

# 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 May 7, 2026, and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and the accompanying notes for the three months ended March 31, 2026, (the "Interim Financial Statements") and the MD&A and audited consolidated financial statements and the accompanying notes for the year ended December 31, 2025 and 2024 (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.

This MD&A includes references to certain financial measures that are not defined under IFRS and are considered non-GAAP financial measures. Management believes these financial measures are important to the understanding of the Company's business activities. The measures Cavvy uses may not be comparable to similar measures presented by other companies and should not be considered an alternative to, or more meaningful than, measures determined in accordance with IFRS. Management uses these non-GAAP financial measures to evaluate the Company's operating performance, financial position and liquidity. The non-GAAP financial measures are reconciled to their closest GAAP measure. See Non-GAAP and Other Financial Measures section of the MD&A for definitions of these measures.

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).

## 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 investment opportunities within the Company's existing asset base and in the regions in which it 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 to provide local customers with competitive processing and egress to natural gas, condensate, NGL, and sulphur markets. The long-term, low decline characteristics of the Company's reserve base and supporting infrastructure allow continued creation of long-term shareholder value through strategic execution across the following core pillars:

- 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.

- Mitigating or eliminating carbon compliance cost through facility utilization and emissions reduction initiatives.
- 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 table below provides a summary of consolidated financial results for the current quarter and the previous seven quarters:

	2026	2025				2024		
(\$ 000s unless otherwise noted)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
<b>Production</b>								
Natural gas (mcf/d)	<b>118,284</b>	111,834	115,467	126,198	105,338	111,787	115,196	157,077
Condensate (bbl/d)	<b>2,302</b>	2,065	2,258	2,507	2,454	2,149	2,191	2,472
NGLs (bbl/d)	<b>2,639</b>	2,299	2,454	2,524	2,574	1,788	1,726	2,210
Sulphur (mt/d)	<b>1,089</b>	989	1,120	1,128	1,076	968	1,444	1,376
Total production (boe/d) <sup>(1)</sup>	<b>24,655</b>	23,003	23,956	26,064	22,584	22,568	23,116	30,861
Third-party volumes processed (mcf/d) <sup>(2)</sup>	<b>156,825</b>	136,579	138,544	121,319	90,926	74,650	72,654	55,688
<b>Financial</b>								
<b>Natural gas price (\$/mcf)</b>								
Realized before Risk Management Contracts <sup>(3)</sup>	<b>1.99</b>	2.41	0.66	1.73	2.24	1.55	0.77	1.14
Realized after Risk Management Contracts <sup>(3)</sup>	<b>2.93</b>	3.60	3.25	3.23	3.58	3.36	3.43	2.71
Benchmark (AECO)	<b>2.01</b>	2.25	0.62	1.72	2.14	1.46	0.68	1.17
<b>Condensate price (\$/bbl)</b>								
Realized before Risk Management Contracts <sup>(3)</sup>	<b>92.04</b>	76.62	82.65	84.60	95.15	94.87	92.13	99.96
Realized after Risk Management Contracts <sup>(3)</sup>	<b>85.17</b>	79.75	83.66	85.88	88.29	90.61	84.61	87.75
Benchmark (C5 at Edmonton)	<b>97.94</b>	79.61	86.58	87.71	100.24	98.85	97.10	105.62
<b>Sulphur price (\$/mt)</b>								
Realized before Risk Management Contracts <sup>(4)</sup>	<b>599.69</b>	304.85	196.11	168.45	111.46	49.00	40.64	51.94
Realized after Risk Management Contracts <sup>(4)</sup>	<b>360.35</b>	43.22	34.59	32.40	17.00	12.09	8.86	18.43
Benchmark USD (Vancouver FOB)	<b>508.40</b>	414.47	268.42	271.75	184.42	135.78	97.49	73.82
Net income (loss)	<b>3,538</b>	(1,598)	(10,086)	4,147	2,666	(20,921)	7,496	(19,196)
Net income (loss) \$ per share, basic and diluted	<b>0.01</b>	(0.01)	(0.03)	0.01	0.01	(0.08)	0.04	(0.12)
Net operating income <sup>(5)</sup>	<b>41,876</b>	20,785	30,631	26,491	32,550	13,720	19,818	7,652
Cashflow provided by (used in) operating activities	<b>45,412</b>	7,776	4,466	1,599	22,612	(592)	2,260	(1,555)
Funds flow from operations <sup>(5)</sup>	<b>32,168</b>	13,518	12,898	14,502	21,707	3,341	8,234	(4,874)
Operating netback (\$/boe) <sup>(5)</sup>	<b>18.87</b>	9.82	13.90	11.17	16.02	6.61	9.31	2.74
Total assets	<b>537,868</b>	539,136	536,274	553,216	571,470	612,423	615,040	585,940
Adjusted working capital deficit <sup>(5)</sup>	<b>(39,490)</b>	(19,769)	(10,631)	(20,144)	(30,540)	(29,777)	(42,658)	(37,986)
Net debt <sup>(5)</sup>	<b>(156,613)</b>	(170,617)	(163,697)	(166,878)	(185,438)	(197,564)	(206,779)	(219,204)
Capital expenditures <sup>(6)</sup>	<b>6,302</b>	10,404	4,022	2,391	6,538	5,800	10,002	5,003

(1) Total production excludes sulphur.

(2) Third-party volumes processed are raw natural gas volumes reported by activity month.

(3) Physical commodity and financial risk management contracts inclusive of cash flow hedges, are together defined as (“Risk Management Contracts”). The realized natural gas price after Risk Management Contracts in the first quarter of 2025 is normalized to exclude the impact of a hedge monetization.

(4) Realized sulphur price is based on FOB Vancouver, hedge adjusted and net of customary deductions such as transportation, handling, marketing, and storage fees.

(5) Refer to the “Net Operating Income”, “Operating Netback”, “Capital Resources”, “Funds Flow from Operations”, “Working Capital and Capital Strategy”, and “Non-GAAP and Other Financial Measures” sections of this MD&A for the compositions and definitions of non-GAAP and other financial measures.

(6) Excludes reclamation and abandonment activities.

## FIRST QUARTER 2026 OPERATIONAL AND FINANCIAL HIGHLIGHTS

### Highlights for the first quarter of 2026 include:

- Generated net operating income (“NOI”) of \$41.9 million (operating netback of \$18.87 per boe), 29% higher than the first quarter of 2025, driving funds flow from operations to \$32.2 million, 48% higher than the first quarter of 2025.
- Produced 24,655 boe/d (80% natural gas) and 1,089 mt/d of sulphur during the quarter, up 9% and 1%, respectively, from the first quarter of 2025 demonstrating high facility reliability.
- Increased natural gas, natural gas liquids and sulphur revenue by 57% primarily reflecting exposure to sulphur spot market pricing following expiry of the legacy sulphur agreement.
- Processed 156.8 MMcf/d of third-party raw natural gas, an increase of 65.9 MMcf/d (72%) from the first quarter of 2025, growth achieved through a combination of new customers, new volumes from existing customers, and the permanent shutdown of a proximal gas processing facility resulting in consolidation into the Jumping Pound Facility. These resulted in third-party processing and marketing revenue increasing by 100% to \$12.3 million.
- Repaid US \$27.0 million of Senior Facility debt, reducing total debt by 23% from the fourth quarter to US \$88.9 million, marking the highest quarterly debt repayment in the Company’s history.
- Achieved 100% runtime at all three operated gas processing facilities during the first quarter.
- Simplified capital structure following the exercise of all 24.9 million outstanding share purchase warrants in exchange for cash proceeds of \$3.5 million and the issuance of 18.2 million common shares.

## 2026 OUTLOOK

### The Company’s 2026 guidance is unchanged as follows:

(\$ 000s unless otherwise noted)	2026 Guidance	
	Low	High
Production (boe/d) <sup>(1)</sup>	22,000	24,500
Sulphur production (mt/d)	1,000	1,150
Net operating income <sup>(2)(3)(4)</sup>	125,000	140,000
Capital expenditures <sup>(5)</sup>	35,000	40,000
Total debt (at YE 2026) <sup>(6)</sup>	110,000	125,000

(1) Production guidance assumes persistence of previously announced shut-ins in Central AB and Northern AB, while Northeast BC is assumed to be on production through periods with supportive AECO pricing in 2026.

(2) Refer to the “Non-GAAP and Other Financial Measures” section of the Company’s MD&A for reference to non-GAAP measures.

(3) Assumes unhedged average 2026 AECO price of \$3.15/GJ, average unhedged 2026 WTI price of US \$60.90/bbl and average unhedged 2026 Vancouver FOB Sulphur price of US \$237.50/mt.

(4) Includes the impact of hedge contracts and the 2026 structured sulphur pricing agreement.

(5) Excludes asset retirement and decommissioning expenditures.

(6) Assumes USD/CAD exchange rate of 0.7210.

### Key priorities for 2026 remain:

- Sustain a safe and regulatory compliant business.
- Capture additional opportunities to grow third-party gathering and processing business value.
- Minimize facility outages to maximize sales and processing revenue.
- Reduce long-term debt to improve financial flexibility and position the Company to refinance its 2027 debt maturities.
- Identify and high-grade both organic and acquisition opportunities to replenish Cavvy’s resource base and increase development upside.

Revenue diversification is one of Cavvy’s strengths and a key differentiator, allowing Cavvy to better withstand commodity price volatility. During the first quarter, the escalating Middle East conflict contributed to an increase in both sulphur and NGL prices, while AECO gas prices have simultaneously fallen sharply. Third-party processing volumes and revenue at the Caroline and Jumping Pound facilities and third-party sulphur re-melting and processing at Shantz are increasingly important to Cavvy’s business.

Senior debt repayment of US \$27.0 million occurred in the first quarter, and another meaningful principal repayment is expected in the second quarter. De-leveraging has been Cavvy’s top priority over the past several years, and management will continue to direct free cash flow primarily towards debt repayment. At the end of the second quarter, Cavvy will receive a prepayment for two-thirds of estimated second half sulphur sales (one-third fixed and one-third collared) under the previously announced sulphur pricing agreement, which will continue to support debt repayment and drive interest savings.

The Company's 2026 capital program is highlighted by the scheduled maintenance turnaround at the Caroline Facility in the third quarter of 2026, capital maintenance at the Waterton Facility during the third-party pipeline maintenance outage in June, and the execution of certain high return, short payback well and facility optimization projects. In the first quarter, Cavvy incurred \$6.8 million in reclamation and abandonment expenditures, proactively managing asset retirement obligations.

Due to the current outlook for natural gas prices, Cavvy is not planning to resume development drilling in 2026. 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.

### Discretionary Production Shut-ins

Cavvy continually evaluates the economic performance of its producing assets to optimize cash flow during periods of sustained low commodity prices. Management has historically elected to temporarily shut in selected low-margin properties when breakeven commodity prices are not achieved, in order to preserve reserve value. Reactivating shut-in production can typically be completed within one to two weeks, and subsequent well performance is not expected to be negatively impacted.

Production in the non-core areas of Northern Alberta Foothills and Northeast BC do not produce significant components of NGLs or sulphur. As a result, economics for these areas are driven by AECO pricing; they are cycled on and off periodically based on breakeven AECO economics. In recent years these areas produce during the winter season and are cycled off during the shoulder and summer seasons.

Shut-in production in Central Alberta ("CAB"), representing approximately 7,400 boe/d or 22% of the Company's production capability, was shut-in during the third quarter of 2024 and is expected to remain shut-in at least through 2026, with the exception of certain non-operated wells in the area; production from CAB does not flow to a Cavvy owned and operated gas processing facility and is tied to high cost, non-operated, non-owned gas processing facilities where Cavvy is fully exposed to operating and maintenance turnaround costs on a 'flow-through' basis. These properties are classified as proved developed non-producing ("PDNP") within the total proved ("TP") reserve category in the Company's December 31, 2025 reserve report.

Current shut-in productions is as follows:

	Production (boe/d)
CAB	7,400
Northern Alberta Foothills	1,000
Northeast BC	800
<b>Current Voluntarily Shut-in Production</b>	<b>9,200</b>

## FUNDS FLOW FROM OPERATIONS

The following table summarizes the Company's funds flow from operations ("FFO") for the three months ended March 31, 2026, and 2025:

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

(1) Refer to "Non-GAAP and Other Financial Measures" section of this MD&A for the definition of FFO.

## NET OPERATING INCOME

The following table summarizes the Company's NOI for the three months ended March 31, 2026, and 2025:

(\$ 000s)	Three months ended March 31		
	2026	2025	% Change
Revenue before Risk Management Contracts	106,525	60,445	76
(Loss) gain on Risk Management Contracts <sup>(1)</sup>	(14,819)	13,966	(206)
Revenue after Risk Management Contracts	91,706	74,411	23
Processing, marketing and other revenue <sup>(2)</sup>	12,415	6,254	99
Revenue	104,121	80,665	29
Royalties	(9,700)	533	NM
Operating	(47,816)	(43,985)	9
Transportation	(4,729)	(4,663)	1
<b>Net Operating Income <sup>(3)</sup></b>	<b>41,876</b>	<b>32,550</b>	<b>29</b>

(1) The period ended March 31, 2025 includes the early monetization of certain AECO natural gas contracts for proceeds of \$10.2 million net of transaction costs.

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

(3) Refer to "Non-GAAP and Other Financial Measures" section of this MD&A for the definition of NOI.

## OPERATING NETBACK PER BOE

The following table summarizes the Company's operating netback for the three months ended March 31, 2026, and 2025:

(\$ per boe)	Three months ended March 31		
	2026	2025	% Change
Natural gas	9.54	10.47	(9)
Condensate	8.59	10.34	(17)
NGLs	3.38	4.30	(21)
Sulphur	26.50	4.63	472
(Loss) gain on Risk Management Contracts	(6.68)	6.87	(197)
Revenue after Risk Management Contracts	41.33	36.61	13
Processing, marketing and other revenue <sup>(1)</sup>	5.59	3.08	81
Revenue	46.92	39.69	18
Royalties	(4.37)	0.26	NM
Operating	(21.55)	(21.64)	-
Transportation	(2.13)	(2.29)	(7)
<b>Operating netback (\$/boe) <sup>(2)</sup></b>	<b>18.87</b>	<b>16.02</b>	<b>18</b>

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

(2) Refer to "Non-GAAP and Other Financial Measures" section of this MD&A for the definition of operating netback.

## NET OPERATING INCOME SENSITIVITY ANALYSIS

The following table summarizes the Company's NOI sensitivity for the three months ended March 31, 2026:

	2026	% Change	\$ Impact	% Impact
<b>Business Environment</b> <sup>(1)(2)</sup>				
USD/CAD average exchange rate <sup>(3)</sup>	0.73	10	2,587	6
Sulphur price (USD/mt) <sup>(4)</sup>	508.40	10	1,793	4
WTI price (USD/bbl) <sup>(5)</sup>	72.40	10	1,053	3
AECO price (\$/mcf) <sup>(6)</sup>	2.01	10	661	2
<b>Operational</b> <sup>(1)(7)(8)</sup>				
Operating expense (\$/boe)	(21.55)	10	4,782	11
Sulphur production (mt/d)	1,089	10	3,123	7
NGLs & condensate production (bbl/d)	4,941	10	1,646	4
Royalty burden (% of sales revenue)	12%	1	838	2
Natural gas (mcf/d)	118,284	10	682	2

(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 foreign exchange on NGL and Condensate prices assuming a correlation to USD WTI.

(4) Includes the impact of foreign exchange on sulphur prices.

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

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

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

(8) Operational assumptions are based upon the results for the three months ended March 31, 2026, 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 months ended March 31, 2026, and 2025:

(boe/d)	Three months ended March 31		
	2026	2025	% Change
Natural gas (mcf/d)	118,284	105,338	12
Condensate (bbl/d)	2,302	2,454	(6)
NGLs (bbl/d)	2,639	2,574	3
Sulphur (mt/d)	1,089	1,076	1
<b>Total production (boe/d) <sup>(1)</sup></b>	<b>24,655</b>	<b>22,584</b>	<b>9</b>
Natural gas production (%)	80	78	NM
Liquids production (%)	20	22	NM

(1) Total production boe/d excludes sulphur.

## Production By Area

The following table summarizes the Company's production by core area for the three months ended March 31, 2026, and 2025:

(boe/d)	Three months ended March 31		
	2026	2025	% Change
Waterton	8,085	8,442	(4)
Jumping Pound	7,115	4,515	58
Caroline	5,080	5,337	(5)
CAB	1,618	1,131	43
Northern Alberta Foothills	2,060	2,957	(30)
Northeast BC	697	202	245
<b>Total production (boe/d)</b>	<b>24,655</b>	<b>22,584</b>	<b>9</b>

Total production increased quarter-over-quarter for the following reasons:

- Jumping Pound production in the current quarter reflects normal operating levels; the comparative quarter was impacted by facility downtime to conduct a sulphur condenser repair.
- CAB production reflects certain non-operated volumes which were restarted by the operator during the third and fourth quarter of 2025.
- Northern Alberta Foothills sour production remains shut-in since the second quarter of 2025.
- Northeast BC wells were online longer in current quarter than they were in the comparative period.

## BENCHMARK PRICES

The following table summarizes benchmark commodity pricing for the three months ended March 31, 2026, and 2025:

	Three months ended March 31			Q4 2025
	Q1 2026	Q1 2025	% Change	
<b>Natural Gas</b>				
AECO (\$/mcf)	2.01	2.14	(6)	2.25
Henry Hub (USD/MMbtu)	4.93	4.23	17	3.72
Chicago Citygate (USD/MMbtu)	5.32	4.02	32	3.38
Basis Differential AECO-NYMEX Premium (Discount) (USD/MMbtu)	(3.46)	(2.74)	26	(2.10)
<b>Condensate</b>				
C5 at Edmonton (\$/bbl)	97.94	100.24	(2)	79.61
West Texas Intermediate ("WTI") crude oil (USD/bbl)	72.40	71.56	1	59.21
<b>Sulphur</b>				
Vancouver FOB Sulphur (USD/mt)	508.40	184.42	176	414.47
<b>Relevant Foreign Exchange Rates</b>				
USD/CAD average exchange rate	0.7290	0.6967	5	0.7174

**Natural Gas:** 100% of Cavvy's natural gas production is priced at AECO. AECO pricing is generally correlated with the Henry Hub and Chicago markets and adjusted for an AECO basis differential related to the transportation of Canadian gas into the US gas transportation system combined with regional supply-demand fundamentals. The decrease in AECO pricing during the first quarter of 2026 relative to the comparable periods reflects softer seasonal demand and elevated natural gas storage levels in Western Canada, alongside continued strong production levels which contributed to excess regional supply and downward pressure on AECO pricing. The AECO-NYMEX differential widened primarily due to ongoing regional fundamentals in Western Canada especially the Kitimat LNG commissioning operations and limited takeaway capacity, resulting in weaker AECO pricing relative to US benchmarks.

**Condensate:** The primary hub for Cavvy's condensate production is the Edmonton market for use as diluent to reduce the viscosity of heavy oil for transportation through pipelines. Condensate pricing is highly correlated with the WTI crude oil price. During the three months ended March 31, 2026, C5 and WTI pricing remained consistent with the first quarter of 2025 and increased by approximately 22% compared to the fourth quarter of 2025. The increase was driven by stronger seasonal demand, lower inventory levels, market volatility stemming from global trade tensions involving the US and escalating tensions in the Middle East.

**Sulphur:** There are various markets for Cavvy's sulphur production including North American fertilizer manufacturers and mining entities, as well as international markets accessed through Vancouver or Tampa Bay sulphur export terminals. Worldwide sulphur markets are comparatively illiquid, with poor price discovery. Typically, contracts are on a one-off basis between counterparties. Currently there are no financial instruments or futures markets which allow a sulphur producer to financially hedge prices, however physical fixed-price or collared contracts can provide price certainty during the contract period, typically not exceeding one year. Spot price benchmarks are based on price assessments from actual spot physical sales at the pricing point or implied from a remote pricing point by deducting applicable transportation and handling costs from larger trading hubs such as Asia and parts of Europe.

During the first quarter of 2026 sulphur benchmark prices increased significantly as compared to the comparative period and fourth quarter of 2025. The sharp increase in sulphur prices was primarily driven by escalating tensions in the Middle East impacting supply and strong demand in the agriculture and mining sectors which are consumers of sulphur-derived inputs. Supply has also been constrained by maintenance outages, logistical disruptions, and reduced export volumes from key producers, creating tighter market conditions.

## REALIZED PRICES

The following table summarizes the Company's realized pricing for the three months ended March 31, 2026, and 2025:

	Three months ended March 31			Q4 2025
	Q1 2026	Q1 2025	% Change	
<b>Realized Natural Gas Price</b>				
Before Risk Management Contracts (\$/mcf)	1.99	2.24	(11)	2.41
After Risk Management Contracts (\$/mcf) <sup>(1)</sup>	2.93	3.58	(18)	3.60
<b>Realized Condensate Price</b>				
Before Risk Management Contracts (\$/bbl)	92.04	95.15	(3)	76.62
After Risk Management Contracts (\$/bbl)	85.17	88.29	(4)	79.75
<b>NGLs (\$/bbl)</b>	<b>31.60</b>	<b>37.70</b>	<b>(16)</b>	<b>26.59</b>
<b>Realized Sulphur Price <sup>(2)</sup></b>				
Before Risk Management Contracts (\$/mt)	599.69	111.46	438	304.85
After Risk Management Contracts (\$/mt)	360.35	17.00	NM	43.22

(1) The realized price of natural gas after Risk Management Contracts for March 31, 2025 is normalized for the hedge monetization in that period.

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

The following table outlines volumes sold at spot price versus volumes sold under Risk Management Contracts for the three months ended March 31, 2026, and 2025:

(% of product volume)	Three months ended March 31			
	2026		2025	
	% spot	% hedge	% spot	% hedge
Natural gas <sup>(1)</sup>	33	67	(4)	104
Condensate	29	71	33	67
NGLs	100	-	100	-
<b>Total hydrocarbon production</b>	<b>40</b>	<b>60</b>	<b>12</b>	<b>88</b>
Sulphur	35	65	15	85

(1) Shut-in volumes, in addition to unplanned maintenance at the Jumping Pound Facility caused the company to be over-hedged for the quarter ended March 31, 2025.

## Marketing arrangements

Cavvy transacts with various counterparties under several short and long-term agreements to facilitate market access for its products. As a result, the custody transfer point for all products is at or near the relevant Cavvy facility gate.

The Company's hydrocarbon and sulphur sales are subject to various marketing agreements, as follows:

Commodity	Agreement Type	Pricing mechanism	Duration	Custody Transfer Point
Natural gas	Sales <sup>(1)</sup>	AECO NIT <sup>(2)</sup>	5a or 7a index	NOVA inlet
NGLs	Marketing	Market less marketing fees	Term, expires Q1 2027	Facility gate
Condensate	Marketing	Market less marketing fees	Annual, expires Q3	Facility gate
Sulphur	Sales <sup>(3)</sup>	FOB Vancouver less transportation, handling costs, and marketing fees <sup>(2)</sup>	Term, expires Q4 2028 <sup>(4)</sup>	Facility gate

(1) Natural gas sold to various counterparties.

(2) Other than volumes sold under fixed price physical sales contracts. Refer to Risk Management Contracts section.

(3) Substantially all sulphur production is sold under this agreement.

(4) Buyer holds an option to renew this agreement for one additional year upon their achievement of certain performance criteria.

## 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 price volatility in natural gas, condensate, NGLs, sulphur, power, and fluctuations in both interest and 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 March 31, 2026, future production is hedged in accordance with the thresholds of the Senior Facility agreements.

Financial Contracts are 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 March 31, 2026.

Fixed price physical power purchase and various physical 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.

The following realized gains or losses were generated from risk management contracts for the three months ended March 31, 2026, and 2025:

(\$ 000s)	Three months ended March 31		
	2026	2025	% Change
Loss on physical power contracts	(4,892)	(4,783)	2
Loss on physical sulphur contracts	(23,458)	(7,777)	202
Gain on physical natural gas contracts	742	628	18
Loss on physical risk management contracts	(27,608)	(11,932)	131
Gain on financial natural gas contracts <sup>(1)</sup>	9,320	22,241	(58)
Loss on financial crude oil contracts	(1,423)	(1,515)	(6)
Gain on foreign exchange contracts	-	389	(100)
Gain on Financial Contracts	7,897	21,115	(63)
<b>Total realized (loss) gain on risk management contracts</b>	<b>(19,711)</b>	<b>9,183</b>	<b>(315)</b>

(1) Realized gain on AECO hedges in the first quarter of 2025 includes the monetization of certain in-the-money AECO natural gas financial contracts for proceeds of \$10.2 million net of transaction costs.

The following fixed price physical commodity sales contracts and power contracts were in place at March 31, 2026:

Type of contract	Average Quantity	Time Period	Average Contract 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

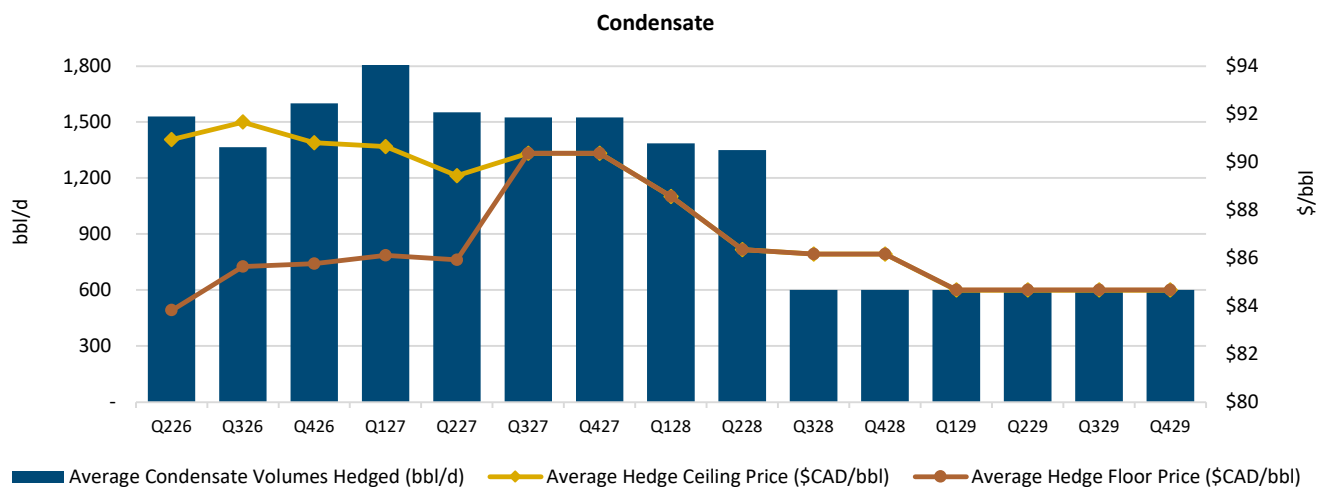
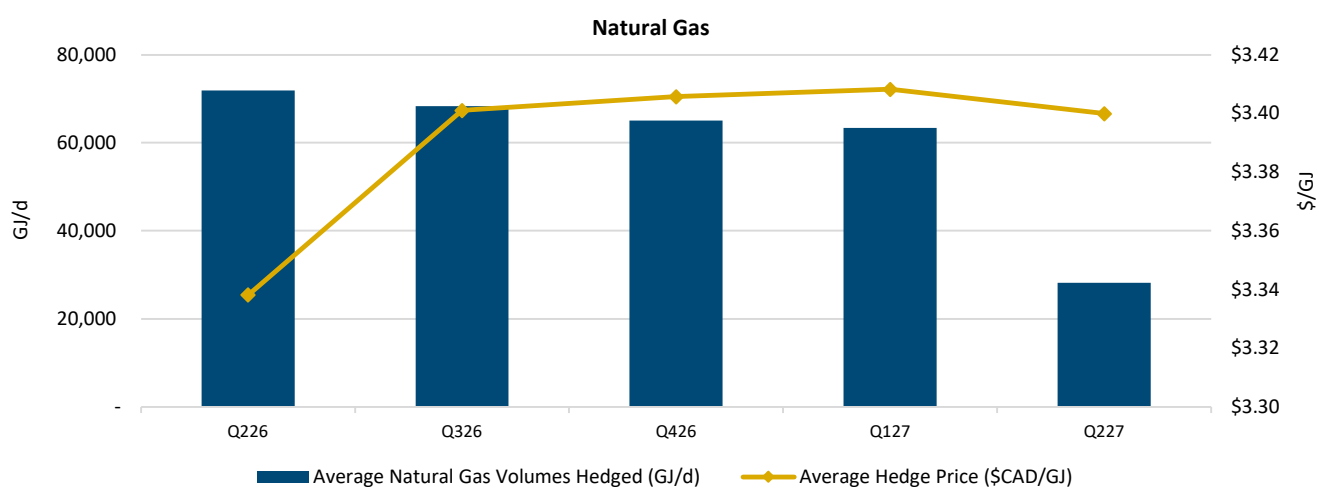
The following fixed price physical power purchase contracts were entered into subsequent to March 31, 2026:

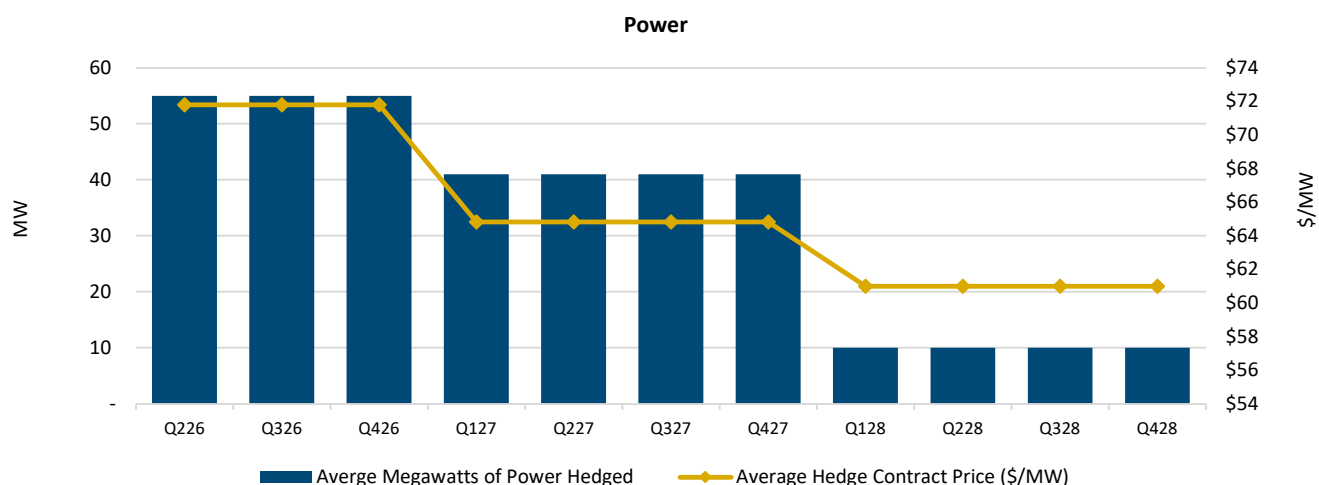
Type of contract	Average Quantity	Time Period	Average Contract Price
Fixed Price - Power Purchases	4 MW	Jan 2027 - Dec 2027	CAD \$48.00/MWh
Fixed Price - Power Purchases	5 MW	Jan 2028 - Dec 2028	CAD \$59.80/MWh

The following Financial Contracts, to which hedge accounting was applied, were in place at March 31, 2026:

Type of contract	Average Quantity	Time Period	Average 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 following charts outline Cavvy's hedge position March 31, 2026:





## NATURAL GAS, NATURAL GAS LIQUIDS AND SULPHUR REVENUE

The following table summarizes the Company's revenue for the three months ended March 31, 2026, and 2025:

(\$ 000s except per boe)	Three months ended March 31		
	2026	2025	% Change
Natural gas	21,917	21,903	-
Condensate	19,068	21,012	(9)
NGLs	7,506	8,736	(14)
Sulphur	35,318	1,645	NM
<b>Natural gas, natural gas liquids and sulphur revenue <sup>(1)</sup></b>	<b>83,809</b>	<b>53,296</b>	<b>57</b>
Natural gas, natural gas liquids and sulphur revenue (\$/boe)	37.78	26.22	44
Processing and marketing revenue	12,292	6,161	100
Other revenue <sup>(2)</sup>	123	93	32
Realized gain on Financial Contracts	7,897	21,115	(63)
<b>Total revenue</b>	<b>104,141</b>	<b>80,665</b>	<b>29</b>

(1) Natural gas, natural gas liquids and sulphur revenue includes gains and losses on physical commodity contracts.

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

## ROYALTIES

The following table summarizes the Company's royalty obligations for the three months ended March 31, 2026, and 2025:

(\$ 000s except per boe)	Three months ended March 31		
	2026	2025	% Change
Gross royalties	17,787	11,549	54
Gas cost allowance	(8,087)	(12,082)	(33)
Royalties	9,700	(533)	NM
Royalties (\$/boe)	4.37	(0.26)	NM
Royalties as percentage of revenue (%)	12	(1.0)	NM

Cavvy pays royalties to the Alberta and BC Crown ("Crown"), Indian Oil and Gas Commission ("IOGC"), and to various freehold and gross overriding royalty owners. Gross natural gas royalties are reduced by Gas Cost Allowance ("GCA"), which is provided by the Crown and IOGC to account for operating and capital expenses incurred to process and transport their royalty portion of natural gas production.

For the three months ended March 31, 2026, gross royalties increased primarily due to higher sulphur pricing; crown sulphur royalties are paid based on net realized sulphur price. Additionally, during the comparative quarter a historical GCA estimate revision was recorded resulting in negative net royalty expense for that quarter.

## 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 months ended March 31, 2026, and 2025:

<i>(mcf/d)</i> <sup>(1)</sup>	Three months ended March 31		
	2026	2025	% Change
Caroline	94,865	68,283	39
Jumping Pound	59,102	17,232	243
Waterton	2,858	5,410	(47)
<b>Total</b>	<b>156,825</b>	<b>90,925</b>	<b>72</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 were impacted during the quarter by:

- Caroline – Ongoing success attracting and tying in new volumes from several processing customers led to continued higher throughput volumes.
- Jumping Pound – In January 2026 the Company successfully contracted new long term third-party volumes following the permanent shutdown of a nearby third-party gas processing facility. Additionally, the comparative quarter was impacted by Jumping Pound Facility maintenance downtime from February through April of 2025.

### 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 months ended March 31, 2026, and 2025:

<i>(\$ 000s except per boe)</i>	Three months ended March 31		
	2026	2025	% Change
Caroline	5,596	2,997	87
Jumping Pound	6,343	2,443	160
Waterton	322	614	(48)
Other <sup>(1)</sup>	31	107	(71)
<b>Total</b>	<b>12,292</b>	<b>6,161</b>	<b>100</b>

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

For the three months ended March 31, 2026 processing and marketing revenue increased by 100% primarily associated with a corresponding increase in third party volumes. Revenues are additionally 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 for the three months ended March 31, 2026, and 2025:

(\$ 000s except per boe)	Three months ended March 31		
	2026	2025	% Change
Operating expense	<b>47,816</b>	43,985	9
Operating expense (\$/boe)	<b>21.55</b>	21.64	(1)

Operating expense increased primarily due to increased processing fees from non-operated CAB production reactivated by the operator, as well as slightly higher labour costs and higher than expected general maintenance activities.

Operating costs during the quarter were higher than expected; management remains committed to reducing operating costs, in absolute and on a per boe basis, through cost reduction initiatives and by increasing facility throughput volumes. Several initiatives are ongoing to reduce operating cost by:

- 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.

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.

As Cavvy's third-party processing business grows, the corresponding percentage of Cavvy-owned inlet gas decreases. As the percentage of Cavvy-owned inlet gas decreases, operating expense per boe becomes a less useful measure of cost efficiency or of Cavvy's industry comparability because this calculation does not account for third-party owned gas or sulphur production, both of which contribute to operating netback. As a result, management calculates adjusted operating expense by netting third-party processing and sulphur revenue from operating expense, to more closely align Cavvy's operating expense to peer comparables.

### Adjusted Operating Expense

Cavvy incurs a significant component of total operating expense at its three deep cut sour processing facilities. These facilities are more complex and costly to operate than similar sweet-gas processing facilities because they offer acid gas extraction, deep-cut NGL recovery, NGL fractionation (at two of the three), and sulphur recovery. 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.

The following table outlines the facility utilization at Cavvy's three deep cut sour processing facilities for the three months ended March 31, 2026 and 2025:

(Facility utilization %) <sup>(1)</sup>	Three months ended March 31, 2026			Three months ended March 31, 2025		
	Caroline	Jumping Pound	Waterton	Caroline	Jumping Pound	Waterton
Cavvy	<b>27</b>	<b>44</b>	<b>97</b>	34	64	95
Other owner	<b>5</b>	-	-	7	-	-
Third-party	<b>68</b>	<b>56</b>	<b>3</b>	59	36	5

(1) Utilization percentages reflect current facility throughput and do not reflect theoretical facility capacity.

The following table summarizes the Company's adjusted operating expense by area for the three months ended March 31, 2026:

Three months ended March 31, 2026 (\$ per boe)	Caroline	Jumping Pound	Waterton	Other <sup>(1)</sup>	Total
Operating expense	31.02	17.96	18.89	21.30	21.55
Less:					
Processing and marketing revenue	12.24	9.91	0.44	0.08	5.54
<b>Adjusted operating expense net of processing and marketing revenue</b>	<b>18.78</b>	<b>8.05</b>	<b>18.45</b>	<b>21.22</b>	<b>16.01</b>
Less:					
Sulphur revenue	23.72	10.28	23.20	2.57	15.92
<b>Adjusted operating expense <sup>(2)</sup></b>	<b>(4.94)</b>	<b>(2.23)</b>	<b>(4.75)</b>	<b>18.65</b>	<b>0.09</b>

(1) Other is made up of CAB, Northern Alberta Foothills and Northeast BC, these areas were impacted by voluntary shut-ins in the three month periods.

(2) Refer to "Non-GAAP and Other Financial Measures" section of this MD&A for the definition of adjusted operating expense.

The following table summarizes the Company's adjusted operating expense by area for the three months ended March 31, 2025:

Three months ended March 31, 2025 (\$ per boe)	Caroline	Jumping Pound	Waterton	Other <sup>(1)</sup>	Total
Operating expense	23.88	27.65	14.67	26.25	21.64
Less:					
Processing and marketing revenue	6.24	6.01	0.81	0.27	3.03
<b>Adjusted operating expense net of processing and marketing revenue</b>	<b>17.64</b>	<b>21.64</b>	<b>13.86</b>	<b>25.98</b>	<b>18.61</b>
Sulphur revenue	0.85	0.46	1.11	0.53	0.81
<b>Adjusted operating expense <sup>(2)</sup></b>	<b>16.79</b>	<b>21.18</b>	<b>12.75</b>	<b>25.45</b>	<b>17.80</b>

(1) Other is made up of CAB, Northern Alberta Foothills and Northeast BC, these areas were impacted by voluntary shut-ins in the three month periods.

(2) Refer to "Non-GAAP and Other Financial Measures" section of this MD&A for the definition of adjusted operating expense.

## TRANSPORTATION EXPENSE

The following table summarizes the Company's transportation expense for the three months ended March 31, 2026, and 2025:

(\$ 000s except per boe)	Three months ended March 31		
	2026	2025	% Change
Transportation expense	4,729	4,663	1
Transportation expense (\$/boe)	2.13	2.29	(7)

Substantially all 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 for the quarter ended March 31, 2026 decreased on a per boe basis primarily due to higher volumes in the current periods.

## GENERAL AND ADMINISTRATIVE EXPENSE

The following table summarizes the Company's general and administrative ("G&A") expense for the three months ended March 31, 2026, and 2025:

(\$ 000s except per boe)	Three months ended March 31		
	2026	2025	% Change
General and administrative expense	6,280	5,576	13
General and administrative expense (\$/boe)	2.83	2.74	3

G&A expenses for the quarter ended March 31, 2026 increased on both a total and per boe basis primarily due to timing considerations expected to normalize during the remaining course of the year.

## FINANCE EXPENSE

The following table summarizes the Company's finance expense for the three months ended March 31, 2026, and 2025:

(\$ 000s)	Three months ended March 31		
	2026	2025	% Change
Cash portion of interest expense	3,944	3,975	(1)
Non-cash interest paid in-kind	-	1,577	(100)
	3,944	5,552	(29)
Accretion of financing costs	1,295	1,174	10
Accretion of decommissioning obligations	618	607	2
Interest on lease liabilities	140	131	7
Other charges	(55)	364	(115)
<b>Total finance expense</b>	<b>5,942</b>	<b>7,828</b>	<b>(24)</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.

## DEPLETION AND DEPRECIATION

The following table summarizes the Company's depletion and depreciation for the three months ended March 31, 2026, and 2025:

(\$ 000s)	Three months ended March 31		
	2026	2025	% Change
Depletion and depreciation	9,614	12,829	(25)

Depletion and depreciation expense decreased during the three months ended March 31, 2026 due to a refinement in the classification of future development costs included in the depletion base under the unit-of-production method.

## SHARE-BASED COMPENSATION

The following table summarizes the Company's share-based compensation for the three months ended March 31, 2026, and 2025:

(\$ 000s)	Three months ended March 31		
	2026	2025	% Change
Share-based compensation	6,688	1,443	363

Share-based compensation is comprised of expense recognized under the Stock Option, Restricted Share Unit ("RSU") and Deferred Share Unit ("DSU") Plans. Share based compensation expense is primarily made up of the liability revaluation associated with outstanding RSUs which fluctuate in value based on the price of Cavvy's common shares.

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 months ended March 31, 2026, and 2025:

(\$ 000s)	Three months ended March 31		
	2026	2025	% Change
<b>Development capital</b>			
Facilities and well optimization	1,028	2,527	(59)
<b>Non-development capital</b>			
Turnarounds	1,061	2,691	(61)
Facilities and well optimization	-	37	(100)
Facilities maintenance	2,468	232	NM
Land	146	86	70
Corporate	1,599	965	66
<b>Capital expenditures</b>	<b>6,302</b>	<b>6,538</b>	<b>(4)</b>
Reclamation and abandonment	6,800	268	NM
<b>Total capital expenditures</b>	<b>13,102</b>	<b>6,806</b>	<b>93</b>

Cavvy's focus during the current and prior year was on field and facility optimization and debt repayment.

Notable capital spending for the first quarter includes:

- Turnarounds – Capital expended during the first quarter was primarily driven by planned maintenance activities across the Company's major gas processing facilities.
- Facilities and well maintenance – Primarily relate to facility planned maintenance activities at Waterton.
- Corporate – Comprised primarily of information and operational technology modernization investments.
- Reclamation and abandonment – Cavvy's reclamation and abandonment program for the year was accelerated in the first quarter of 2026. These expenditures were allocated 44% to Alberta and 56% to BC.

## LIQUIDITY AND CAPITAL RESOURCES

### Capital Resources

As at March 31, 2026, Cavvy's capital structure was comprised of adjusted working capital (deficit), long-term debt and share capital. The following table summarizes the capital structure at March 31, 2026, and December 31, 2025:

(\$ 000s)	March 31, 2026	December 31, 2025
Adjusted working capital (deficit) <sup>(1)</sup>	(39,490)	(19,769)
Total debt <sup>(2)</sup>	(117,123)	(150,848)
<b>Net debt <sup>(1)</sup></b>	<b>(156,613)</b>	<b>(170,617)</b>
Shareholders' equity	154,304	138,547

(1) Refer to "Non-GAAP and Other Financial Measures" section of this MD&A for the definition of adjusted working capital (deficit) and net debt.

(2) Total debt is comprised of the current and non-current portions of long-term debt.

### Working Capital

The following table summarizes the Company's working capital position at March 31, 2026, and December 31, 2025:

(\$ 000s)	March 31, 2026	December 31, 2025
Cash and cash equivalents	9,500	5,799
Accounts receivable	41,008	45,830
Prepays expenses and other	6,422	6,122
<b>Total current assets</b>	<b>56,930</b>	<b>57,751</b>
Accounts payable	23,047	31,068
Accrued liabilities	59,487	46,452
Deferred revenue	13,886	-
<b>Total current liabilities</b>	<b>96,420</b>	<b>77,520</b>
<b>Adjusted working capital (deficit) <sup>(1)</sup></b>	<b>(39,490)</b>	<b>(19,769)</b>

(1) Refer to "Non-GAAP and Other Financial Measures" section of this MD&A for the definition of adjusted working capital (deficit).

Cavvy manages a sustainable working capital deficit due to timing differences between cash inflows and outflows. Adjusted working capital deficit at March 31, 2026 increased compared to December 31, 2025, primarily driven by the prepayment received on January 5, 2026 for two thirds of Cavvy's estimated sulphur sales in the first half of 2026 under the structured sulphur pricing agreement. The prepayment is recorded as a deferred revenue liability and recognized into revenue as sulphur is delivered.

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.

## LONG-TERM DEBT

The table below summarizes long-term debt obligations as of March 31, 2026, and December 31, 2025:

(\$ 000s)	Maturity		March 31, 2026	December 31, 2025
Senior Facility				
Revolving Loan \$22,000	March 2027	USD	-	18,100
Term Notes \$81,500	March 2027	USD	55,280	64,150
Subordinated Notes \$33,606 <sup>(1)</sup>	September 2027	USD	33,606	33,606
Total debt <sup>(2)</sup>		USD	88,886	115,856
USD/CAD exchange rate <sup>(3)</sup>			1.3939	1.3706
Total principal outstanding		CAD	123,898	158,792

(1) Excludes unamortized deferred financing fees of USD \$2.8 million (December 31, 2025 – USD \$3.2 million), which includes warrants issued in concurrence with the debt refinancing. Includes interest payable in-kind of USD \$2.1 million.

(2) As at March 31, 2026, and as at the date of this MD&A, the Company was in compliance with all debt covenants.

(3) USD to CAD exchange rate at March 31, 2026 and March 31, 2025, respectively.

The Company repaid \$37.3 million (USD \$27.0 million) of debt in the first quarter of 2026.

### Guarantee Facility from Export Development Canada

Cavvy holds a \$12.0 million unsecured guarantee facility with Export Development Canada ("EDC"). In July 2025 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 \$9.5 million was drawn at March 31, 2026.

## SHARE CAPITAL, STOCK OPTIONS AND WARRANTS OUTSTANDING

The following table outlines the Company's share capital, stock options and warrants outstanding at May 7, 2026, March 31, 2026, and December 31, 2025:

	May 7, 2026	March 31, 2026	December 31, 2025
Share capital	309,088,041	309,080,041	290,680,270
Stock options	6,029,209	6,037,209	6,286,209
Stock options – weighted average exercise price (\$/option)	\$0.49	\$0.48	\$0.48
Warrants	-	-	24,804,414
Warrants – weighted average exercise price (\$/warrant)	-	-	\$0.50

On March 12, 2026 all equity-classified warrants were settled for proceeds of \$3.5 million and resulted in the issuance of 5,120,235 common shares. On March 31, 2026 all liability-classified warrants were exercised on a cashless basis and reclassified to equity, resulting in the issuance of 13,030,536 common shares.

## COMMITMENTS, PROVISIONS AND CONTINGENCIES

The Company has entered into several financial obligations during the normal course of business. As at March 31, 2026, these obligations and the expected timing of their settlement, are detailed below:

(\$ 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, 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.

## NON-GAAP AND OTHER FINANCIAL MEASURES

Non-GAAP and other financial measures are defined as follows:

### Adjusted operating expense

Adjusted operating expense is calculated by netting third-party processing and sulphur revenue from operating expense. This more closely aligns Cavvy's operating expense to peer comparables.

### Adjusted working capital or deficit

Adjusted working capital or deficit is calculated as cash, accounts receivable, and prepaid expenses and other, less accounts payable and accrued liabilities. Management considers adjusted working capital or deficit an important measure to evaluate operational liquidity.

### Funds flow from operations ("FFO")

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

### Liquidity

Total available liquidity equals cash and cash equivalents plus the undrawn portions of the delayed draw term loan, the undrawn portion of the Revolving Loan and available capacity on the EDC guarantee facility. Management considers total available liquidity an important measure to evaluate Cavvy's cash available to meet financial obligations.

### Net debt

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

### Net operating income ("NOI")

NOI equals revenue including realized gains (losses) on Financial Contracts, less royalties, operating expenses, and transportation expenses. Management considers NOI an important measure as it reflects the profitability of the Company's core operations before the impact of capital structure and other non-operating items.

### Operating netback

Operating netback equals NOI on a per BOE basis. Management considers operating netback an important measure as it provides a comparable metric to evaluate operating performance and profitability on a per-unit basis.

## DEFINITIONS AND ABBREVIATIONS

<b>Mcf</b>	Thousand cubic feet	<b>MWh</b>	Megawatt hour
<b>Mcf/d</b>	Thousand cubic feet per day	<b>NGLs</b>	Natural gas liquids
<b>MMcf</b>	Million cubic feet	<b>C2</b>	Ethane
<b>MMcf/d</b>	Million cubic feet per day	<b>C3</b>	Propane
<b>Bcf</b>	Billion cubic feet	<b>C4</b>	Butane
<b>MMBtu</b>	Million British thermal units	<b>C5/C5+</b>	Condensate or pentane
<b>GJ</b>	Gigajoules	<b>AECO</b>	Alberta benchmark price for natural gas
<b>GJ/d</b>	Gigajoules per day	<b>WTI</b>	West Texas Intermediate benchmark for crude oil
<b>Bbl</b>	Barrel	<b>AB</b>	Alberta
<b>Boe</b>	Barrel of oil equivalent	<b>BC</b>	British Columbia
<b>Boe/d</b>	Barrel of oil equivalent per day	<b>US</b>	United States
<b>mt</b>	Metric tonne	<b>USD</b>	United States Dollars
<b>mt/d</b>	Metric tonne per day	<b>FOB</b>	Free on board
<b>MW</b>	Megawatt		
<b>NM</b>	Not meaningful is used to indicate that the current and prior year figures are not comparable or not meaningful.		

## 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, Cavy 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>Operational Risks</b>
Adverse Economic Conditions
Operational Matters and Hazards
Development and Production
Co-Ownership of Assets
Reliance on Other Assets, Facilities and Third-Party Services
Facilities Throughput and Utilization
Health and Safety
Regulatory Permits, Licenses and Approvals
Information Technology Systems, Cyber-Security and Technological Change
Skilled Workforce
Labour Relations
Political Uncertainty and Geo-Political Risk
Project Execution
Climate Change
Carbon Pricing
Environmental Regulations
Reputation
Competition
Conflicts of Interest
Indigenous Land Rights Claims
Breach of Confidentiality
<b>Financial Risks</b>
Prices, Volatility and Marketing of Production
Capital Market Access and Liquidity
Cost Management
Hedging Activities
Decommissioning, Abandonment and Reclamation Costs
Reserve Estimates
Variations in Foreign Exchange and Interest Rates
Royalty Regimes

Third-Party Credit Risk
Litigation
Common Share Market Price and Volatility
Insurance Coverage
Dilution
Common Share Liquidity
Internal Controls

Refer to the Company's AIF for the year ended December 31, 2025, 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 5 of the Consolidated Financial Statements for the year ended December 31, 2025.

## 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 March 31, 2026, 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 months ended March 31, 2026. 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 3 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.

## 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, 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.