



MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED
DECEMBER 31, 2024 AND DECEMBER 31, 2023



LETTER TO OUR SHAREHOLDERS

March 19, 2025

Dear Shareholder:

We are pleased to present our annual December 31, 2024, financial statements and management's discussion and analysis ("MD&A"), along with an update on Karve's progress since our November 13, 2024 letter to shareholders.

In 2024, Karve generated adjusted funds flow from operations of \$101.5 million for the year ended December 31, 2024 and reduced net debt by 17% from \$16.8 million as at December 31, 2023 to \$14.2 million as at December 31, 2024. Included in net debt at December 31, 2024, is 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 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. To date the Company has returned an aggregate of \$91.4 million (\$0.65 per share) to Shareholders.

The Company's average 2024 production was 8,741 boe/d which includes 5,629 bbl/d of oil and 330 bbl/d of NGLs (68% liquids) and 16,691 mcf/d of natural gas. In December 2024, the Company completed the sale of all of its heavy oil assets in the Evi and Greater Cold Lake areas for total proceeds of \$25.8 million (after closing adjustments). The average 2024 production from these assets totalled approximately 311 bbl/d. The Company's current production is 7,200 boe/d which has been negatively impacted due to extremely cold weather in January and February 2025. Production is expected to fully recover through break up with ten wells waiting on tie-in.

During 2024, Karve completed and brought on 38 gross (37.0 net) horizontal Viking wells. Capital expenditures (excluding acquisitions and dispositions) were \$98.7 million in 2024. Since November 2016, the Company has drilled a total of 458 gross (451.3 net) and completed and brought on 456 gross (450.3 net) horizontal Viking wells.

Sproule Associates Limited, an independent reserves evaluator, completed a reserve report dated December 31, 2024. Proved plus probable reserve volumes have remained relatively consistent at 52.6 MMBOE as at December 31, 2024 compared to 51.9 MMBOE as at December 31, 2023. The before tax NPV 10 total proved plus probable reserves value is \$884.9 million at December 31, 2024. Karve delivered Finding, Development and Acquisition ("FD&A") costs of \$25.91 per BOE on a 2P basis, with a 2024 recycle ratio of 1.4 times. Viking only FD&A was \$18.26 per boe on a 2P basis, with a 2024 recycle ratio of 2.0 times.

Based on current commodity price expectations, Karve is planning a 2025 capital expenditure program of up to approximately \$70.0 million. The capital program consists of approximately \$49.0 million on drilling and completions, \$8.0 million on facilities, \$8.0 million on waterflood, and \$5.0 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.

Enclosed are the Karve Energy Inc. audited consolidated financial statements and MD&A for the year ended December 31, 2024. 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 years ended December 31, 2024 and December 31, 2023. It is dated March 19, 2025 and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2024 and the audited consolidated financial statements for the year ended December 31, 2023. 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 year ended	
	Dec. 31, 2024	Dec. 31, 2023
FINANCIAL (Canadian \$000, except per share and per boe amounts)		
Net income	1,158	56,822
Per share - basic	0.01	0.40
Per share - diluted	0.01	0.36
Funds flow from operations ⁽¹⁾	96,940	124,815
Per share - basic ⁽¹⁾	0.69	0.89
Per share - diluted ⁽¹⁾	0.66	0.79
Adjusted funds flow from operations ⁽¹⁾	101,520	129,147
Per share - basic ⁽¹⁾	0.72	0.92
Per share - diluted ⁽¹⁾	0.69	0.82
Capital expenditures (before acquisitions and dispositions)	98,666	101,701
Acquisitions	-	6,161
Dispositions	(25,827)	(13,549)
Total net capital expenditures	72,839	94,313
Net debt ⁽¹⁾	(14,211)	(16,768)
Total assets	467,741	478,831
Return of capital	21,139	21,079
Shares outstanding, weighted average (000s)	140,744	140,530
Shares outstanding, end of period (000s)	140,930	140,530
OPERATIONAL		
Sales volumes		
Viking oil (bbl/d)	5,318	5,997
Heavy oil (bbl/d)	311	-
NGLs (bbl/d)	330	342
Natural gas (mcf/d)	16,691	16,028
Total (boe/d)	8,741	9,010
Average sales prices (excluding hedging gains and losses)		
Viking oil (\$/bbl)	93.97	96.27
Heavy oil, net of blending expense (\$/bbl)	75.80	-
NGLs (\$/bbl)	62.93	66.32
Natural gas (\$/mcf)	1.78	3.01
Boe basis (\$/boe)	65.64	71.95
Field netback (\$/boe excluding hedging gains and losses)		
Sales price	65.64	71.95
Royalties	(8.09)	(8.89)
Operating expense	(21.06)	(20.25)
Transportation expense	(2.09)	(1.56)
Field netback ⁽¹⁾	34.40	41.25

(1) Non-GAAP measure, see page 18 for details.

RESERVES SUMMARY

The following is a summary of reserves for the Company's total reserves which are located in the Provost area as at December 31, 2024 as evaluated by Karve's independent reserves engineer, Sproule Associates Limited ("Sproule"). No provision for general and administration expenses has been made in the reserve evaluation and it should not be assumed that the net present value estimates made by Sproule represent fair market value of the assets.

The reserves summary table below is a summary of the reserves attributable to Karve's interest as at December 31, 2024.

GROSS RESERVES SUMMARY^(1,2)					Dec. 31, 2024
		Oil	NGLs	Natural Gas	
Karve interest	% Liquids	Mbbl	Mbbl	MMcf	MBOE ⁽³⁾
Proved developed producing	66%	8,028	566	26,246	12,968
Proved non-producing and undeveloped	75%	20,560	841	41,836	28,375
TOTAL PROVED	73%	28,588	1,407	68,082	41,343
Probable	72%	7,749	394	19,086	11,324
TOTAL PROVED PLUS PROBABLE	72%	36,337	1,801	87,168	52,667

(1) Based on Sproule estimated reserves as at December 31, 2024. Table may not add due to rounding.

(2) Karve working interest reserves, before royalty interests.

(3) MMcf has been converted to MBOE on a 6:1 basis.

The reserves summary table below is a summary of the reserves attributable to Karve's interest as at December 31, 2023.

GROSS RESERVES SUMMARY^(1,2)					Dec. 31, 2023
		Oil	NGLs	Natural Gas	
Karve interest	% Liquids	Mbbl	Mbbl	MMcf	MBOE ⁽³⁾
Proved developed producing	66%	8,578	576	28,374	13,883
Proved non-producing and undeveloped	76%	19,203	809	37,518	26,266
TOTAL PROVED	73%	27,781	1,385	65,892	40,149
Probable	73%	8,122	410	19,279	11,745
TOTAL PROVED PLUS PROBABLE	73%	35,903	1,795	85,171	51,894

(1) Based on Sproule estimated reserves as at December 31, 2023. Table may not add due to rounding.

(2) Karve working interest reserves, before royalty interests.

(3) MMcf has been converted to MBOE on a 6:1 basis.

The reserves comparison compares the December 31, 2024 reserve report to the December 31, 2023 reserve report.

GROSS RESERVES COMPARISON^(1,2)			
	Dec. 31, 2024	Dec. 31, 2023	% Change
Karve interest	MBOE	MBOE	
Proved developed producing	12,968	13,883	-7%
Proved non-producing and undeveloped	28,375	26,266	8%
TOTAL PROVED	41,343	40,149	3%
Probable	11,324	11,745	-4%
TOTAL PROVED PLUS PROBABLE	52,667	51,894	1%

(1) Sproule estimated reserves as at December 31, 2024 and December 31, 2023. Table may not add due to rounding.

(2) Karve working interest reserves, before royalty interests.

The reserve life index is based on average production of 8,260 boe/d for the three months ended December 31, 2024 (three months ended December 31, 2023 – 9,164 boe/d).

RESERVE LIFE INDEX		
	Dec. 31, 2024 ⁽¹⁾	Dec. 31, 2023 ⁽²⁾
Total proved	12.4	12.0
Total proved plus probable	17.5	15.5

(1) Based on production of approximately 8,260 BOE/d for the three months ended December 31, 2024.

(2) Based on production of approximately 9,164 BOE/d for the three months ended December 31, 2023.

The future development capital as at December 31, 2024 as compared to December 31, 2023 is as follows:

FUTURE DEVELOPMENT CAPITAL (\$000s)	Dec. 31, 2024	Dec. 31, 2023	% Change
Total proved plus probable	564,888	550,546	3%

The net present values below are based on Sproule December 31, 2024 forecast pricing assumptions.

NET PRESENT VALUE, BEFORE TAX^(1,2)	Dec. 31, 2024		
Karve interest (\$000s)	5%	10%	15%
Proved developed producing	249,559	226,565	202,844
Proved non-producing and undeveloped	515,707	381,345	286,847
TOTAL PROVED	765,266	607,910	489,691
Probable	362,147	277,029	221,409
TOTAL PROVED PLUS PROBABLE	1,127,413	884,939	711,100

(1) Based on Sproule estimated reserves and forecast prices as at December 31, 2024. Table may not add due to rounding.

(2) Karve working interest reserves, before royalty interests.

Net present values are based on Sproule December 31, 2023 forecast pricing assumptions and future development capital.

NET PRESENT VALUE, BEFORE TAX^(1,2)	Dec. 31, 2023		
Karve interest (\$000s)	5%	10%	15%
Proved developed producing	368,429	333,731	298,069
Proved non-producing and undeveloped	607,195	456,954	350,940
TOTAL PROVED	975,624	790,685	649,009
Probable	417,895	319,486	255,378
TOTAL PROVED PLUS PROBABLE	1,393,519	1,110,171	904,387

(1) Based on Sproule estimated reserves and forecast prices as at December 31, 2023. Table may not add due to rounding.

(2) Karve working interest reserves, before royalty interests.

The net present value comparison compares the value attributed to Karve's reserves as of December 31, 2024 as compared to the value attributed to Karve's reserves as of December 31, 2023. Note that due to different pricing assumptions for the two periods (pricing based on Sproule December 31, 2024 and December 31, 2023 price deck, respectively), the table below should be used for directional purposes only.

NET PRESENT VALUE COMPARISON, BEFORE TAX^(1,2)	Dec. 31, 2024	Dec. 31, 2023	% Change
Karve interest (\$000s)	10%	10%	
Proved developed producing	226,565	333,731	-32%
Proved non-producing and undeveloped	381,345	456,954	-17%
TOTAL PROVED	607,910	790,685	-23%
Probable	277,029	319,486	-13%
TOTAL PROVED PLUS PROBABLE	884,939	1,110,171	-20%

(1) Sproule estimated reserves as at December 31, 2024 and December 31, 2023. Table may not add due to rounding.

(2) Karve working interest reserves, before royalty interests.

The net present value, after tax, is based on Sproule December 31, 2024 forecast pricing assumptions, future development capital and estimated Karve's tax pools as of December 31, 2024.

NET PRESENT VALUE, AFTER TAX^(1,2)	Dec. 31, 2024		
Karve interest (\$000s)	5%	10%	15%
Proved developed producing	237,296	217,110	195,344
Proved non-producing and undeveloped	383,629	275,493	199,711
TOTAL PROVED	620,925	492,603	395,055
Probable	279,590	213,337	170,158
TOTAL PROVED PLUS PROBABLE	900,515	705,940	565,213

(1) Based on the Sproule estimated reserves and forecast prices as at December 31, 2024. Table may not add due to rounding.

(2) Karve working interest reserves, before royalty interests.

The net present value, after tax, is based on Sproule December 31, 2023 forecast pricing assumptions, future development capital and estimated Karve's tax pools as of December 31, 2023.

NET PRESENT VALUE, AFTER TAX^(1,2)		Dec. 31, 2023		
		5%	10%	15%
Karve interest (\$000s)				
Proved developed producing	329,591	301,176	270,122	
Proved non-producing and undeveloped	454,903	334,698	250,162	
TOTAL PROVED	784,494	635,874	520,284	
Probable	322,768	245,877	196,023	
TOTAL PROVED PLUS PROBABLE	1,107,262	881,751	716,307	

(1) Based on Sproule estimated reserves and forecast prices as at December 31, 2023. Table may not add due to rounding.

(2) Karve working interest reserves, before royalty interests.

Below are the 2023 and 2024 benchmark commodity prices used by Sproule to calculate the net present value of the Company's reserves:

	WTI (\$USD/bbl)			Canadian Light Sweet (\$CDN/bbl)			AECO-C Spot (\$CDN/MMBtu)		
	2023 ⁽¹⁾	2024 ⁽¹⁾	% Change	2023 ⁽¹⁾	2024 ⁽¹⁾	% Change	2023 ⁽¹⁾	2024 ⁽¹⁾	% Change
2025	74.98	71.58	-5%	95.04	94.79	0%	3.37	2.36	-43%
2026	76.14	74.48	-2%	96.07	97.04	1%	4.05	3.33	-22%
2027	77.66	75.81	-2%	97.99	97.37	-1%	4.13	3.48	-19%
2028	79.22	77.66	-2%	99.95	99.80	0%	4.21	3.69	-14%
2029	80.80	79.22	-2%	101.94	101.79	0%	4.30	3.76	-14%
2030	82.42	80.80	-2%	103.98	103.83	0%	4.38	3.83	-14%
2031	84.06	82.42	-2%	106.06	105.91	0%	4.47	3.91	-14%
2032	85.74	84.06	-2%	108.18	108.03	0%	4.56	3.99	-14%
2033	86.76	85.74	-1%	110.34	110.19	0%	4.65	4.07	-14%
2034	87.78	86.76	-1%	112.55	112.39	0%	4.74	4.15	-14%

(1) Benchmark commodity prices are based on the average pricing from Sproule, GLJ and McDaniels.

FINDING, DEVELOPMENT & ACQUISITION COSTS (\$000s, except per boe amounts)	For the year ended	
	Dec. 31, 2024	Dec. 31, 2023
Capital expenditures (excluding acquisitions/dispositions) ⁽¹⁾	98,064	100,837
Change in future development costs (FDC) ⁽²⁾	14,342	75,770
TOTAL	112,406	176,607
Acquisitions (Dispositions)	(25,827)	(7,388)
TOTAL CAPITAL EXPENDITURES INCLUDING FDC	86,579	169,219

(1) Capital expenditures for the year ended December 31, 2024 exclude decommissioning and corporate expenditures of \$4.3 million & \$602,000. Year ended December 31, 2023 exclude decommissioning expenditures of \$4.3 million.

(2) FDC as at December 31, 2024 was \$564.9 million (December 31, 2023 - \$550.5 million).

RESERVE ADDITIONS - PROVED PLUS PROBABLE (MBOE)	For the year ended	
	Dec. 31, 2024	Dec. 31, 2023
Reserve additions ⁽¹⁾	4,337	8,901
Acquisitions (dispositions) reserve changes	(366)	41
RESERVE ADDITIONS INCLUDING ACQUISITIONS/DISPOSITIONS	3,971	8,942

(1) Reserve additions include infill drilling and extensions, economic factors and technical revisions.

COMPANY METRICS - PROVED PLUS PROBABLE	Three-Year		
	Dec. 31, 2024	Dec. 31, 2023	Average
Finding & development costs (F&D) (\$/boe) ⁽¹⁾	25.92	19.84	23.04
Finding, development & acquisition costs (\$/boe) ⁽¹⁾	21.80	18.92	21.59
Operating netback (\$/boe) ⁽²⁾	35.78	42.66	46.48
Recycle ratio - F&D ⁽²⁾	1.4x	2.2X	2.0x
Recycle ratio - FD&A ⁽²⁾	1.6x	2.3X	2.2x

(1) Non-GAAP measure, see page 18 for details

(2) Recycle ratio is based on 2024 operating netback of \$34.40/boe plus other income of \$1.38/boe (processing and royalty income).

RESERVES RECONCILIATION (MBOE)	Total Proved	Proved plus Probable
December 31, 2023	40,149	51,894
Category transfer	297	(301)
Acquisitions/Dispositions	(176)	(366)
Infill drilling and extensions	2,388	2,991
Improved recovery - Waterflood	710	897
Technical revisions and economic factors	1,173	750
Production	(3,198)	(3,198)
DECEMBER 31, 2024	41,343	52,667

SALES VOLUMES

Sales volumes averaged 8,741 boe/d during the year ended December 31, 2024 compared to 9,010 boe/d during the year ended December 31, 2023. The decrease in sales volumes from the year ended December 31, 2023 is mainly due to 38 new gross Viking wells (37.0 net) being added to production from January 1, 2024 to December 31, 2024 net of production declines, versus 50 new gross Viking wells (50.0 net) added to production from January 1, 2023 to December 31, 2023.

	For the year ended	
	Dec. 31, 2024	Dec. 31, 2023
Sales volumes		
Viking oil (bbl/d)	5,318	5,997
Heavy oil (bbl/d)	311	-
NGLs (bbl/d)	330	342
Natural gas (mcf/d)	16,691	16,028
Total (boe/d)	8,741	9,010

SALES PRICES AND REVENUE

For the year ended December 31, 2024, the Company generated total revenue of \$210.0 million (year ended December 31, 2023 - \$236.6 million) on average sales volumes of 8,741 boe/d. Revenue is shown before transportation expenses. The average sales price per boe for the year ended December 31, 2024 was \$65.64 compared to \$71.95 for the year ended December 31, 2023. The decrease in revenue year over year is due to the decrease in average oil and natural gas sales prices, combined with the decrease in sales volumes.

	For the year ended	
	Dec. 31, 2024	Dec. 31, 2023
KARVE AVERAGE REALIZED PRICE ⁽¹⁾		
Revenue (\$000s)	209,956	236,634
Viking oil (\$/bbl)	93.97	96.27
Heavy oil, net of blending expense (\$/bbl)	75.80	-
NGLs (\$/bbl)	62.93	66.32
Natural gas (\$/mcf)	1.78	3.01
Karve realized price (\$/boe)	65.64	71.95
AVERAGE BENCHMARK PRICES ⁽²⁾		
Crude oil - WTI (\$US/bbl)	75.73	77.63
Crude oil - Canadian light sweet (\$CDN/bbl)	98.13	99.87
Crude oil - WCS (\$CDN/bbl)	83.90	-
Natural gas - AECO-C spot (\$CDN/mcf)	1.39	2.65
Exchange Rate - (\$US/\$CAD)	0.73	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:

(\$000s)	For the year ended	
	Dec. 31, 2024	Dec. 31, 2023
Unrealized (loss) gain on financial derivative contracts	(836)	204
Realized loss on financial derivative contracts	(411)	(473)
LOSS ON FINANCIAL DERIVATIVE CONTRACTS	(1,247)	(269)

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 December 31, 2024, 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 - Mar. 31/25	WTI	250	97.15	-	(112)
Swap	Jan. 1/25 - June 30/25	WTI	500	96.40	-	(430)
Collar	Jan. 1/25 - June 30/25	WTI	500	90.00	101.25	(294)
TOTAL VOLUME AND WEIGHTED AVERAGE PRICE			1,250	93.99	101.25	(836)

(1) Nymex WTI monthly average in \$CAD.

At December 31, 2024, the fair value of the commodity derivative contracts outstanding was in a current liability position of \$836,000, resulting in an unrealized loss of \$836,000 for the year ended December 31, 2024. 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 December 31, 2024 and may be different from what will eventually be realized. At December 31, 2024, the Company realized a loss of \$230,000 on its commodity derivative contracts.

At December 31, 2023, the fair value of commodity derivative contracts was \$nil as the contracts expired during the year ended December 31, 2023, resulting in an unrealized loss of \$204,000. During the year ended December 31, 2023, the Company realized a loss of \$579,000 on the 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.

At December 31, 2024, the fair value of the foreign exchange contract was \$nil as all of the contracts expired on December 31, 2024 (December 31, 2023 - \$nil). During the year ended December 31, 2024, the Company realized a loss of \$181,000 on the foreign exchange contracts (December 31, 2023 – gain of \$106,000).

ROYALTIES

(\$000s, except per boe amounts)	For the year ended	
	Dec. 31, 2024	Dec. 31, 2023
Royalties	25,865	29,249
Royalties as a % of revenue	12.3%	12.4%
Per boe (\$)	8.09	8.89

Royalties include crown, freehold and gross overriding royalties. Royalty expense for the year ended December 31, 2024 was \$25.9 million (\$8.09 per boe) compared to \$29.2 million (\$8.89 per boe) for the year ended December 31, 2023. The decrease in royalties is primarily due the decrease in average oil and natural gas sales prices, combined with the decrease in sales volumes. For the year ended December 31, 2024, the Company's royalty rate remained consistent at 12.3% of revenues compared to 12.4% during the year ended December 31, 2023.

OPERATING EXPENSE

(\$000s, except per boe amounts)	For the year ended	
	Dec. 31, 2024	Dec. 31, 2023
Operating expense	67,345	66,602
Per boe (\$)	21.06	20.25

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 \$67.3 million (\$21.06 per boe) during the year ended December 31, 2024, and \$66.6 million (\$20.25 per boe) during the year ended December 31, 2023. In the year ended December 31, 2024, the Company had non-routine costs resulting in higher than forecasted operating expenditures. The costs were mainly related to pipeline integrity and several large turn-arounds; these have since been resolved.

TRANSPORTATION EXPENSE

(\$000s, except per boe amounts)	For the year ended	
	Dec. 31, 2024	Dec. 31, 2023
Transportation expense	6,679	5,143
Per boe (\$)	2.09	1.56

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 \$6.7 million (\$2.09 per boe) during the year ended December 31, 2024 and \$5.1 million (\$1.56 per boe) during the year ended December 31, 2023. This increase in transportation expense per boe year over year is primarily due to increased trucking costs and hourly rates; and scheduled maintenance at a third-party trucking terminal requiring volumes to be redirected resulting in higher trucking costs, which has now been completed. The Company also incurred additional trucking costs in 2024 related to the heavy oil assets of approximately \$850,000 (\$0.27 per boe) in 2024 which will no longer be incurred due to their disposition in December 2024. 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 year ended		For the year ended	
	Dec. 31, 2024		Dec. 31, 2023	
	\$	\$/boe	\$	\$/boe
Revenue	209,956	65.64	236,634	71.95
Royalties	(25,865)	(8.09)	(29,249)	(8.89)
Operating expense	(67,345)	(21.06)	(66,602)	(20.25)
Transportation expense	(6,679)	(2.09)	(5,143)	(1.56)
FIELD NETBACK (\$)⁽¹⁾	110,067	34.40	135,640	41.25

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

OTHER INCOME

(\$000s, except per boe amounts)	For the year ended	
	Dec. 31, 2024	Dec. 31, 2023
Processing fee income	3,304	4,195
Royalty income	-	437
Other	1,119	1,976
Total other income	4,423	6,608
Per boe (\$)	1.38	2.01

Other income for the year ended December 31, 2024 was \$4.4 million (\$1.38 per boe) and \$6.6 million (\$2.01 per boe) for the year ended December 31, 2023.

Processing fee income relates to the Company processing third party oil and gas volumes through Karve owned and operated facilities. Processing fee income was \$3.3 million (\$1.03 per boe) during the year ended December 31, 2024 and \$4.2 million (\$1.28 per boe) for the year ended December 31, 2023. The decrease in processing fee income year over year is primarily due to lower third-party throughput volumes being processed at Karve operated facilities.

Royalty income relates to freehold royalties, gross overriding royalties, royalties paid to the Company on fee title lands, and net profit interests. On December 6, 2023, the Company completed the sale of its remaining fee title land interests effective October 1, 2023, for net proceeds of \$13.5 million (after closing adjustments).

Other income during the year ended December 31, 2024 includes \$895,000 (December 31, 2023 - \$1.3 million) related to the sale of carbon credits.

GENERAL AND ADMINISTRATION EXPENSE ("G&A")

The following are the main components of G&A for the year ended December 31, 2024 and December 31, 2023

(\$000s, except per boe amounts)	For the year ended	
	Dec. 31, 2024	Dec. 31, 2023
Staff and consulting costs	9,445	9,348
Professional fees	618	528
Office and rent costs	1,813	1,853
Other	1,415	1,399
General and administration expense (gross)	13,291	13,128
Capitalized G&A and overhead recovery	(2,344)	(2,398)
Lease liability reclassification	(390)	(391)
General and administration expense (net)	10,557	10,339
Per boe (\$)	3.30	3.13

General and administrative expenses (net) for the year ended December 31, 2024 increased to \$10.6 million (\$3.30 per boe) compared to \$10.3 million (\$3.13 per boe) for the year ended December 31, 2023 due to lower capitalized G&A and overhead recovery and an increase in staff and consulting costs.

OPERATING LOAN AND LONG TERM DEBT

As at December 31, 2024, 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 December 31, 2024, the Company is in compliance with all covenants. The next review date is in May 31, 2025.

As at December 31, 2024, \$nil (December 31, 2023 - \$14.8 million, net of unamortized debt issue costs) was drawn on the Credit Facility and \$nil (December 31, 2023 - \$2.3 million) was drawn on the operating loan.

The Company has issued letters of credit of \$400,000 as at December 31, 2024 (December 31, 2023 - \$400,000), thereby reducing the available bank credit facility by this amount.

Bank debt as at December 31, 2024 and December 31, 2023 is as follows:

(\$000s)	As at	As at
	Dec. 31, 2024	Dec. 31, 2023
Credit facility	-	15,000
Less: unamortized debt issue costs	-	(157)
LONG TERM DEBT	-	14,843
Operating loan	-	2,303
TOTAL BANK DEBT	-	17,146

Financing expense for the year ended December 31, 2024 and December 31, 2023 is comprised of the following:

(\$000s)	For the year ended	
	Dec. 31, 2024	Dec. 31, 2023
Credit facility interest and charges	1,723	2,062
Operating loan interest and charges	279	229
Amortization of debt issue costs	161	209
Interest on lease liability	86	27
FINANCING EXPENSES	2,249	2,527

For the year ended December 31, 2024, the effective interest rate on the credit facility was 9.1% (year ended December 31, 2023 – 10.0%). As at December 31, 2024 the Company is in compliance with all covenants.

SHARE-BASED COMPENSATION EXPENSE

(\$000s, except per boe amounts)	For the year ended	
	Dec. 31, 2024	Dec. 31, 2023
Share-based compensation - options	164	308
Share-based compensation - performance warrants	2,035	2,025
Share-based compensation expense	2,199	2,333
Per boe (\$)	0.69	0.71

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 year ended December 31, 2024 was \$164,000 (year ended December 31, 2023 – \$308,000) and SBC expense related to performance warrants for the year ended December 31, 2024 was \$2.0 million (year ended December 31, 2023 - \$2.0 million) using the graded vesting method. There were 400,000 stock options exercised and no performance warrants exercised during the year ended December 31, 2024. There were no stock options or performance warrants exercised during the year ended December 31, 2023.

As at December 31, 2024, 12,352,760 stock options and 27,411,500 performance warrants were outstanding. The weighted average exercise price of stock options and performance warrants outstanding was \$1.32 per option and \$2.36 per warrant. During the year ended December 31, 2023, the weighted average exercise prices were reduced by \$0.15 per share due to the return of capital distribution paid on December 15, 2023. At December 31, 2024, the weighted average fair value of stock options and performance warrants outstanding was \$0.92 per option and \$0.60 per warrant (December 31, 2023 - \$0.93 per option and \$0.60 per warrant).

At December 31, 2024, 12,236,923 stock options were vested and exercisable; and at December 31, 2024, 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 year ended December 31, 2024, DD&A expense increased to \$64.2 million (\$20.06 per boe) from \$62.3 million (\$18.94 per boe) during the year ended December 31, 2023. This increase per boe is due to the increased capital base.

(\$000s, except per boe amounts)	For the year ended	
	Dec. 31, 2024	Dec. 31, 2023
Depletion	63,491	61,788
Depreciation and amortization	678	494
Total DD&A (\$)	64,169	62,282
Per boe (\$)	20.06	18.94

CAPITAL EXPENDITURES

Net capital expenditures for the year ended December 31, 2024 and December 31, 2023 consisted of the following:

(\$000s)	For the year ended	
	Dec. 31, 2024	Dec. 31, 2023
Drilling	51,760	35,418
Completions	19,030	23,923
Facilities and well equipment	24,354	31,339
Land	2,920	10,157
Acquisitions	-	6,161
Dispositions	(25,827)	(13,549)
Other	602	864
TOTAL NET CAPITAL EXPENDITURES ⁽¹⁾	72,839	94,313

(1) Non-GAAP measure, see page 18 for details.

During the year ended December 31, 2024, the Company drilled 48 gross (48.0 net) wells (Viking – 34 gross (34.0 net); heavy - 14 gross (14.0 net)), and completed and brought on production 52 gross (51.0 net) wells (Viking - 38 gross (37.0 net); heavy – 14 gross (14.0 net)). During the year ended December 31, 2023, the Company drilled 51 gross (50.0 net) horizontal Viking wells and completed and brought on production 50 gross (50.0 net) horizontal Viking wells. During 2024 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 wells brought on production:

For the quarter ended	Dec. 31, 2024	Sept. 30, 2024	June 30, 2024	Mar. 31, 2024
Viking - Gross (Net)	0 (0.0)	16 (16.0)	2 (2.0)	20 (19.0)
Heavy - Gross (Net)	3 (3.0)	6 (6.0)	0 (0.0)	5 (5.0)
Total - Gross (Net)	3 (3.0)	22 (22.0)	2 (2.0)	25 (24.0)

For the quarter ended	Dec. 31, 2023	Sept. 30, 2023	June 30, 2023	Mar. 31, 2023
Viking - Gross (Net)	8 (8.0)	16 (16.0)	6 (6.0)	20 (20.0)
Heavy - Gross (Net)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)
Total - Gross (Net)	8 (8.0)	16 (16.0)	6 (6.0)	20 (20.0)

ACQUISITIONS

On September 28, 2023, the Company acquired assets in the Evi area of Alberta targeting the Clearwater formation (the “Acquisition”) for a total purchase price of \$6.2 million. The Acquisition included three producing wells with net production of approximately 100 boe/d.

The following table summarizes the fair value of the net assets acquired:

(\$000s)	
Exploration and evaluation assets	2,824
Property, plant and equipment	3,486
Decommissioning liabilities	(149)
FAIR VALUE OF NET ASSETS ACQUIRED	6,161

CONSIDERATION

Cash	6,161
TOTAL PURCHASE PRICE	6,161

DISPOSITIONS

Evi and Greater Cold Lake Disposition

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

Royalty Disposition

On December 6, 2023, the Company completed the sale of its remaining fee title land interests effective October 1, 2023, for net proceeds of \$13.5 million (after closing adjustments). The disposed assets included 44 gross sections of fee title lands. These assets were disposed of at approximately eight times their annualized average cash flow.

The carrying value of the assets disposed was \$nil, resulting in a gain on disposition is \$13.5 million.

DECOMMISSIONING LIABILITY

At December 31, 2024, the Company estimated a decommissioning liability of \$28.9 million for the future abandonment and reclamation of Karve's properties (December 31, 2023 – \$22.1 million). \$3.9 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 \$186.4 million (\$110.1 million undiscounted, uninflated) (December 31, 2023 - \$189.6 million and \$110.6 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, 2023 – 12%) and an inflation rate of 2% (December 31, 2023 – 2%).

INCOME TAX

Income tax expense varies from the amount that would be computed by applying the combined basic federal and provincial statutory income tax rates for Canada at December 31, 2024 at 23% (December 31, 2023 – 23%).

A reconciliation to the differences is as follows:

(\$000s)	For the year ended	
	Dec. 31, 2024	Dec. 31, 2023
Net income before taxes	1,635	74,745
Combined federal and provincial tax rate	23.0%	23.0%
Computed "expected" tax expense	376	17,191
Increase (decrease) in taxes due to:		
Permanent differences	512	542
Change in tax rate	-	-
True-up	(411)	190
TOTAL INCOME TAX EXPENSE	477	17,923
Current income tax	-	-
Deferred income tax expense	477	17,923
TOTAL INCOME TAX EXPENSE	477	17,923

The following table summarizes Karve's net deferred income tax liability at December 31, 2024:

	Balance at Jan. 1, 2024	Recognized in Income (Loss)	Recognized in Statement of Financial Position	Balance at Dec. 31, 2024
Non-capital losses	5,077	(629)	-	4,448
Share issue costs	109	47	-	156
PP&E and E&E assets	(52,211)	(99)	-	(52,310)
Other	5	204	-	209
TOTAL DEFERRED INCOME TAX LIABILITY	(47,020)	(477)	-	(47,497)

The following table summarizes Karve's net deferred income tax liability at December 31, 2023:

	Balance at Jan. 1, 2023	Recognized in Income (Loss)	Recognized in Statement of Financial Position	Balance at Dec. 31, 2023
Non-capital losses	11,124	(6,047)	-	5,077
Share issue costs	129	(20)	-	109
PP&E and E&E assets	(40,426)	(11,785)	-	(52,211)
Other	76	(71)	-	5
TOTAL DEFERRED INCOME TAX LIABILITY	(29,097)	(17,923)	-	(47,020)

The following table summarizes Karve's income tax pools available for deduction:

(\$000s)	As at Dec. 31, 2024	As at Dec. 31, 2023
Non-capital losses	19,340	22,074
Canadian exploration expense	135	13
Canadian development expense	132,506	126,535
Canadian oil and gas property expense	28,861	49,353
Capital cost allowance	68,333	73,722
Share issue costs	680	560
TOTAL TAX POOLS AVAILABLE FOR DEDUCTION	249,855	272,257

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.

On November 17, 2023, 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 of \$0.15 per Common Share. The Company distributed that amount to the holders of the Common Shares. The record date for determining the holders of Common Shares entitled to receive the Return of Capital was the close of business on December 1, 2023, and the Return of Capital was paid on December 15, 2023.

(\$000s except for share amounts)	Number	Amount
Common Shares		
BALANCE AT DECEMBER 31, 2022	140,529,665	175,973
Return of capital	-	(21,079)
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	140,929,665	134,147

SUPPLEMENTARY QUARTERLY INFORMATION

	Dec. 31, 2024	Sept. 30, 2024	June 30, 2024	Mar. 31, 2024
Petroleum and natural gas sales	48,825	53,593	57,443	50,095
Funds flow from operations ⁽¹⁾	21,052	25,053	27,582	23,253
Adjusted funds flow from operations ⁽¹⁾	22,590	25,668	28,705	24,308
Net (loss) income and comprehensive (loss) income	(19,342)	6,058	8,947	5,495
(Loss) Income per share - basic (\$)	(0.13)	0.04	0.06	0.04
(Loss) Income per share - diluted (\$)	(0.11)	0.04	0.05	0.03
AVERAGE SALES VOLUMES				
Oil (bbl/d)	5,379	5,747	5,832	5,553
Natural gas liquids (bbl/d)	310	362	335	312
Natural gas (Mcf/d)	15,424	16,819	17,712	16,824
TOTAL PRODUCTION (BOE/d)	8,260	8,912	9,119	8,669
AVERAGE BENCHMARK PRICES				
Crude oil - WTI (\$US/bbl)	70.27	75.13	80.57	76.96
Crude oil - Canadian light sweet (\$CDN/bbl)	92.69	98.43	105.97	95.45
Crude oil - WCS (\$CDN/bbl)	81.32	84.93	91.54	77.81
Natural gas - AECO-C spot (\$CDN/mcf)	1.48	0.70	1.18	2.18
Exchange Rate - (\$US/\$CAD)	0.72	0.73	0.73	0.74
FIELD NETBACK (\$/BOE)				
Revenue	64.26	65.36	69.23	63.50
Royalties	(7.77)	(8.66)	(8.34)	(7.52)
Operating expense	(22.33)	(20.27)	(20.90)	(20.80)
Transportation expense	(1.96)	(2.66)	(2.00)	(1.71)
FIELD NETBACK (\$/BOE) ⁽¹⁾	32.20	33.77	37.99	33.47
General and administration	(3.53)	(3.02)	(3.44)	(3.24)
Other income	2.24	1.14	1.09	1.12
Transaction costs	(0.33)	-	-	-
Interest expense	(0.55)	(0.58)	(0.83)	(0.54)
Realized hedging	(0.30)	-	(0.22)	-
CASHFLOW NETBACK (\$/BOE) ⁽¹⁾	29.73	31.31	34.59	30.81

(1) Non-GAAP measure, see page 18 for details.

	Dec. 31, 2023	Sept. 30, 2023	June 30, 2023	Mar. 31, 2023
For the quarter ended (\$000s)				
Petroleum and natural gas sales	57,707	62,069	57,199	59,659
Funds flow from operations ⁽¹⁾	31,328	33,352	28,792	31,343
Adjusted funds flow from operations ⁽¹⁾	31,493	34,989	30,672	31,993
Net income and comprehensive income	21,448	13,290	10,361	11,723
Income per share - basic (\$)	0.16	0.09	0.07	0.08
Income per share - diluted (\$)	0.13	0.09	0.07	0.07
AVERAGE SALES VOLUMES				
Oil (bbl/d)	5,911	5,773	6,120	6,189
Natural gas liquids (bbl/d)	357	345	347	320
Natural gas (Mcf/d)	17,375	16,139	16,273	14,292
TOTAL PRODUCTION (BOE/d)	9,164	8,808	9,179	8,891
AVERAGE BENCHMARK PRICES				
Crude oil - WTI (\$US/bbl)	78.32	82.26	73.80	76.13
Crude oil - Canadian light sweet (\$CDN/bbl)	97.55	107.29	94.99	99.73
Crude oil - WCS (\$CDN/bbl)	76.86	93.19	78.95	69.12
Natural gas - AECO-C spot (\$CDN/mcf)	2.30	2.61	2.43	3.23
Exchange Rate - (\$US/\$CAD)	0.74	0.75	0.74	0.74
FIELD NETBACK (\$/BOE)				
Revenue	68.45	76.60	68.48	74.55
Royalties	(8.97)	(9.05)	(8.16)	(9.42)
Operating expense	(19.26)	(20.70)	(19.86)	(21.24)
Transportation expense	(1.58)	(1.67)	(1.64)	(1.36)
FIELD NETBACK (\$/BOE) ⁽¹⁾	38.64	45.18	38.82	42.53
General and administration	(3.54)	(3.09)	(3.03)	(2.89)
Other income	3.22	1.63	1.68	1.46
Interest expense	(0.68)	(0.64)	(0.80)	(0.71)
Realized hedging	(0.29)	0.08	0.05	(0.41)
CASHFLOW NETBACK (\$/BOE) ⁽¹⁾	37.35	43.16	36.72	39.98

(1) Non-GAAP measure, see page 18 for details.

NET INCOME SUMMARY

(\$000s, except per boe amounts)	For the year ended Dec. 31, 2024		For the year ended Dec. 31, 2023	
	\$	\$/boe	\$	\$/boe
Petroleum and natural gas sales	209,956	65.64	236,634	71.95
Royalties	(25,865)	(8.09)	(29,249)	(8.89)
NET REVENUE	184,091	57.55	207,385	63.06
Other income	4,423	1.38	6,608	2.01
Loss on financial derivative contracts	(1,247)	(0.39)	(269)	(0.08)
(Loss) gain on disposition	(29,151)	(9.11)	13,549	4.12
TOTAL REVENUE AND OTHER INCOME	158,116	49.43	227,273	69.11
Operating	67,345	21.06	66,602	20.25
Transportation	6,679	2.09	5,143	1.56
General and administration	10,557	3.30	10,339	3.14
Financing	2,249	0.70	2,527	0.77
Depletion, depreciation and amortization	64,169	20.06	62,282	18.94
Accretion	2,655	0.83	2,606	0.79
Share-based compensation	2,199	0.69	2,333	0.71
Exploration and evaluation - expiries	379	0.12	696	0.21
Transaction costs	249	0.08	-	-
INCOME FROM OPERATIONS BEFORE TAXES	1,635	0.50	74,745	22.74
Deferred income tax expense	477	0.15	17,923	5.45
NET INCOME AND COMPREHENSIVE INCOME	1,158	0.35	56,822	17.29

RELATED PARTY DISCLOSURES

Key Management Personnel

Key management is defined as the Board of Directors and Officers of the Company. The table below summarizes the fair value of compensation and other fees paid to key management:

(\$000s)	For the year ended	
	Dec. 31, 2024	Dec. 31, 2023
Share-based compensation benefit	1,515	1,198
Salaries and benefits	2,473	1,918
TOTAL KEY MANAGEMENT COMPENSATION	3,988	3,116

CAPITAL RESOURCES AND LIQUIDITY

EQUITY

The Company is authorized to issue an unlimited number of common shares and preferred shares. As at December 31, 2024, there were 140,929,665 common shares outstanding (December 31, 2023 – 140,529,665).

As at March 19, 2025, the date of this MD&A, there were 140,929,665 common shares, 12,352,260 stock options and 27,411,500 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 meet its capital programs. Future liquidity depends primarily on cash flow generated from operations, bank credit facilities and the ability to access equity markets.

At December 31, 2024, 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 December 31, 2024.

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:

(\$000s)	For the year ended	
	Dec. 31, 2024	Dec. 31, 2023
Cash flow from continuing operations	97,607	129,420
Change in non-cash working capital from operating activities	(667)	(4,605)
FUNDS FLOW FROM OPERATIONS	96,940	124,815
Decommissioning expenditures	4,331	4,332
Transaction costs	249	-
ADJUSTED FUNDS FLOW FROM OPERATIONS	101,520	129,147

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 Dec. 31, 2024	As at Dec. 31, 2023
(\$000s)		
Long term debt	-	14,843
Total current assets	(24,289)	(23,003)
Trade and other payables	17,361	22,625
Return of capital payable	21,139	-
Operating loan	-	2,303
NET DEBT	14,211	16,768

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 year ended	
(\$000s)	Dec. 31, 2024	Dec. 31, 2023
Cash flow used for investing activities	79,623	101,973
Change in non-cash working capital	(6,784)	(7,660)
TOTAL NET CAPITAL EXPENDITURES	72,839	94,313

CORPORATE INFORMATION

HEAD OFFICE

Karve Energy Inc.
2500, 255 5th Avenue SW
Calgary, Alberta
T2P 3G6
(587) 393-8301

BANKERS

ATB Financial
600, 585 8th Avenue SW
Calgary, Alberta T2P 1G1

RESERVE ENGINEERS

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

LEGAL COUNSEL

Stikeman Elliot LLP
4200, 888 3rd Street SW
Calgary, Alberta T2P 5C5

AUDITORS

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

TRANSFER AGENT

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

FOR MORE INFORMATION, PLEASE CONTACT:

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

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
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

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