MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED

MARCH 31, 2023 AND MARCH 31, 2022

LETTER TO OUR SHAREHOLDERS May 10, 2023

Dear Shareholder:

We are pleased to present our March 31, 2023 interim financial statements and management's discussion and analysis ("MD&A"), along with an update on Karve's progress since our March 22, 2023 letter to shareholders.

In the quarter ended March 31, 2023, the Company generated adjusted funds flow from operations of $32.0 million compared to $28.5 million in the fourth quarter of 2022. This increase was due to a 9% increase in production to 8,891 boe/d in the first quarter of 2023 compared to 8,148 boe/d in the fourth quarter of 2022. Due to its ongoing successful waterflood program, the Company has low maintenance capital requirements on our low decline, pressure supported oil production in the Provost, Alberta region. This ensures future sustainability with continued strong financial and operating results. The Company's current production is 9,300 boe/d, including 6,300 bbl/d of oil and 300 bbl/d of NGLs (71% liquids).

During the first quarter of 2023, Karve drilled 20 gross (20.0 net) horizontal Viking wells and completed a total of 20 gross (20.0 net) horizontal Viking wells, compared to 18 gross (18.0 net) wells drilled and 20 gross (20.0 net) wells completed in Q4 2022. Capital expenditures were $38.5 million in the three months ending March 31 2023 compared to $28.6 million in the fourth quarter of 2022. Since November 2016, the Company drilled a total of 393 gross (387.3 net) and completed and brought on 388 gross (383.3 net) horizontal Viking wells on production.

Based on current commodity price expectations, Karve is planning a 2023 capital expenditure program of approximately $100.0 million. The capital program consists of approximately $72.0 million to drill 52 gross (52.0 net) wells and complete 56 gross (56.0 net) horizontal Viking oil wells, approximately $11.0 million on facilities, $13.0 million on waterflood, and $4.0 million on asset retirement obligations. Consistent with previous capital expenditure programs, Karve will continue to monitor and adjust its capital spending depending on market conditions.

Karve will be holding our Annual General Meeting ("AGM") on Wednesday May 10, 2023, at 2:00PM both at our offices as well as via teleconference. Details for both are included in the Management Information Circular that can be found on our website at www.karveenergy.com.

Enclosed are the Karve Energy Inc. unaudited consolidated financial statements and MD&A for the quarter ended March 31, 2023. 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, 2023 to March 31, 2023. It is dated May 10, 2023 and should be read in conjunction with the unaudited consolidated financial statements for the three months ended March 31, 2023 and the audited consolidated financial statements for the year ended December 31, 2022. Both statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) 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 growth-oriented, 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 $000, except per share and per boe amounts)*	Mar. 31, 2023	Mar. 31, 2022
Net income	11,723	8,828
Per share - basic	0.08	0.06
Per share - diluted	0.07	0.06
Funds flow from operations [1]	31,343	38,563
Per share - basic [1]	0.22	0.27
Per share - diluted [1]	0.20	0.26
Adjusted funds flow from operations [1]	31,993	38,969
Per share - basic [1]	0.23	0.28
Per share - diluted [1]	0.20	0.27
Capital expenditures	38,515	27,679
Net debt [1]	(32,897)	(7,174)
Total assets	459,354	407,050
Shares outstanding, weighted average (000s)	140,530	140,530
Shares outstanding, end of period (000s)	140,530	140,530
OPERATIONAL		
Sales volumes		
Oil (bbl/d)	6,189	5,811
NGLs (bbl/d)	320	288
Natural gas (mcf/d)	14,292	14,277
Total (boe/d)	**8,891**	**8,479**
Average sales prices (excluding hedging gains and losses)		
Oil ($/bbl)	95.52	110.78
NGLs ($/bbl)	73.45	87.60
Natural gas ($/mcf)	3.37	4.76
Boe basis ($/boe)	**74.55**	**86.91**
Field netback ($/boe excluding hedging gains and losses)		
Sales price	74.55	86.91
Royalties	(9.42)	(8.81)
Operating expense	(21.24)	(16.49)
Transportation expense	(1.36)	(1.10)
Field netback [1]	**42.53**	**60.51**

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

SALES VOLUMES

Sales volumes averaged 8,891 boe/d during the three months ended March 31, 2023 compared to 8,479 boe/d during the three months ended March 31, 2022. The increase in sales volumes from the three months ended March 31, 2022 is due 65 new gross wells (65.0 net) being added to production from April 1, 2022 to March 31, 2023 net of production declines.

	For the three months ended	
	Mar. 31, 2023	Mar. 31, 2022
Sales volumes		
Oil (bbl/d)	6,189	5,811
NGLs (bbl/d)	320	288
Natural gas (mcf/d)	14,292	14,277
Total (boe/d)	**8,891**	**8,479**

SALES PRICES AND REVENUE

For the three months ended March 31, 2023, the Company generated total revenue of $60.0 million (three months ended March 31, 2022 - $66.3 million) on average sales volumes of 8,891 boe/d. Revenue is shown before transportation expenses. The average sales price per boe for the three months ended March 31, 2023 was $74.55 compared to $86.91 for the three months ended March 31, 2022. The decrease in revenue period over period is due to the substantial decrease in average oil and natural gas sales prices slightly offset by the increase in sales volumes.

	For the three months ended	
KARVE AVERAGE REALIZED PRICE (1)	Mar. 31, 2023	Mar. 31, 2022
Revenue ($000s)	59,659	66,324
Oil ($/bbl)	95.52	110.78
NGLs ($/bbl)	73.45	87.60
Natural gas ($/mcf)	3.37	4.76
Karve realized price ($/boe)	**74.55**	**86.91**
AVERAGE BENCHMARK PRICES (2)		
Crude oil - WTI ($US/bbl)	76.13	94.29
Crude oil - Canadian light sweet ($CDN/bbl)	99.73	117.66
Natural gas - AECO-C spot ($CDN/mcf)	3.23	4.77
Exchange Rate - ($US/$CAD)	0.74	0.79

(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 gain (loss) on financial derivative contracts is as follows:

	For the three months ended	
($000s)	Mar. 31, 2023	Mar. 31, 2022
Unrealized gain (loss) on financial derivative contracts	485	(12,580)
Realized (loss) on financial derivative contracts	(331)	(6,348)
GAIN (LOSS) ON FINANCIAL DERIVATIVE CONTRACTS	**154**	**(18,928)**

i) Commodity contracts

At March 31, 2023 the fair value of the commodity derivative contracts was $nil, as all outstanding contracts were completed on March 31, 2023, resulting in an unrealized gain of $204,000 for the three months ended March 31, 2023 (December 31, 2022 - $204,000 current liability and unrealized gain of $5.0 million). During the three months ended March 31, 2023, the Company realized a loss of $331,000 on the commodity derivative contract (March 31, 2022 - $6.3 million).

During the three months ended March 31, 2022, the Company recorded a realized loss and an unrealized loss on financial derivative contracts of $6.3 million and $12.6 million respectively. This was due to the increase in benchmark oil prices compared to the fixed swap contract prices. These derivative contracts were completed on December 31, 2022.

i) 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. During the three months ended March 31, 2023, the Company entered into the following foreign exchange contract:

Type	Term	Monthly Notional Amt.	Floor	Ceiling	Current Asset ($000s)
Average rate collar	Apr. 1/23 - Dec. 31/23	US $3.5 million	1.3400	1.3960	281

At March 31, 2023, the fair value of the foreign exchange contract was a current asset position of $281,000 resulting in an unrealized gain of $281,000 for the three months ended March 31, 2023. 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, 2023 and may be different from what will eventually be realized. Assuming all other variables remain constant, an increase of $0.01 in USD/CAD would have resulted in an unrealized gain and a derivative asset of $109,000, and a decrease of $0.01 in USD/CAD would have resulted in an unrealized gain and a derivative asset of $475,000.

ROYALTIES

	For the three months ended	
($000s, except per boe amounts)	Mar. 31, 2023	Mar. 31, 2022
Royalties	7,539	6,726
Royalties as a % of revenue	12.6%	10.1%
Per boe ($)	9.42	8.81

Royalties include crown, freehold and gross overriding royalties. Royalty expense for the three months ended March 31, 2023 was $7.5 million ($9.42 per boe) compared to $6.7 million ($8.81 per boe) for the three months ended March 31, 2022. For the three months ended March 31, 2023, the Company's royalty rate was 12.6% of revenues (three months ended March 31, 2022 – 10.1%). The increase in royalties is primarily due to an increase in wells coming off royalty holiday during the period from April 1, 2022 to March 31, 2023 compared to the same period in the prior year.

OPERATING EXPENSE

	For the three months ended	
($000s, except per boe amounts)	Mar. 31, 2023	Mar. 31, 2022
Operating expense	16,998	12,583
Per boe ($)	21.24	16.49

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 $17.0 million ($21.24 per boe) during the three months ended March 31, 2023, and $12.6 million ($16.49 per boe) during the three months ended March 31, 2022. The increase in operating expenses is primarily due to the inflationary environment, significant increases in electricity costs due to high Alberta power prices and an increase in workover expenses.

TRANSPORTATION EXPENSE

	For the three months ended	
($000s, except per boe amounts)	Mar. 31, 2023	Mar. 31, 2022
Transportation expense	1,085	841
Per boe ($)	1.36	1.10

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 ($1.36 per boe) during the three months ended March 31, 2023 and $841,000 ($1.10 per boe) during the three months ended March 31, 2022. This increase in transportation expense period over period is primarily due to increased trucking costs and 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:

($000s, except per boe amounts)	For the three months ended Mar. 31, 2023 $	$/boe	For the three months ended Mar. 31, 2022 $	$/boe
Revenue	59,659	74.55	66,324	86.91
Royalties	(7,539)	(9.42)	(6,726)	(8.81)
Operating expense	(16,998)	(21.24)	(12,583)	(16.49)
Transportation expense	(1,085)	(1.36)	(841)	(1.10)
FIELD NETBACK ($) (1)	**34,037**	**42.53**	**46,174**	**60.51**

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

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

OTHER INCOME

($000s, except per boe amounts)	For the three months ended Mar. 31, 2023	Mar. 31, 2022
Processing fee income	948	960
Royalty income	111	63
Other	113	4
Total other income	1,172	1,027
Per boe ($)	1.46	1.35

Other income for the three months ended March 31, 2023 was $1.2 million ($1.46 per boe) and $1.0 million ($1.35 per boe) for the three months ended March 31, 2022. The other income streams from third parties relate to processing fee income, royalty income, and other income.

Processing fee income relates to the Company processing third party oil and gas volumes through Karve owned and operated facilities. The processing fee income remained consistent for the three months ended March 31, 2023 compared to the three months ended March 31, 2022 as third-party throughput volumes being processed at Karve operated facilities remained stable. Processing fee income was $948,000 ($1.18 per boe) during the three months ended March 31, 2023 and $960,000 ($1.26 per boe) for the three months ended March 31, 2022.

Royalty income relates to freehold royalties, gross overriding royalties, royalties paid to the Company on fee title lands, and net profit interests.

GENERAL AND ADMINISTRATION EXPENSE ("G&A")

The following are the main components of G&A for the three months ended March 31, 2023 and March 31, 2022:

($000s, except per boe amounts)	For the three months ended Mar. 31, 2023	Mar. 31, 2022
Staff and consulting costs	2,303	1,610
Professional fees	156	166
Office and rent costs	427	278
Other	336	338
General and administration expense (gross)	3,222	2,392
Capitalized G&A and overhead recovery	(827)	(679)
Lease liability reclassfication	(78)	(35)
General and administration expense (net)	2,317	1,678
Per boe ($)	2.89	2.20

General and administrative expenses (net) for the three months ended March 31, 2023 were $2.3 million ($2.89 per boe) and $1.7 million ($2.20 per boe) for the three months ended March 31, 2022. This increase is due to additional employee compensation and administration costs which resulted from higher operating activity levels and inflationary pressures.

OPERATING LOAN AND LONG TERM DEBT

As at March 31, 2023, the Company had total 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 is shown as long term debt on the Company's balance sheet. Amounts outstanding on the operating loan are shown as a current liability. The Credit Facility and operating loan incur interest based on the applicable Canadian prime rate or Banker's Acceptance rate plus between 1.75% and 4.75% depending on the type of borrowing and the Corporation's debt to EBITDA ratio. The Company is also subject to a standby fee of 0.6875% to 1.1875% based on the Corporation's debt to EBITDA ratio. The next annual review date is May 31, 2023.

As at March 31, 2023, $25.9 million (net of unamortized debt issue costs) was drawn on the Credit Facility (December 31, 2022 - $19.8 million, net of unamortized debt issue costs) and $3.2 million was drawn on the operating loan (December 31, 2022 - $3.1).

The Company has issued letters of credit of $400,000 as at March 31, 2023 (December 31, 2022 - $400,000), thereby reducing the available bank credit facility by this amount.

Bank debt as at March 31, 2023 and December 31, 2022 is as follows:

($000s)	As at Mar. 31, 2023	As at Dec. 31, 2022
Credit Facility	26,000	20,000
Less: unamortized debt issue costs	(147)	(205)
LONG TERM DEBT	**25,853**	**19,795**
Bank operating loan	3,208	3,119
TOTAL BANK DEBT	**29,061**	**22,914**

Financing expense for the three months ended March 31, 2023 and March 31, 2022 is comprised of the following:

	For the three months ended	
($000s)	Mar. 31, 2023	Mar. 31, 2022
Credit facility interest and charges	523	180
Operating loan interest and charges	46	57
Amortization of debt issue costs	58	46
Interest on lease liability	4	8
FINANCING EXPENSES	**631**	**291**

For the three months ended March 31, 2023, the effective interest rate on the credit facility was 8.3% (three months ended March 31, 2022 – 4.9%). As at March 31, 2023 the Company is in compliance with all covenants.

SHARE-BASED COMPENSATION EXPENSE

	For the three months ended	
($000s, except per boe amounts)	Mar. 31, 2023	Mar. 31, 2022
Share-based compensation - options	101	175
Share-based compensation - performance warrants	502	305
Share-based compensation expense	603	480
Per boe ($)	0.75	0.63

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, 2023 was $101,000 (three months ended March 31, 2022 – $175,000) and SBC expense related to performance warrants for the three months ended March 31, 2023 was $502,000 (three months ended March 31, 2022 - $305,000) using the graded vesting method. There no stock options or performance warrants exercised during the three months ended March 31, 2023 or March 31, 2022.

As at March 31, 2023, 13,952,760 stock options and 31,831,500 performance warrants were outstanding. The weighted average exercise price of stock options and performance warrants outstanding was $1.47 per option and $2.51 per warrant. The weighted average exercise prices were adjusted due to the $0.35 per share return of capital distribution paid on July 29, 2022. The weighted average fair value of stock options and performance warrants outstanding was $0.93 per option and $0.60 per warrant (March 31, 2022 - $0.87 per option and $0.47 per warrant). The period over period increase in the weighted average fair value of the stock options and performance was due an extension of 2 years to the expiry date (from 7 years to 9 years) and the resulting modification to the fair value.

At March 31, 2023, 13,555,259 stock options were exercisable; and at March 31, 2023, subject to the terms of the performance warrants, 6,460,000 performance warrants were exercisable.

DEPLETION, DEPRECIATION AND AMORTIZATION

Depletion, depreciation and amortization ("DD&A") are associated with Viking zone production assets in the Alberta Viking 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, 2023, DD&A expense increased to $15.4 million ($19.26 per boe) from $13.4 million ($17.50 per boe) during the three months ended March 31, 2022. This increase per boe is due to the increased capital base.

	For the three months ended	
($000s, except per boe amounts)	Mar. 31, 2023	Mar. 31, 2022
Depletion	15,316	13,260
Depreciation and amortization	99	95
Total DD&A ($)	15,415	13,355
Per boe ($)	19.26	17.50

CAPITAL EXPENDITURES

Additions to property, plant and equipment for the three months ended March 31, 2023 consisted of the following:

	For the three months ended	
($000s)	Mar. 31, 2023	Mar. 31, 2022
Drilling	12,465	8,630
Completions	9,879	9,419
Facilities and well equipment	15,814	9,290
Land	251	340
Other	106	-
TOTAL NET CAPITAL EXPENDITURES (1)	**38,515**	**27,679**

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

During the three months ended March 31, 2023, the Company drilled 20 gross (20.0 net) wells and completed and brought on production 20 gross (20.0 net) horizontal Viking wells. During the three months ended March 31, 2022, the Company drilled 19 gross (18.9 net) horizontal Viking wells and completed 24 gross (23.8 net) horizontal Viking wells. During 2022 and 2023, the Company continued the expansion of its successful waterflood program in the Provost, Alberta area.

The following table outlines total gross and net horizontal Viking wells drilled, completed and brought on production:

For the quarter ended	Mar. 31, 2023	Dec. 31, 2022	Sept. 30, 2022	Jun. 30, 2022
Drilled - Gross (Net) (1)	20 (20.0)	18 (18.0)	27 (27.0)	4 (4.0)
Completed - Gross (Net)	20 (20.0)	20 (20.0)	25 (25.0)	0 (0.0)
On production - Gross (Net)	20 (20.0)	20 (20.0)	25 (25.0)	0 (0.0)

For the quarter ended	Mar. 31, 2022	Dec. 31, 2021	Sept. 30, 2021	Jun. 30, 2021
Drilled - Gross (Net)	19 (18.9)	19 (18.9)	29 (29.0)	4 (4.0)
Completed - Gross (Net)	24 (23.8)	18 (18.0)	28 (28.0)	0 (0.0)
On production - Gross (Net)	24 (23.8)	18 (18.0)	28 (28.0)	0 (0.0)

(1) Not included in the above table are 2 water souce wells drilled in each of 2023 and 2022.

Since November 2016, the Company drilled a total of 393 gross (387.3 net) and completed and brought on 388 gross (383.3 net) horizontal Viking wells on production.

DECOMMISSIONING LIABILITY

At March 31, 2023, the Company estimated a decommissioning liability of $20.0 million for the future abandonment and reclamation of Karve's properties (December 31, 2022 – $20.0 million). $3.7 million is presented as a current liability as management intends to decommission certain wells within the next 12 months and the remaining $16.3 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 is approximately $186.5 million ($107.7 million undiscounted, uninflated) (December 31, 2022 - $185.5 million and $107.2 million, respectively), which will be incurred over the remaining life of the assets with the costs to be incurred between 2023 and 2065. The estimated future cash flows have been discounted using a credit adjusted rate of 12% (December 31, 2022 – 12%) and an inflation rate of 2% (December 31, 2022 – 2%).

On May 1, 2020, the Alberta Department of Energy initiated the Site Rehabilitation Program ("SRP") whereby it will provide funding in the form of grant payments to the oil field services sector to abandon and/or reclaim upstream oil and gas infrastructure. To date the Company has recognized $4.4 million in SRP funding (December 31, 2022 - $4.4 million).

SHARE CAPITAL

On July 1, 2022, the Company notified its Shareholders that the Company would reduce its stated capital by $49.2 million in the aggregate, representing a Return of Capital of $0.35 per Common Share. The Company distributed that amount to the holders of the Common Shares (the "Return of Capital"). The record date for determining the holders of Common Shares entitled to receive the Return of Capital was the close of business on July 15, 2022 and the Return of Capital was paid on July 29, 2022.

($000s except for share amounts)	Number	Amount
Common Shares		
BALANCE AT DECEMBER 31, 2021	**140,529,665**	**225,158**
Return of capital	**-**	**(49,185)**
BALANCE AT DECEMBER 31, 2022 and MARCH 31, 2023	**140,529,665**	**175,973**

SUPPLEMENTARY QUARTERLY INFORMATION

For the quarter ended ($000s)	Mar. 31, 2023	Dec. 31, 2022	Sept. 30, 2022	June 30, 2022
Petroleum and natural gas sales	59,659	63,172	65,320	84,799
Funds flow from operations (1)	31,343	27,266	32,062	48,370
Adjusted funds flow from operations (1)	31,993	28,519	32,700	48,620
Net income and comprehensive income	11,723	12,362	22,713	27,238
Income per share - basic ($)	0.08	0.10	0.16	0.19
Income per share - diluted ($)	0.07	0.07	0.15	0.18
AVERAGE SALES VOLUMES				
Oil (bbl/d)	6,189	5,609	5,477	5,930
Natural gas liquids (bbl/d)	320	309	359	360
Natural gas (Mcf/d)	14,292	13,380	14,417	15,263
TOTAL PRODUCTION (BOE/d)	**8,891**	**8,148**	**8,239**	**8,834**
AVERAGE BENCHMARK PRICES				
Crude oil - WTI ($US/bbl)	76.13	82.65	91.56	108.41
Crude oil - Canadian light sweet ($CDN/bbl)	99.73	108.15	116.77	136.35
Natural gas - AECO-C spot ($CDN/mcf)	3.23	5.24	4.46	7.26
Exchange Rate - ($US/$CAD)	0.74	0.74	0.77	0.78
FIELD NETBACK ($/BOE)				
Revenue	74.55	84.27	86.18	105.50
Royalties	(9.42)	(10.96)	(11.40)	(12.66)
Operating expense	(21.24)	(24.01)	(20.41)	(17.14)
Transportation expense	(1.36)	(1.09)	(1.16)	(1.15)
FIELD NETBACK ($/BOE) (1)	**42.53**	**48.21**	**53.21**	**74.55**
General and administration	(2.89)	(4.38)	(2.95)	(3.28)
Other income	1.46	1.64	1.81	1.70
Interest expense	(0.71)	(0.58)	(0.36)	(0.22)
Realized hedging	(0.41)	(6.86)	(8.57)	(12.27)
CASHFLOW NETBACK ($/BOE) (1)	**39.98**	**38.03**	**43.14**	**60.48**

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

For the quarter ended ($000s)	Mar. 31, 2022	Dec. 31, 2021	Sept. 30, 2021	Jun. 30, 2021
Petroleum and natural gas sales	66,324	51,918	40,303	33,844
Funds flow from operations (1)	38,563	30,018	23,709	11,485
Adjusted funds flow from operations (1)	38,969	30,339	24,532	12,147
Net income (loss) and comprehensive income (loss)	8,828	10,761	30,769	2,408
Income (loss) per share - basic ($)	0.06	0.07	0.22	0.02
Income (loss) per share - diluted ($)	0.06	0.07	0.21	0.02
AVERAGE SALES VOLUMES				
Oil (bbl/d)	5,811	5,395	4,683	4,300
Natural gas liquids (bbl/d)	288	295	310	285
Natural gas (Mcf/d)	14,277	13,874	13,988	13,788
TOTAL PRODUCTION (BOE/d)	**8,479**	**8,002**	**7,324**	**6,883**
AVERAGE BENCHMARK PRICES				
Crude oil - WTI ($US/bbl)	94.29	77.19	70.56	66.03
Crude oil - Canadian light sweet ($CDN/bbl)	117.66	92.14	84.18	76.29
Natural gas - AECO-C spot ($CDN/mcf)	4.77	4.74	3.59	3.07
Exchange Rate - ($US/$CAD)	0.79	0.79	0.79	0.81
FIELD NETBACK ($/BOE)				
Revenue	86.91	70.52	59.81	54.03
Royalties	(8.81)	(6.24)	(5.06)	(4.60)
Operating expense	(16.49)	(16.44)	(16.33)	(19.38)
Transportation expense	(1.10)	(0.97)	(0.96)	(1.01)
FIELD NETBACK ($/BOE) (1)	**60.51**	**46.87**	**37.46**	**29.04**
General and administration	(2.20)	(4.79)	(2.54)	(2.97)
Other income	1.39	1.52	2.84	3.63
Interest expense	(0.31)	(0.43)	(0.80)	(0.98)
Realized hedging	(8.32)	(1.96)	(0.54)	(9.33)
CASHFLOW NETBACK ($/BOE) (1)	**51.07**	**41.21**	**36.42**	**19.39**

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

NET INCOME SUMMARY

($000s, except per boe amounts)	For the three months ended Mar. 31, 2023 $	$/boe	For the three months ended Mar. 31, 2022 $	$/boe
Petroleum and natural gas sales	59,659	74.55	66,324	86.91
Royalties	(7,539)	(9.42)	(6,726)	(8.81)
NET REVENUE	**52,120**	**65.13**	**59,598**	**78.10**
Other income	1,172	1.46	1,027	1.35
Gain (Loss) on financial derivative contracts	154	0.19	(18,928)	(24.80)
TOTAL REVENUE AND OTHER INCOME	**53,446**	**66.78**	**41,697**	**54.65**
Operating	16,998	21.24	12,583	16.49
Transportation	1,085	1.36	841	1.10
General and administration	2,317	2.90	1,678	2.20
Financing	631	0.79	291	0.38
Depletion, depreciation and amortization	15,415	19.26	13,355	17.50
Accretion	651	0.81	573	0.75
Share-based compensation	603	0.75	480	0.63
Exploration and evaluation - expiries	339	0.42	362	0.47
INCOME FROM OPERATIONS BEFORE TAXES	**15,407**	**19.25**	**11,534**	**15.13**
Deferred income tax expense	3,684	4.60	2,706	3.56
NET INCOME AND COMPREHENSIVE INCOME	**11,723**	**14.65**	**8,828**	**11.57**

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Future minimum payments under operating leases and pipeline transportation agreements as at December 31, 2022 are as follows:

($000s)	2023	2024	2025	Thereafter	Total
Operating leases	65	17	17	14	113
Pipeline transportation	757	-	-	-	757
TOTAL COMMITMENTS	**822**	**17**	**17**	**14**	870

CAPITAL RESOURCES AND LIQUIDITY

EQUITY

The Company is authorized to issue an unlimited number of common shares and preferred shares. As at March 31, 2023, there were 140,529,665 common shares outstanding (December 31, 2022 – 140,529,665).

As at March 22, 2023, the date of this MD&A, there were 140,529,665 common shares, 13,952,760 stock options and 31,831,500 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, 2023, 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

Karve has certain lease agreements that were entered into in the normal course of operations, all of which are included in the "Contractual Obligations and Commitments" section above.

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, 2023.

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 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 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, as follows:

	For the three months ended	
($000s)	Mar. 31, 2023	Mar. 31, 2022
Cash flow from continuing operations	28,775	25,560
Change in non-cash working capital from operating activities	2,568	13,003
FUNDS FLOW FROM OPERATIONS	**31,343**	**38,563**
Decommissioning expenditures	650	406
ADJUSTED FUNDS FLOW FROM OPERATIONS	**31,993**	**38,969**

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. Adjusted positive working capital represents current assets less current liabilities excluding derivative assets (liabilities), current portion of decommissioning liability and current portion of lease 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, 2023	Dec. 31, 2022
Long term debt	25,853	19,795
Total current assets	(30,887)	(31,791)
Trade and other payables	34,723	34,466
Operating loan	3,208	3,119
ADJUSTED NET DEBT	**32,897**	**25,589**

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, 2023	Mar. 31, 2022
Cash flow used for investing activities	34,787	20,997
Change in non-cash working capital	3,728	6,682
TOTAL NET CAPITAL EXPENDITURES	**38,515**	**27,679**

CORPORATE INFORMATION

HEAD OFFICE

Karve Energy Inc.
1700, 205 5th Avenue SW
Calgary, Alberta
T2P 2V7
(587) 393-8301

BANKERS

ATB Financial
600, 444 7 AVE SW
Calgary, Alberta T2P 0X8

RESERVE ENGINEERS

Sproule Associates Limited
900, 140 4 AVE SW
Calgary, Alberta T2P 3N3

LEGAL COUNSEL

Stikeman Elliot LLP
888, 3 Street SW
Calgary, Alberta T2P 5C5

AUDITORS

PricewaterhouseCoopers LLP
3100, 111 5 AVE SW
Calgary, Alberta T2P 5L3

TRANSFER AGENT

Odyssey Trust Company
1230, 300 5th Avenue SW
Calgary, Alberta T2P 3C4

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

DIRECTORS

Donald Engle[A C]
Chairman, Independent Businessman

Bob Chaisson
Karve Energy Inc.

Howard Crone[A R]
Independent Businessman

James (Pep) Lough[A C]
Independent Businessman

Steven Smith[A]
Independent Businessman

Daryl Gilbert[R]
JOG Capital Corp.

Dave Pearce[R C]
Azimuth Capital Management

Mitch Putnam[R C]
32 Degrees Capital

OFFICERS

Bob Chaisson
Chief Executive Officer

Derek Kreba
President

Ken McNeill
Executive Vice President, Corporate Development

Jennifer Giblin
Vice President, Finance

Silas Ehlers
Vice President, Exploration

Justin Crawford
Vice President, Operations

Clifford Brown
Vice President, Engineering

Sony Gill
Corporate Secretary

FOR MORE INFORMATION, PLEASE CONTACT:

Bob Chaisson
Chief Executive Officer
587-393-8308
bob.chaisson@karveenergy.com

Derek Kreba
President
587-393-8302
derek.kreba@karveenergy.com