**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE THREE MONTHS ENDED**

**MARCH 31, 2025 AND MARCH 31, 2024**

## LETTER TO OUR SHAREHOLDERS May 14, 2025

Dear Shareholder:

We are pleased to provide an update since our March 19, 2025 letter to shareholders.

In the first quarter of 2025, Karve generated adjusted funds flow from operations of $17.7 million. The Company's average first quarter 2025 production was 6,884 boe/d which includes 4,477 bbl/d of oil and 254 bbl/d of NGLs (69% liquids) and 12,920 mcf/d of natural gas. Production was negatively impacted in the first quarter due to extremely cold weather in January and February 2025. The Company's current production is approximately 7,300 boe/d with 700 boe/d shut in due to a scheduled, routine turnaround and will be back on line in late May 2025.

During the three months ended March 31, 2025, Karve completed and brought on 15 gross (15.0 net) horizontal Viking wells, and capital expenditures were $23.6 million. Since November 2016, the Company has drilled a total of 473 gross (466.3 net) and completed and brought on 471 gross (465.3 net) horizontal Viking wells. Consistent with previous capital expenditure programs, Karve will continue to monitor and adjust its capital spending depending on market conditions.

On January 15, 2025, the Company paid a Return of Capital of $21.1 million in the aggregate, representing $0.15 per Common Share that was declared on December 17, 2024. The Company has now returned an aggregate of $91.4 million ($0.65 per share) to its Shareholders.

On April 1, 2025, the board of directors authorized a substantial issuer bid pursuant to which Karve has offered to purchase for cancellation up to $15.0 million of its common shares from its shareholders for cash. The Offer is for a maximum of up to 30,000,000 Shares or approximately 21.3% of Karve's total issued and outstanding Shares. The offer expired on May 13, 2025 and based on a preliminary report provided by the depositary, Karve expects to take up and pay for approximately 8.4 million Shares at the price of $0.60 per Share under the offer for cancellation, representing an aggregate purchase price of approximately $5.0 million. Payment and settlement of the Shares will be effected by the depositary on or about May 28, 2025, in accordance with the settlement procedures described in the issuer bid circular.

Karve will be holding our Annual General Meeting ("AGM") on Wednesday, May 14, 2025, at 2:00PM at our offices located at Suite 2500, 255 5 AVE SW, Calgary, Alberta. Details for both are included in the Management Information Circular that can be found on our website at www.karveenergy.com. All shareholders and stakeholders are welcome to attend the AGM.

Enclosed are the Karve Energy Inc. unaudited consolidated financial statements and MD&A for the quarter ended March 31, 2025. These financial statements have been prepared in accordance with International Financial Reporting Standards. If you would like to be added to our email distribution list to receive financial statements and MD&A by email, please send your request to info@karveenergy.com. We look forward to reporting our progress and thank all of our shareholders for their ongoing support.

On behalf of the Board of Directors,

*Signed "Bob Chaisson"*

Bob Chaisson
Chief Executive Officer
Karve Energy Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis ("MD&A") is a review of Karve Energy Inc.'s ("Karve" or the "Company") results and management's analysis of its financial performance for the period from January 1, 2025 to March 31, 2025. It is dated May 14, 2025 and should be read in conjunction with the unaudited interim consolidated financial statements for the three months ended March 31, 2025 and the audited consolidated financial statements for the year ended December 31, 2024. Both statements have been prepared in accordance with International Financial Reporting Standards ("IFRS Accounting Standards") as issued by the International Accounting Standards Board ("IASB"). The MD&A contains non-generally accepted accounting principles ("non-GAAP") measures and forward-looking statements and readers are cautioned that the MD&A should be read in conjunction with Karve's disclosure under "Non-GAAP Measurements" and "Forward-Looking Information and Statements" included at the end of this MD&A. All amounts are in Canadian dollars unless otherwise noted.

## DESCRIPTION OF THE COMPANY

Karve is a private oil and natural gas company whose principal business activities are the acquisition, exploration and development of oil and natural gas properties in Western Canada. The Company was incorporated under the laws of the Province of Alberta on January 30, 2014, under the name "1799380 Alberta Ltd.". On June 16, 2014, the Company changed its name to "Bruin Oil & Gas Inc." ("Bruin") and on September 15, 2016, the Company changed its name to "Karve Energy Inc.". On July 15, 2019, the Company amalgamated with High Ground Energy Inc. The consolidated financial information of the Company is comprised of Karve and its wholly owned subsidiary "DTC Energy Inc.".

## OPERATIONAL AND FINANCIAL SUMMARY

| | For the three months ended | |
|---|---|---|
| **FINANCIAL** *(Canadian $000, except per share and per boe amounts)* | Mar. 31, 2025 | Mar. 31, 2024 |
| Net income | 3,882 | 5,495 |
| Per share - basic | 0.03 | 0.04 |
| Per share - diluted | 0.03 | 0.03 |
| Funds flow from operations [(1)] | 17,199 | 23,253 |
| Per share - basic [(1)] | 0.12 | 0.17 |
| Per share - diluted [(1)] | 0.11 | 0.15 |
| Adjusted funds flow from operations [(1)] | 17,667 | 24,308 |
| Per share - basic [(1)] | 0.13 | 0.17 |
| Per share - diluted [(1)] | 0.12 | 0.15 |
| Total net capital expenditures | 23,641 | 38,997 |
| Net debt [(1)] | (20,754) | (32,614) |
| Total assets | 475,789 | 505,594 |
| Shares outstanding, weighted average (000s) | 140,681 | 140,530 |
| Shares outstanding, end of period (000s) | 140,930 | 140,530 |
| **OPERATIONAL** | | |
| Sales volumes | | |
| Viking oil (bbl/d) | 4,477 | 5,331 |
| Heavy oil (bbl/d) | - | 222 |
| NGLs (bbl/d) | 254 | 312 |
| Natural gas (mcf/d) | 12,920 | 16,824 |
| **Total (boe/d)** | **6,884** | **8,669** |
| Average sales prices (excluding hedging gains and losses) | | |
| Viking oil ($/bbl) | 91.60 | 88.74 |
| Heavy oil, net of blending expense ($/bbl) | - | 61.40 |
| NGLs ($/bbl) | 65.70 | 64.46 |
| Natural gas ($/mcf) | 2.61 | 2.60 |
| **Boe basis ($/boe)** | **66.89** | **63.50** |
| Field netback ($/boe excluding hedging gains and losses) | | |
| Sales price | 66.89 | 63.50 |
| Royalties | (8.18) | (7.52) |
| Operating expense | (22.83) | (20.80) |
| Transportation expense | (1.83) | (1.71) |
| **Field netback [(1)]** | **34.05** | **33.47** |

(1) Non-GAAP measure, see page 13 for details.

## SALES VOLUMES

Sales volumes averaged 6,884 boe/d during the three months ended March 31, 2025 compared to 8,669 boe/d during the three months ended March 31, 2024. The decrease in sales volumes during the three months ended March 31, 2025 is due to extremely cold weather in January and February 2025 and the disposition of the heavy oil assets in December 2024. In addition, the Company added 33 gross (33.0 net) Viking wells to production from April 1, 2024 to March 31, 2025, versus 50 gross (49.0 net) Viking wells from April 1, 2023 to March 31, 2024.

| | For the three months ended | |
|---|---|---|
| | Mar. 31, 2025 | Mar. 31, 2024 |
| Sales volumes | | |
| Viking oil (bbl/d) | 4,477 | 5,331 |
| Heavy oil (bbl/d) | - | 222 |
| NGLs (bbl/d) | 254 | 312 |
| Natural gas (mcf/d) | 12,920 | 16,824 |
| **Total (boe/d)** | **6,884** | **8,669** |

## SALES PRICES AND REVENUE

For the three months ended March 31, 2025, the Company generated total revenue of $41.4 million (three months ended March 31, 2024 - $50.1 million) on average sales volumes of 6,884 boe/d. Revenue is shown before transportation expenses. The average sales price per boe for the three months ended March 31, 2025 was $66.89 compared to $63.50 for the three months ended March 31, 2024. The decrease in revenue period over period is due to lower sales volumes offset by a higher realized sales price.

| | For the three months ended | |
|---|---|---|
| **KARVE AVERAGE REALIZED PRICE (1)** | Mar. 31, 2025 | Mar. 31, 2024 |
| Revenue ($000s) | 41,442 | 50,095 |
| Viking oil ($/bbl) | 91.60 | 88.74 |
| Heavy oil, net of blending expense ($/bbl) | - | 61.40 |
| NGLs ($/bbl) | 65.70 | 64.46 |
| Natural gas ($/mcf) | 2.61 | 2.60 |
| **Karve realized price ($/boe)** | **66.89** | **63.50** |
| **AVERAGE BENCHMARK PRICES (2)** | | |
| Crude oil - WTI ($US/bbl) | 71.42 | 76.96 |
| Crude oil - Canadian light sweet ($CDN/bbl) | 94.99 | 95.45 |
| Crude oil - WCS ($CDN/bbl) | 87.32 | 77.81 |
| Natural gas - AECO-C spot ($CDN/mcf) | 2.13 | 2.18 |
| Exchange Rate - ($US/$CAD) | 0.70 | 0.74 |

(1) Excludes hedging gains and losses.

(2) Average benchmark pricing obtained from U.S. Energy Information Administration and Sproule Associates Limited.

## DERIVATIVE CONTRACTS

The Company utilizes financial derivative contracts to manage certain market risks. All such transactions are conducted in accordance with the risk management policy that has been approved by the Board of Directors.

The components of the loss on financial derivative contracts is as follows:

| | For the three months ended | |
|---|---|---|
| ($000s) | Mar. 31, 2025 | Mar. 31, 2024 |
| Unrealized gain (loss) on financial derivative contracts | 393 | (228) |
| Realized (loss) on financial derivative contracts | (509) | - |
| **LOSS ON FINANCIAL DERIVATIVE CONTRACTS** | **(116)** | **(228)** |

i) Commodity contracts

From time to time, the Company may hedge a portion of its crude oil sales using financial derivative contracts. In accordance with standard industry practice, financial derivative contracts are marked to market.

At March 31, 2025, the Company had the following commodity contracts in place:

| Type | Term | Basis[(1)] | Volume (Bbl/d) | Put Price ($CAD/Bbl)[(1)] | Call Price ($CAD/Bbl)[(1)] | Liability ($000s) |
|---|---|---|---|---|---|---|
| Swap | Jan. 1/25 - June 30/25 | WTI | 500 | 96.40 | - | (232) |
| Collar | Jan. 1/25 - June 30/25 | WTI | 500 | 90.00 | 101.25 | (136) |
| **TOTAL VOLUME AND WEIGHTED AVERAGE PRICE** | | | **1,000** | **93.20** | **101.25** | **(368)** |

(1 ) Nymex WTI monthly average in $CAD.

| Type | Term | Basis | Volume (Bbl/d) | Swap Price ($CAD/Bbl) | Current Liability ($000s) |
|---|---|---|---|---|---|
| Fixed price differential | Apr. 1/25 - June 30/25 | MSW | 500 | 6.20 | (75) |

Subsequent to March 31, 2025, the Company entered into the following derivative contract:

| Type | Term | Basis[(1)] | Volume (Bbl/d) | Put Price ($CAD/Bbl)[(1)] |
|---|---|---|---|---|
| Swap | Jul. 1/25 - Sept 30/25 | WTI | 250 | 98.10 |

(1 ) Nymex WTI monthly average in $CAD.

At March 31, 2025, the fair value of the commodity derivative contracts outstanding was in a current liability position of $443,000 (December 31, 2024 - $836,000), resulting in an unrealized gain of $393,000 for the three months ended March 31, 2025 (three months ended March 31, 2024 – unrealized loss of $228,000). The fair value, or mark-to-market value, of these contracts are based on the estimated amount that would have been received or paid to settle the contracts as at March 31, 2025 and may be different from what will eventually be realized. For the three months ended March 31, 2025, the Company realized a loss of $509,000 (three months ended March 31, 2024 - $nil) on its commodity derivative contracts.

ii) Foreign exchange contracts

The Company is exposed to the risk of changes in the U.S./Canadian dollar exchange rate ("USD/CAD") on crude oil sales based on U.S. dollar benchmark prices. Foreign exchange risk is mitigated by entering into foreign exchange contracts.

The Company did not have any foreign exchange contracts outstanding as at March 31, 2025. At December 31, 2024, the fair value of the foreign exchange contract was $nil as all of the contracts expired on December 31, 2024. During the year ended December 31, 2024, the Company realized a loss of $181,000 on the foreign exchange contracts.

## ROYALTIES

| | For the three months ended | |
|---|---|---|
| ($000s, except per boe amounts) | Mar. 31, 2025 | Mar. 31, 2024 |
| Royalties | 5,067 | 5,934 |
| Royalties as a % of revenue | 12.2% | 11.8% |
| Per boe ($) | 8.18 | 7.52 |

Royalties include crown, freehold and gross overriding royalties. Royalty expense for the three months ended March 31, 2025 was $5.1 million ($8.18 per boe) compared to $5.9 million ($7.52 per boe) for the three months ended March 31, 2024. The decrease in royalties is primarily due to lower sales revenue. For the three months ended March 31, 2025, the Company's royalty rate increased slightly to 12.2% of revenues compared to 11.8% during the three months ended March 31, 2024. This increase was due to additional wells coming off royalty holiday.

## OPERATING EXPENSE

| | For the three months ended | |
|---|---|---|
| ($000s, except per boe amounts) | Mar. 31, 2025 | Mar. 31, 2024 |
| Operating expense | 14,143 | 16,410 |
| Per boe ($) | 22.83 | 20.80 |

Operating expenses include activities in the field required to operate wells and facilities, lift to surface, gather, process and in-field trucking of the Company's production. Operating expenses were $14.1 million ($22.83 per boe) during the three months ended March 31, 2025, compared to $16.4 million ($20.80 per boe) during the three months ended March 31, 2024. The decrease in operating expenses is due to lower sales volumes, lower costs incurred relating to pipeline maintenance and lower electricity pricing in the first quarter of 2025. The per boe increase is primarily due to the fixed nature of the majority of our operating expenses.

## TRANSPORTATION EXPENSE

| ($000s, except per boe amounts) | For the three months ended Mar. 31, 2025 | Mar. 31, 2024 |
|---|---|---|
| Transportation expense | 1,132 | 1,351 |
| Per boe ($) | 1.83 | 1.71 |

Transportation expense includes costs paid to third parties for transporting clean oil and sales gas to a third party pipeline or processing plant point of sale. Transportation expenses were $1.1 million ($1.83 per boe) during the three months ended March 31, 2025 and $1.4 million ($1.71 per boe) during the three months ended March 31, 2024. This decrease in transportation expense period over period is due to lower sales volumes while the per boe increase is primarily due to increased trucking rates. The Company will continue to look to deliver volumes to the highest netback delivery points, which may lead to variability in transportation expense.

## FIELD NETBACK

The components of field netbacks are summarized in the following table:

| | For the three months ended Mar. 31, 2025 | | For the three months ended Mar. 31, 2024 | |
|---|---|---|---|---|
| ($000s, except per boe amounts) | $ | $/boe | $ | $/boe |
| Revenue | 41,442 | 66.89 | 50,095 | 63.50 |
| Royalties | (5,067) | (8.18) | (5,934) | (7.52) |
| Operating expense | (14,143) | (22.83) | (16,410) | (20.80) |
| Transportation expense | (1,132) | (1.83) | (1,351) | (1.71) |
| **FIELD NETBACK ($) (1)** | **21,100** | **34.05** | **26,400** | **33.47** |

The period over period change in field netback is explained by the discussions of the netback components above.

## OTHER INCOME

| ($000s, except per boe amounts) | For the three months ended Mar. 31, 2025 | Mar. 31, 2024 |
|---|---|---|
| Processing fee income | 568 | 835 |
| Other | 66 | 46 |
| Total other income | 634 | 881 |
| Per boe ($) | 1.02 | 1.12 |

Other income for the three months ended March 31, 2025 was $634,000 ($1.02 per boe) and $881,000 ($1.12 per boe) for the three months ended March 31, 2024.

Processing fee income relates to the Company processing third party oil and gas volumes through Karve owned and operated facilities. Processing fee income was $568,000 ($0.92 per boe) during the three months ended March 31, 2025 and $835,000 ($1.06 per boe) for the three months ended March 31, 2024. The decrease in processing fee income period over period is primarily due to lower third-party throughput volumes being processed at Karve operated facilities.

## GENERAL AND ADMINISTRATION EXPENSE ("G&A")

The following are the main components of G&A for the three months ended March 31, 2025 and March 31, 2024:

| ($000s, except per boe amounts) | For the three months ended Mar. 31, 2025 | Mar. 31, 2024 |
|---|---|---|
| Staff and consulting costs | 2,812 | 2,514 |
| Professional fees | 305 | 178 |
| Office and rent costs | 425 | 373 |
| Other | 332 | 337 |
| General and administration expense (gross) | 3,874 | 3,402 |
| Capitalized G&A and overhead recovery | (581) | (783) |
| Lease liability reclassfication | (66) | (66) |
| General and administration expense (net) | 3,227 | 2,553 |
| Per boe ($) | 5.21 | 3.23 |

General and administrative expenses (net) for the three months ended March 31, 2025 increased to $3.2 million ($5.21 per boe) compared to $2.6 million ($3.23 per boe) for the three months ended March 31, 2024 due to one-time severance costs and lower capitalized G&A and overhead recovery.

## OPERATING LOAN AND LONG TERM DEBT

As at March 31, 2025, the Company had total available bank credit facilities of $55.0 million, comprised of a $48.0 million Credit Facility and a $7.0 million operating loan. The credit facility is a committed 364 days + 1 year and extendible upon agreement annually; and amounts outstanding are shown as long term debt on the Company's balance sheet. The operating loan is shown as a current liability. The credit facility and operating loan incur interest based on the applicable Canadian prime rate or Canadian Overnight Repo Rate Average ("CORRA") plus between 2.25% and 5.25% depending on the type of borrowing and the Company's debt to EBITDA ratio. The Company is also subject to a standby fee of 0.8125% to 1.3125% based on the Company's debt to EBITDA ratio. As at March 31, 2025, the Company is in compliance with all covenants. The Company completed its annual review in April 2025 with no substantial changes to the terms of the credit facility.

As at March 31, 2025, $16.9 million (net of unamortized debt issue costs) (December 31, 2024 - $nil) was drawn on the Credit Facility and $nil (December 31, 2024 - $nil) was drawn on the operating loan.

The Company has issued letters of credit of $400,000 as at March 31, 2025 (December 31, 2024 - $400,000), thereby reducing the available bank credit facility by this amount.

Bank debt as at March 31, 2025 and December 31, 2024 is as follows:

| ($000s) | As at Mar. 31, 2025 | As at Dec. 31, 2024 |
|---|---|---|
| Credit facility | 17,000 | - |
| Less: unamortized debt issue costs | (123) | - |
| **LONG TERM DEBT** | **16,877** | **-** |
| Operating loan | - | - |
| **TOTAL BANK DEBT** | **16,877** | **-** |

Financing expense for the three months ended March 31, 2025 and March 31, 2024 is comprised of the following:

| | For the three months ended | |
|---|---|---|
| ($000s) | Mar. 31, 2025 | Mar. 31, 2024 |
| Credit facility interest and charges | 252 | 341 |
| Operating loan interest and charges | 79 | 79 |
| Amortization of debt issue costs | 37 | 37 |
| Interest on lease liability | 18 | 22 |
| **FINANCING EXPENSES** | **386** | **479** |

For the three months ended March 31, 2025, the effective interest rate on the credit facility was 8.2% (three months ended March 31, 2024 – 9.7%). As at March 31, 2025, the Company is in compliance with all covenants.

## SHARE-BASED COMPENSATION EXPENSE

| | For the three months ended | |
|---|---|---|
| ($000s, except per boe amounts) | Mar. 31, 2025 | Mar. 31, 2024 |
| Share-based compensation - options | 19 | 63 |
| Share-based compensation - performance warrants | - | 507 |
| Share-based compensation expense | 19 | 570 |
| Per boe ($) | 0.03 | 0.72 |

Share-based compensation ("SBC") is an estimate of the fair value of the share options and performance warrants granted by the Company using the Black-Scholes valuation methodology at the grant date. The Black-Scholes pricing model requires the Company to make assumptions including share volatility, a risk-free rate, and expected life of the options and performance warrants.

SBC expense related to stock options for the three months ended March 31, 2025 was $19,000 (three months ended March 31, 2024 – $63,000) and SBC expense related to performance warrants for the three months ended March 31, 2025 was $nil (three months ended March 31, 2024 - $507,000) using the graded vesting method. There were no stock options or performance warrants exercised during the three months ended March 31, 2025 or March 31, 2024.

As at March 31, 2025, 14,092,760 stock options and 27,351,500 performance warrants were outstanding. The weighted average exercise price of stock options and performance warrants outstanding was $1.11 per option and $2.21 per warrant. During the three months ended March 31, 2025, the weighted average exercise prices were reduced by $0.15 per share due to the return of capital distribution paid on January 15, 2025. At March 31, 2025, the weighted average fair value of stock options and performance warrants outstanding was $0.85 per option and $0.60 per warrant (March 31, 2024 - $0.93 per option and $0.60 per warrant).

At March 31, 2025, 11,983,590 stock options were vested and exercisable; and at March 31, 2025, subject to the terms of the performance warrants, 5,620,000 performance warrants were vested and exercisable.

## DEPLETION, DEPRECIATION AND AMORTIZATION

Depletion, depreciation and amortization ("DD&A") are associated with production assets and also include the depreciation and amortization of corporate assets such as computer equipment and right of use assets. The net carrying value of production assets is depleted using the unit-of-production method by determining the ratio of production in the period to the related proved plus probable reserves and estimated future development costs necessary to bring those reserves into production.

During the three months ended March 31, 2025, DD&A expense decreased to $12.0 million ($19.30 per boe) from $15.2 million ($19.26 per boe) during the three months ended March 31, 2024 due to lower production volumes.

| | For the three months ended | |
|---|---|---|
| ($000s, except per boe amounts) | Mar. 31, 2025 | Mar. 31, 2024 |
| Depletion | 11,783 | 14,991 |
| Depreciation and amortization | 171 | 203 |
| Total DD&A ($) | 11,954 | 15,194 |
| Per boe ($) | 19.30 | 19.26 |

## CAPITAL EXPENDITURES

Net capital expenditures for the three months ended March 31, 2025 and March 31, 2024 consisted of the following:

| | For the three months ended | |
|---|---|---|
| ($000s) | Mar. 31, 2025 | Mar. 31, 2024 |
| Drilling | 9,483 | 19,407 |
| Completions | 7,692 | 9,228 |
| Facilities and well equipment | 6,360 | 9,959 |
| Land | 31 | 136 |
| Other | 75 | 267 |
| **TOTAL NET CAPITAL EXPENDITURES (1)** | **23,641** | **38,997** |

(1) Non-GAAP measure, see page 13 for details.

During the three months ended March 31, 2025, the Company drilled 15 gross (15.0 net) Viking wells and completed and brought on production 15 gross (15.0 net) Viking wells. During the three months ended March 31, 2024, the Company drilled 22 gross (22.0 net) wells (Viking – 17 gross (17.0 net), heavy oil gross 5 (5.0 net)) and completed and brought on production 25 gross (24.0 net) wells (Viking – 20 gross (19.0 net), heavy oil 5 gross (5.0 net)). During 2025 and 2024, the Company continued the expansion of its successful Viking waterflood program in the Provost, Alberta area.

The following table outlines total gross and net wells brought on production:

| For the quarter ended | Mar. 31, 2025 | Dec. 31, 2024 | Sept. 30, 2024 | June 30, 2024 |
|---|---|---|---|---|
| Viking - Gross (Net) | 15 (15.0) | 0 (0.0) | 16 (16.0) | 2 (2.0) |
| Heavy - Gross (Net) | 0 (0.0) | 3 (3.0) | 6 (6.0) | 0 (0.0) |
| Total - Gross (Net) | 15 (15.0) | 3 (3.0) | 22 (22.0) | 2 (2.0) |

| For the quarter ended | Mar. 31, 2024 | Dec. 31, 2023 | Sept. 30, 2023 | June 30, 2023 |
|---|---|---|---|---|
| Viking - Gross (Net) | 20 (19.0) | 8 (8.0) | 16 (16.0) | 6 (6.0) |
| Heavy - Gross (Net) | 5 (5.0) | 0 (0.0) | 0 (0.0) | 0 (0.0) |
| Total - Gross (Net) | 25 (24.0) | 8 (8.0) | 16 (16.0) | 6 (6.0) |

## DISPOSITIONS

On December 5, 2024 and December 11, 2024, the Company completed the sale of all of its heavy oil assets in the Evi and Greater Cold Lake areas, effective December 1, 2024 and November 18, 2024, respectively, for total proceeds of $25.8 million (after closing adjustments). The average 2024 production from these assets totalled approximately 311 bbl/d.

The disposition included all of the assets in the heavy oil CGU. The carrying value of the assets disposed was $55.0 million, resulting in a loss on disposition of $29.2 million. The Company incurred transaction costs of $249,000 associated with the disposition of its heavy oil assets.

| ($000s) | |
|---|---|
| Exploration and evaluation assets | 13,153 |
| Property, plant and equipment | 42,007 |
| Decommissioning liabilities | (182) |
| **CARRYING VALUE OF NET ASSETS DISPOSED** | **54,978** |
| **CONSIDERATION** | |
| Cash | 25,827 |
| **LOSS ON DISPOSITION** | **29,151** |

## DECOMMISSIONING LIABILITY

At March 31, 2025, the Company estimated a decommissioning liability of $29.2 million for the future abandonment and reclamation of Karve's properties (December 31, 2024 – $28.9 million). $4.1 million is presented as a current liability as management intends to decommission certain wells within the next 12 months and the remaining $25.0 million of estimated decommissioning liability is presented as a long-term liability.

The estimated decommissioning liability includes assumptions in respect of actual costs to abandon wells and reclaim the property, the time frame in which such costs will be incurred as well as annual inflation factors in order to calculate the discounted total future liability. The Company estimates its total undiscounted amount of cash flows required to settle its decommissioning liability at approximately $187.6 million ($110.7 million undiscounted, uninflated) (December 31, 2024 - $186.4 million and $110.1 million, respectively), which will be incurred over the remaining life of the assets between 2025 and 2065. The estimated future cash flows have been discounted using a credit adjusted rate of 10% (December 31, 2024 – 10%) and an inflation rate of 2% (December 31, 2024 – 2%).

## SHARE CAPITAL

On December 17, 2024, the Company notified its Shareholders that the Company would reduce its stated capital by $21.1 million in the aggregate, representing a Return of Capital (the "Return of Capital") of $0.15 per Common Share. The record date for determining the holders of Common Shares entitled to receive the Return of Capital was the close of business on January 8, 2025, and the Return of Capital was paid on January 15, 2025.

| ($000s except for share amounts) | Number | Amount |
|---|---|---|
| **Common Shares** | | |
| **BALANCE AT DECEMBER 31, 2023** | **140,529,665** | **154,894** |
| Issued on exercise of stock options | 400,000 | 146 |
| Allocation of contributed surplus - exercise of options | - | 246 |
| Return of capital | - | (21,139) |
| **BALANCE AT DECEMBER 31, 2024 AND MARCH 31, 2025** | **140,929,665** | **134,147** |

## SUBSEQUENT EVENTS

On April 1, 2025, the board of directors authorized a substantial issuer bid pursuant to which Karve has offered to purchase for cancellation up to $15.0 million of its common shares from its shareholders for cash. The Offer is for a maximum of up to 30,000,000 Shares or approximately 21.3% of Karve's total issued and outstanding Shares. The offer expired on May 13, 2025 and based on a preliminary report provided by the depositary, Karve expects to take up and pay for approximately 8.4 million Shares at the price of $0.60 per Share under the offer for cancellation, representing an aggregate purchase price of approximately $5.0 million. Payment and settlement of the Shares will be effected by the depositary on or about May 28, 2025, in accordance with the settlement procedures described in the issuer bid circular.

## SUPPLEMENTARY QUARTERLY INFORMATION

| | Mar. 31, 2025 | Dec. 31, 2024 | Sept. 30, 2024 | June 30, 2024 |
|---|---|---|---|---|
| Petroleum and natural gas sales | 41,442 | 48,825 | 53,593 | 57,443 |
| Funds flow from operations (1) | 17,199 | 21,052 | 25,053 | 27,582 |
| Adjusted funds flow from operations (1) | 17,667 | 22,590 | 25,668 | 28,705 |
| Net income and comprehensive income | 3,882 | (19,342) | 6,058 | 8,947 |
| Income per share - basic ($) | 0.03 | (0.13) | 0.04 | 0.06 |
| Income per share - diluted ($) | 0.03 | (0.11) | 0.04 | 0.05 |
| **AVERAGE SALES VOLUMES** | | | | |
| Oil (bbl/d) | 4,477 | 5,379 | 5,747 | 5,832 |
| Natural gas liquids (bbl/d) | 254 | 310 | 362 | 335 |
| Natural gas (Mcf/d) | 12,920 | 15,424 | 16,819 | 17,712 |
| **TOTAL PRODUCTION (BOE/d)** | **6,884** | **8,260** | **8,912** | **9,119** |
| **AVERAGE BENCHMARK PRICES** | | | | |
| Crude oil - WTI ($US/bbl) | 71.42 | 70.27 | 75.13 | 80.57 |
| Crude oil - Canadian light sweet ($CDN/bbl) | 94.99 | 92.69 | 98.43 | 105.97 |
| Crude oil - WCS ($CDN/bbl) | 87.32 | 81.32 | 84.93 | 91.54 |
| Natural gas - AECO-C spot ($CDN/mcf) | 2.13 | 1.48 | 0.70 | 1.18 |
| Exchange Rate - ($US/$CAD) | 0.70 | 0.72 | 0.73 | 0.73 |
| **FIELD NETBACK ($/BOE)** | | | | |
| Revenue | 66.89 | 64.26 | 65.36 | 69.23 |
| Royalties | (8.18) | (7.77) | (8.66) | (8.34) |
| Operating expense | (22.83) | (22.33) | (20.27) | (20.90) |
| Transportation expense | (1.83) | (1.96) | (2.66) | (2.00) |
| **FIELD NETBACK ($/BOE) (1)** | **34.05** | **32.20** | **33.77** | **37.99** |
| General and administration | (5.21) | (3.53) | (3.02) | (3.44) |
| Other income | 1.02 | 2.24 | 1.14 | 1.09 |
| Transaction costs | - | (0.33) | - | - |
| Interest expense | (0.52) | (0.55) | (0.58) | (0.83) |
| Realized hedging | (0.82) | (0.30) | - | (0.22) |
| **CASHFLOW NETBACK ($/BOE) (1)** | **28.52** | **29.73** | **31.31** | **34.59** |

(1) Non-GAAP measure, see page 13 for details.

| For the quarter ended ($000s) | Mar. 31, 2024 | Dec. 31, 2023 | Sept. 30, 2023 | June 30, 2023 |
|---|---|---|---|---|
| Petroleum and natural gas sales | 50,095 | 57,707 | 62,069 | 57,199 |
| Funds flow from operations (1) | 23,253 | 31,328 | 33,352 | 28,792 |
| Adjusted funds flow from operations (1) | 24,308 | 31,493 | 34,989 | 30,672 |
| Net income and comprehensive income | 5,495 | 21,448 | 13,290 | 10,361 |
| Income per share - basic ($) | 0.04 | 0.16 | 0.09 | 0.07 |
| Income per share - diluted ($) | 0.03 | 0.13 | 0.09 | 0.07 |
| **AVERAGE SALES VOLUMES** | | | | |
| Oil (bbl/d) | 5,553 | 5,911 | 5,773 | 6,120 |
| Natural gas liquids (bbl/d) | 312 | 357 | 345 | 347 |
| Natural gas (Mcf/d) | 16,824 | 17,375 | 16,139 | 16,273 |
| **TOTAL PRODUCTION (BOE/d)** | **8,669** | **9,164** | **8,808** | **9,179** |
| **AVERAGE BENCHMARK PRICES** | | | | |
| Crude oil - WTI ($US/bbl) | 76.96 | 78.32 | 82.26 | 73.80 |
| Crude oil - Canadian light sweet ($CDN/bbl) | 95.45 | 97.55 | 107.29 | 94.99 |
| Crude oil - WCS ($CDN/bbl) | 77.81 | 76.86 | 93.19 | 78.95 |
| Natural gas - AECO-C spot ($CDN/mcf) | 2.18 | 2.30 | 2.61 | 2.43 |
| Exchange Rate - ($US/$CAD) | 0.74 | 0.74 | 0.75 | 0.74 |
| **FIELD NETBACK ($/BOE)** | | | | |
| Revenue | 63.50 | 68.45 | 76.60 | 68.48 |
| Royalties | (7.52) | (8.97) | (9.05) | (8.16) |
| Operating expense | (20.80) | (19.26) | (20.70) | (19.86) |
| Transportation expense | (1.71) | (1.58) | (1.67) | (1.64) |
| **FIELD NETBACK ($/BOE) (1)** | **33.47** | **38.64** | **45.18** | **38.82** |
| General and administration | (3.24) | (3.54) | (3.09) | (3.03) |
| Other income | 1.12 | 3.22 | 1.63 | 1.68 |
| Interest expense | (0.54) | (0.68) | (0.64) | (0.80) |
| Realized hedging | - | (0.29) | 0.08 | 0.05 |
| **CASHFLOW NETBACK ($/BOE) (1)** | **30.81** | **37.35** | **43.16** | **36.72** |

(1) Non-GAAP measure, see page 13 for details.

## NET INCOME SUMMARY

| ($000s, except per boe amounts) | For the three months ended Mar. 31, 2025 $ | $/boe | For the three months ended Mar. 31, 2024 $ | $/boe |
|---|---|---|---|---|
| Petroleum and natural gas sales | 41,442 | 66.89 | 50,095 | 63.50 |
| Royalties | (5,067) | (8.18) | (5,934) | (7.52) |
| **NET REVENUE** | **36,375** | **58.71** | **44,161** | **55.98** |
| Other income | 634 | 1.02 | 881 | 1.12 |
| Loss on financial derivative contracts | (116) | (0.19) | (228) | (0.29) |
| **TOTAL REVENUE AND OTHER INCOME** | **36,893** | **59.54** | **44,814** | **56.81** |
| Operating | 14,143 | 22.83 | 16,410 | 20.80 |
| Transportation | 1,132 | 1.83 | 1,351 | 1.71 |
| General and administration | 3,227 | 5.21 | 2,553 | 3.24 |
| Financing | 386 | 0.62 | 479 | 0.61 |
| Depletion, depreciation and amortization | 11,954 | 19.30 | 15,194 | 19.26 |
| Accretion | 723 | 1.17 | 663 | 0.84 |
| Share-based compensation | 19 | 0.03 | 570 | 0.72 |
| Exploration and evaluation - expiries | 277 | 0.45 | 282 | 0.36 |
| **INCOME FROM OPERATIONS BEFORE TAXES** | **5,032** | **8.10** | **7,312** | **9.27** |
| Deferred income tax expense | 1,150 | 1.86 | 1,817 | 2.30 |
| **NET INCOME AND COMPREHENSIVE INCOME** | **3,882** | **6.24** | **5,495** | **6.97** |

## CAPITAL RESOURCES AND LIQUIDITY

### EQUITY

The Company is authorized to issue an unlimited number of common shares and preferred shares. As at March 31, 2025, there were 140,929,665 common shares outstanding (December 31, 2024 – 140,929,665).

As at May 14, 2025, the date of this MD&A, there were 140,929,665 common shares, 14,092,760 stock options and 27,351,500 performance warrants outstanding.

### LIQUIDITY

The Company relies on operating cash flows, debt, and equity issuances to fund its capital requirements and provide liquidity. From time to time, the Company may access capital markets to meets its capital programs. Future liquidity depends primarily on cash flow generated from operations, bank credit facilities and the ability to access equity markets.

At March 31, 2025, the Company remains in compliance with all terms of our Credit Facility and based on current available information, management expects to comply with all terms during the subsequent 12-month period.

## OFF BALANCE SHEET ARRANGEMENTS

The Company has treated some leases as operating leases whereby the lease payments are included in operating expenses or general and administrative expenses depending on the nature of the lease. No asset or liability value has been assigned to these leases on the consolidated statement of financial position as at March 31, 2025.

## BUSINESS RISKS

Karve's exploration and production activities are concentrated in the Western Canadian Sedimentary Basin, where activity is highly competitive and includes a variety of different-sized companies. Karve is subject to a number of risks that are also common to other organizations involved in the oil and gas industry. Such risks include finding and developing oil and gas reserves at economic costs, estimating amounts of recoverable reserves, production of oil and gas in commercial quantities, marketability of oil and gas produced, fluctuations in commodity prices, financial, liquidity, environmental and safety risks.

In 2025, the government of the United States of America has announced tariffs on goods imported from Canada, including a 10% tariff on Canadian energy imports. These tariffs and the Canadian government's response to them could adversely affect market prices for crude oil and natural gas or demand for the Company's Canadian production in addition to the cost of goods imported directly or indirectly from the U.S. The impact of these tariffs on the Company's financial results cannot be quantified at this time.

## FORWARD-LOOKING INFORMATION AND STATEMENTS

Certain information in this MD&A is forward-looking and is subject to important risks and uncertainties. The results or events predicted in this information may differ materially from actual results or events. Factors which could cause actual results or events to differ materially from current expectations include the ability of the Company to implement its strategic initiatives, the availability and price of energy commodities, government and regulatory decisions, plant availability, competitive factors in the oil and gas industry and prevailing economic conditions in the regions the Company operates. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "plan", "estimate", "expect", "may", "project", "predict", "potential", "could", "might", "should" and other similar expressions. The Company believes the expectations reflected in forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct. These forward-looking statements are as of the date of this MD&A. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required pursuant to applicable securities laws.

Forward-looking statements concerning expected operating and economic conditions are based upon prior year results as well as assumptions that increases in market activity and growth will be consistent with industry activity in Canada. Forward-looking statements concerning the availability of funding for future operations are based upon the assumption that the sources of funding which the Company has relied upon in the past will continue to be available to the Company on terms favorable to the Company and that future economic and operating conditions will not limit the Company's access to debt and equity markets. Forward-looking statements in respect of the costs anticipated being associated with the acquisition of oil and gas properties are based upon assumptions that future acquisition costs will not significantly increase from past acquisitions. Many of these factors, expectations and assumptions are based on management's knowledge and experience in the industry and on public disclosure of industry participants and analysts related to anticipated exploration and development programs, the effect of changes to regulatory, taxation and royalty regimes. The Company believes that the material factors, expectations and assumptions reflected in the forward-looking statements and information are reasonable; however, no assurances can be given that these factors, expectations and assumptions will prove to be correct.

Forward-looking statements involving significant risks and uncertainties should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in these forward-looking statements. The Company cannot assure investors that actual results will be consistent with the forward-looking statements and readers are cautioned not to place undue reliance on them.

The Company's actual results could differ materially from those anticipated in such forward-looking statements as a result of the risk factors set forth below and elsewhere in this document; general economic conditions in Canada; changes in the level of capital expenditures, volatility in market prices for oil and natural gas, risks inherent in the Company's ability to acquire any economic interest in certain oil and gas assets and then to generate sufficient cash flow from operations to meet its current and future obligations, the Company's ability to access external sources of debt and equity capital, changes in legislation and the regulatory environment, including uncertainties with respect to uncertainties in weather and temperature affecting the duration of the oilfield drilling activities, competition, sourcing, pricing and availability of oil field services, consumables, component parts, equipment, suppliers, facilities, and skilled management, technical and field personnel, liabilities and risks, including environmental liabilities and risks, inherent in oil and natural gas operations, credit risk to which the Company is exposed in the conduct of its business, and changes to the royalty regimes applicable to entities.

Although forward-looking statements contained in this MD&A are based upon what the Company believes are reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements in this MD&A are expressly qualified by this cautionary statement. Unless otherwise required by law, Karve does not intend, or assume any obligation, to update these forward-looking statements.

## BARRELS OF OIL EQUIVALENT

The term referred to herein in respect of barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet to one boe is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. All boe conversions in this MD&A are derived from converting gas to oil in the ratio of six thousand cubic feet to one barrel of oil. Additionally, given that the value ratio based on the current price of crude oil, as compared to natural gas, is significantly different from the energy equivalency of 6:1; utilizing a conversion ratio of 6:1 may be misleading as an indication of value.

## NON-GAAP MEASUREMENTS

Certain financial measures in this MD&A are not prescribed by generally accepted accounting principles (GAAP). These non-GAAP financial measures are included because management uses the information to analyze business performance and liquidity. These non-GAAP measures do not have any standardized meaning and, therefore, may differ from other companies. Accordingly, such measures may not be comparable to measures used by other companies. Readers are cautioned that these measures should not be construed as an alternative to other terms such as current and long-term debt, net earnings or cash flow from continuing operations in accordance with IFRS Accounting Standards as measures of performance.

Funds flow from operations is a capital management measure and is a key measure of operating performance as it demonstrates the Company's ability to generate the cash necessary to make capital investments and repay debt. Management believes that by excluding the temporary impact of changes in non-cash operating working capital, funds flow provides a useful measure of the Company's ability to generate cash that is not subject to short-term movements in non-cash operating working capital. The reconciliation between cash flow from operating activities and funds flow from operations can be found in the statement of cash flows in the annual financial statements and is presented before the change in non-cash operating working capital. Funds flow from operations should not be considered an alternative to, or more meaningful than, cash flow from operating activities as determined in accordance with IFRS Accounting Standards as an indicator of the Company's performance.

Adjusted funds flow from operations represents funds flow from (used for operations) excluding transaction costs and decommissioning expenditures and is used to assess cash flows adjusted for non-routine, discretionary expenditures.

The Company reconciles funds flow from operations and adjusted funds flow from operations to cash flow from operating activities, which is the most directly comparable measure calculated in accordance with IFRS Accounting Standards, as follows:

| | For the three months ended | |
|---|---|---|
| ($000s) | Mar. 31, 2025 | Mar. 31, 2024 |
| Cash flow from continuing operations | 19,634 | 20,488 |
| Change in non-cash working capital from operating activities | (2,435) | 2,765 |
| **FUNDS FLOW FROM OPERATIONS** | **17,199** | **23,253** |
| Decommissioning expenditures | 468 | 1,055 |
| **ADJUSTED FUNDS FLOW FROM OPERATIONS** | **17,667** | **24,308** |

The Company presents funds flow from operations per share whereby per share amounts are calculated consistent with the calculation of earnings per share.

Field netback is the amount of revenues received on a per unit of production basis after the royalties, operating costs, and transportation costs are deducted and used to assess profitability on a per boe basis. Field netback is a per boe measure used in operational and capital allocation decisions.

Net debt is a capital management measure and is key to assessing the Company's liquidity. Net debt is defined as long term debt plus any net working capital excluding derivative contract asset/liability and current portion of decommissioning liability and is used to assess efficiency, liquidity and the general financial strength of the Company. The following reconciles long-term debt to net debt:

| | As at | As at |
|---|---|---|
| ($000s) | Mar. 31, 2025 | Dec. 31, 2024 |
| Long term debt | 16,877 | - |
| Total current assets | (20,915) | (24,289) |
| Trade and other payables | 24,792 | 17,361 |
| Return of capital payable | - | 21,139 |
| **NET DEBT** | **20,754** | **14,211** |

Net Capital Expenditures is used by management to measure its capital investments compared to the Company's annual capital budgeted expenditures. The following reconciles cash flows from investing activities to net capital expenditures.

| | For the three months ended | |
|---|---|---|
| ($000s) | Mar. 31, 2025 | Mar. 31, 2024 |
| Cash flow used for investing activities | 15,556 | 30,894 |
| Change in non-cash working capital | 8,085 | 8,103 |
| **TOTAL NET CAPITAL EXPENDITURES** | **23,641** | **38,997** |

## CORPORATE INFORMATION

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**DIRECTORS**

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Howard Crone[A R]
Independent Businessman

James (Pep) Lough[A C]
Independent Businessman

Steven Smith[A]
Independent Businessman

Daryl Gilbert[R]
Carbon Infrastructure Partners Corp.

Dave Pearce[R C]
Azimuth Capital Management

Mitch Putnam[R C]
32 Degrees Capital

[A] Denotes member of the Audit Committee.
[R] Denotes member of the Reserves Committee.
[C] Denotes member of the Compensation Committee.

**OFFICERS**

Bob Chaisson
Chief Executive Officer

Derek Kreba
President

Ken McNeill
Executive Vice President, Corporate Development

Jennifer Giblin
Chief Financial Officer

Silas Ehlers
Vice President, Exploration

Justin Crawford
Vice President, Operations

Clifford Brown
Vice President, Engineering

Sony Gill
Corporate Secretary

**FOR MORE INFORMATION, PLEASE CONTACT:**

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