comprehensive loss, net of income tax	-	-	-	-	(8,773)	(8,773)
As at March 31, 2026	**329,482**	**13,963**	**-**	**(209,358)**	**20,217**	**154,304**

See accompanying notes to the Interim Financial Statements.

Condensed Consolidated Statements of Cash Flows

In thousands of Canadian dollars		Three months ended March 31, 2026	2025
Operating activities			
Net income		**3,538**	2,666
Unrealized loss on risk management contracts		**-**	169
Depletion and depreciation	(Note 5)	**9,614**	12,829
Non-cash financing costs	(Note 6)	**1,295**	2,751
Accretion of decommissioning obligations	(Note 8)	**618**	607
Non-cash share-based compensation		**6,601**	96
Unrealized loss (gain) on foreign exchange		**2,261**	(195)
Revaluation of warrant liability	(Note 7)	**4,454**	740
Deferred income tax expense		**3,300**	1,503
Settlement of decommissioning obligations	(Note 8)	**(6,800)**	(268)
Other amounts payable		**487**	541
Changes in non-cash working capital	(Note 13)	**20,044**	1,173
Cash provided by operating activities		**45,412**	22,612
Investing activities			
Additions to property, plant and equipment	(Note 5)	**(6,302)**	(6,538)
Additions to exploration and evaluation assets		**(2)**	(4)
Changes in non-cash working capital	(Note 13)	**(1,286)**	2,530
Cash used in investing activities		**(7,590)**	(4,012)
Financing activities			
Proceeds on exercise of warrants	(Note 9)	**3,500**	-
Exercise of stock options		**76**	-
Share issue costs		**-**	(14)
Repayment of long-term debt	(Note 6)	**(37,282)**	(15,445)
Payments on lease obligations		**(415)**	(309)
Cash used in financing activities		**(34,121)**	(15,768)
Increase in cash and cash equivalents		**3,701**	2,832
Cash and cash equivalents, beginning of period		**5,799**	8,576
Cash and cash equivalents, end of period		**9,500**	11,408
Cash paid:			
Interest paid in cash	(Note 11)	**3,979**	3,975

See accompanying notes to the Interim Financial Statements.

Notes to the 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.

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"). All inter-entity transactions have been eliminated upon consolidation. The Company's operations are viewed as a single operating segment by the chief operating decision maker of the Company for the purposes of resource allocation and assessing performance.

These Interim Financial Statements were approved by the Board of Directors of Cavvy on May 7, 2026.

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 as issued by the International Accounting Standards Board ("IFRS Accounting Standards") applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting. These Interim Financial Statements have been prepared following the same accounting policies and methods of computation as the Company's audited Consolidated Financial Statements for the year ended December 31, 2025 (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, 2025.

4. New Accounting Policies and Standards

New Accounting Policies

Amendments to IFRS 7 and IFRS 9 the Classification and Measurement of Financial Instruments

In May 2024, the IASB issued Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 7 and IFRS 9). The amendments issued to IFRS 7 and IFRS 9 clarify the date of recognition and detection of some financial assets and liabilities, with new exceptions for some liabilities settled through electronic cash transfer. The amendments also clarify and add further guidance for assessment of whether a financial asset meets the "solely payments of principal and interest criteria", as well as adds new disclosures for certain instruments with contractual terms that can change cash flows. Finally, this amendment also updates the disclosures for equity instruments designated at fair value through other comprehensive income. These amendments took effect on January 1, 2026. These amendments did not have an impact on the Interim Financial Statements.

5. Property, Plant and Equipment

The following table summarizes the Company's property, plant and equipment balances at March 31, 2026 and December 31, 2025:

($ 000s) **Cost**	**March 31, 2026**	**December 31, 2025**
Balance, January 1	**684,100**	675,857
Additions	**6,302**	23,337
Change in decommissioning obligations (Note 7)	**13,407**	(15,094)
Balance, end of period	**703,809**	684,100

Accumulated Depletion and Depreciation	**March 31, 2026**	**December 31, 2025**
Balance, January 1	**336,166**	297,130
Depletion and depreciation	**9,207**	39,036
Balance, end of period	**345,373**	336,166

Net Book Value	**March 31, 2026**	**December 31, 2025**
Balance, January 1	**347,934**	378,727
Balance, end of period	**358,436**	347,934

(1) $0.5 million of G&A and $0.4 million of share-based compensation expense was capitalized to property, plant and equipment during the period ended March 31, 2026 (March 31, 2025 – $0.6 million of G&A and $0.1 million of share-based compensation expense).

At March 31, 2026, future development costs of the Company's proved plus probable reserves of $341.2 million (December 31, 2025 - $341.5 million) were included in the depletion calculations.

At March 31, 2026, 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 March 31, 2026:

($ 000s)	Interest Rate (%)	Availability (USD)	Principal outstanding (USD)	Principal outstanding (CAD) (1)	Unamortized financing fees (CAD) (1)	Carrying value (CAD) (1)
Senior Facility						
Revolving Loan USD $22,000 (1)(2)	SOFR + 6.75	22,000	-	-	-	-
Term Notes USD $88,500 (1)	SOFR + 6.75	-	55,280	77,055	-	77,055
Subordinated Notes USD $33,606 (1)	13.00	-	33,606	46,843	(3,896)	42,947
Total, March 31		**22,000**	**88,886**	**123,898**	**(3,896)**	**120,002**

(1) Converted to CAD using the month end exchange rate of 1.3939 at March 31, 2026.

	Senior Facility (i)				
($ 000s)	Revolving Loan	Term Notes	Senior Facility Financing Costs	Subordinated Notes (ii)	Total
Carrying value, January 1	24,808	87,986	(3,598)	41,652	**150,848**
Repayment of long-term debt	(25,097)	(12,185)	-	-	**(37,282)**
Accretion of financing costs (Note 11)	-	-	719	576	**1,295**
Foreign exchange loss (1)	289	1,254	-	719	**2,262**
Carrying value, March 31	**-**	**77,055**	**(2,879)**	**42,947**	**117,123**
Current	**-**	**77,055**	**(2,879)**	**-**	**74,176**
Long-term	**-**	**-**	**-**	**42,947**	**42,947**

(1) Converted to CAD using the month end exchange rate of 1.3939 at March 31, 2026.

i. Senior Facility

The Senior Facility is subject to an excess cash flow sweep, which is based on a prescriptive formula and was not triggered at March 31, 2026 due to debt payments made during the quarter. It is repayable in full on March 13, 2027. Effective December 5, 2025, the Company may repay the Senior Facility in whole or in part upon written notice to the lender without any form of prepayment penalty.

The effective interest rate on the Term Notes for the three-month period ended March 31, 2026 was 10.5% (March 31, 2025 – 11.7%).

The Revolving Loan is subject to a standby fee of 0.5% per annum payable quarterly on the undrawn portion.

ii. Subordinated Notes

The effective interest rate on the Subordinated Notes for the period ended March 31, 2026, was 19.6% (March 31, 2025 – 19.6%). It is repayable in full on September 13, 2027.

Covenants

As at March 31, 2026, 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. This facility provides for 100% guarantee to the issuing bank of the Company's existing and future letters of credit of which $9.5 million was drawn at March 31, 2026 (December 31, 2025 - $10.0 million).

7. Warrant Liability

On March 31, 2026, all warrants previously classified as a liability were exercised on a cashless basis and reclassified to equity. The warrant liability was remeasured using the five-day volume-weighted average share price of $1.31 per share and subsequently derecognized, with the corresponding amount recorded in share capital.

The following table reconciles the warrant liability at March 31, 2026 and December 31, 2025:

($ 000s)	March 31, 2026	December 31, 2025
Balance, January 1	**12,877**	2,773
Change in fair value	**4,454**	10,104
Exercise of liability-classified warrants (Note 9)	**(17,331)**	-
Balance, end of period	**-**	**12,877**

8. Decommissioning Obligations

The following table summarizes the Company's decommissioning obligations at March 31, 2026 and December 31, 2025:

($ 000s)	March 31, 2026	December 31, 2025
Balance, January 1	**152,219**	172,154
Change in cost estimates	**11,465**	3,599
Change in discount rate	**1,942**	(18,693)
Settlement of obligations	**(6,800)**	(7,431)
Accretion	**618**	2,590
Balance, end of period	**159,444**	152,219
Expected to be incurred within one year	**1,100**	7,900
Expected to be incurred beyond one year	**158,344**	144,319

The Company's decommissioning obligations result from its net ownership interest in petroleum and natural gas assets including well sites, gathering systems and processing facilities. As at March 31, 2026, the Company estimates the total undiscounted amount of cash flows required to settle its decommissioning obligations is approximately $296.9 million (December 31, 2025 - $292.6 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 March 31, 2026, the inflation adjusted risk-free discount rate was 1.83% (December 31, 2025 - 1. 87%).

The following table illustrates the impact of changes in the discount rate on the decommissioning obligation at March 31, 2026 and December 31, 2025:

	Increase		Decrease	
($ 000s)	2026	2025	2026	2025
Change in Rate (+/- 0.5%)	**(22,011)**	(21,736)	**27,165**	26,837

9. Share Capital

The following table outlines the issued and outstanding shares at March 31, 2026 and December 31, 2025:

($ 000s except per share amounts)	Common shares	March 31, 2026 $	Common shares	December 31, 2025 $
Balance, January 1	**290,680,270**	**307,182**	290,387,642	306,306
Stock option exercise	**249,000**	**120**	292,628	156
Liability-classified warrant exercise (Note 7)	**13,030,536**	**17,331**	-	-
Equity-classified warrant exercise	**5,120,235**	**4,849**	-	-
Tax effect of share issue costs	**-**	**-**	-	720
Balance, end of period	**309,080,041**	**329,482**	290,680,270	307,182

On March 12, 2026, all 5,000,000 equity-classified warrants were exercised at an exercise price of $0.68 per share, resulting in the issuance of 5,120,235 common shares and proceeds of $3.5 million.

Per share amounts

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

	Three months ended March 31, 2026	2025
Weighted average common shares, basic	**291,635,598**	290,387,642
Dilutive effect of options (1)	**2,575,144**	-
Weighted average common shares, diluted	**294,210,742**	290,387,642

(1) For the quarter ended March 31, 2026 3.5 million options were excluded from the diluted weighted average shares calculation as they were anti-dilutive (March 31, 2025 – all options and warrants).

10. Natural Gas, Natural Gas Liquids and Sulphur Revenue

The Company's natural gas, natural gas liquids and sulphur revenue is set out below:

($ 000s)	Three months ended March 31, 2026	2025
Natural gas	**21,917**	21,903
Condensate	**19,068**	21,012
NGLs	**7,506**	8,736
Sulphur	**35,318**	1,645
Total natural gas, natural gas liquids and sulphur revenue	**83,809**	53,296

On January 5, 2026, as part of the 2026 sulphur pricing agreement, the Company received a US $26.7 million prepayment representing approximately two thirds of forecasted sulphur deliveries from January 1, 2026 to June 30, 2026. This amount was recognized as deferred revenue on the balance sheet in advance of settlement upon sulphur delivery. Of the initial prepayment, $22.0 million (US $15.7 million) has been recognized as revenue as of March 31, 2026, with the remaining expected to be fully recognized by June 30, 2026.

11. Finance Expense

The following is a summary of finance expense:

($ 000s)	Three months ended March 31, 2026	2025
Cash portion of interest expense	**3,944**	3,975
Non-cash interest paid in kind	**-**	1,577
	3,944	5,552
Accretion of financing costs (Note 6)	**1,295**	1,174
Accretion of decommissioning obligations (Note 8)	**618**	607
Interest on lease liabilities	**140**	131
Other charges	**(55)**	364
Total finance expense	**5,942**	7,828

12. Financial Instruments and Risk Management

Financial instruments at March 31, 2026, consist of cash, accounts receivable, accounts payable, other amounts payable, current and long-term debt and risk management contracts. Risk management contracts 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 March 31, 2026. 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. 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 March 31, 2026.

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, derivative financial contract counterparties, and third-party processing customers. Sales from petroleum and natural gas marketers are normally collected on the 25th 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 one counterparty, which is a large reputable company; management has concluded that credit risk associated with this contract 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 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's capital structure is comprised of shareholders' equity, debt, and working capital. The Company manages its capital structure and makes adjustments in light of changes in strategy, 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 shares, obtain additional debt facilities and/or consider strategic alliances including joint ventures.

The Company funds its share of commitments from existing cash balances and from operating activities or by 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.

Funds flow from operations

The Company uses funds flow from operations, a non-GAAP measure as a reporting metric to assess its liquidity, capital structure and financing requirements. 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:

($ 000s)	**Three months ended March 31, 2026**	**2025**
Cash provided by operating activities	**45,412**	22,612
Settlement of decommissioning obligations	**6,800**	268
Changes in non-cash working capital	**(20,044)**	(1,173)
Funds flow from operations	**32,168**	21,707

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 and differentials may also be impacted by changes in the CAD to USD exchange rate. Commodity price volatility may impact the Company's operating cash flows and its ability to attract investment. 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 physical commodity sales contracts and power contracts in place at March 31, 2026:

Type of contract	Quantity	Time Period	Average Price
Fixed Price - Natural Gas Sales	5,000 GJ/d	Apr 2026 – Oct 2026	CAD $3.31/GJ
Fixed Price - Sulphur Sales	1/3 of Sulphur Sales	Apr 2026 – Dec 2026	US $225/mt
Collar - Sulphur Sales	1/3 of Sulphur Sales	Apr 2026 – Dec 2026	US $205.00 - $250.00/mt
Fixed Price - Power Purchases	55 MW	Apr 2026 – Dec 2026	CAD $71.80/MWh
Fixed Price - Power Purchases	41 MW	Jan 2027 – Dec 2027	CAD $64.82/MWh
Fixed Price - Power Purchases	10 MW	Jan 2028 – Dec 2028	CAD $61.00/MWh

The Company had the following financial risk management contracts or cashflow hedges, to which hedge accounting is applied, in place as at March 31, 2026:

Type of contract	Quantity	Time Period	Contract Price
AECO Natural Gas Swap	73,500 GJ/d	Apr 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	841 bbl/d	Apr 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	656 bbl/d	Apr 2026 – Dec 2026	CAD $91.79/bbl
WTI Crude Oil Swap	1,290 bbl/d	Jan 2027 – Dec 2027	CAD $90.27/bbl
WTI Crude Oil Swap	982 bbl/d	Jan 2028 – Dec 2028	CAD $86.81/bbl
WTI Crude Oil Swap	600 bbl/d	Jan 2029 – Dec 2029	CAD $84.67/bbl

The Company entered into the following physical and financial risk management contracts subsequent to March 31, 2026:

Type of contract	Quantity	Time Period	Contract Price
Fixed Price - Power Purchases	4 MW	Jan 2027 - Dec 2027	CAD $48.00/MWh
Fixed Price - Power Purchases	5 MW	Jan 2028 - Dec 2028	CAD $59.80/MWh

Changes in fair value of risk management asset and liabilities for the period ended March 31, 2026 are as follows:

($ 000s)	March 31, 2026	December 31, 2025
Risk management asset balance, January 1	**33,152**	67,706
Changes in fair value of financial derivatives – profit or loss	**-**	(520)
Change in fair value of cash flow hedges – OCI	**(11,407)**	(34,034)
Risk management asset balance, March 31	**21,745**	33,152
Risk management asset – current	**23,125**	24,990
Risk management (liability) asset – long-term	**(1,380)**	8,162

The primary source of potential hedge ineffectiveness arises because C5 production is hedged against the WTI price and C5 prices do not move in perfect correlation with WTI crude oil prices. The Company did not identify any hedge ineffectiveness as of March 31, 2026. 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 March 31, 2026.

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 March 31, 2026, and 2025. The sensitivity is based on a 10% increase and 10% decrease in forward price curves at March 31, 2026 and 2025.

	10% Decrease in Price		10% Increase in Price	
($ 000s)	**2026**	**2025**	**2026**	**2025**
Increase (decrease) to OCI				
Crude Oil - WTI (CAD)	**14,230**	12,569	**(14,317)**	(12,991)
Natural Gas - AECO (CAD)	**4,980**	16,574	**(4,980)**	(16,574)

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 March 31, 2026, 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 $0.2 million change in interest expense for the period ended March 31, 2026 (March 31, 2025 - $0.3 million).

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. The Company is primarily exposed to foreign exchange risk from its USD denominated Senior Facility and Subordinated Notes, and its USD denominated sulphur sales.

For the three months ended March 31, 2026 a 5% change in the foreign exchange rates between USD and CAD would result in a $0.3 million (March 31, 2025 - $0.4 million) impact on interest expense, a $6.1 million (March 31, 2025 - $8.3 million) impact in foreign exchange gain (loss) related to the debt valuation and a $1.1 million (March 31, 2025 – nil) impact on sulphur revenue.

Currency risk exposure between USD denominated debt and sulphur sales are inverse, resulting in a natural currency hedge that partially mitigates the Company's foreign exchange risk. To further manage residual exposure, the Company periodically enters into currency hedges, which provide the right but not the obligation to purchase CAD or USD at a fixed exchange rate. The Company does not have any currency hedges outstanding as at March 31, 2025.

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 March 31, 2026**	**Three months ended March 31, 2025**
Changes in non-cash working capital		
Accounts receivable	**4,822**	5,874
Prepaid expenses and other	**(300)**	613
Inventories	**49**	106
Accounts payable and accrued liabilities	**301**	(2,890)
Deferred revenue	**13,886**	-
Total change in non-cash working capital	**18,758**	3,703
Relating to:		
Operating activities	**20,044**	1,173
Investing activities	**(1,286)**	2,530

14. Commitments, Provisions and Contingencies

Commitments

The following is a summary of the Company's commitments as at March 31, 2026:

($ 000s)	**2026**	**2027**	**2028**	**Thereafter**	**Total**
Firm transportation	9,895	11,192	2,019	-	23,106

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.