



MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED
JUNE 30, 2025 AND JUNE 30, 2024



LETTER TO OUR SHAREHOLDERS

August 12, 2025

Dear Shareholder:

We are pleased to provide an update since our May 14, 2025 letter to shareholders.

The Company generated adjusted funds flow from operations of \$16.1 million in the second quarter of 2025 on average production of 7,622 boe/d. Production increased 11% from the first quarter of 2025. The Company's current production is 7,300 boe/d. In the three months ended June 30, 2025, Karve reduced net debt by \$6.9 million.

On April 1, 2025, the Board of Directors authorized a substantial issuer bid pursuant to which the Company offered to purchase for cancellation up to \$15.0 million of its common shares from its shareholders for cash (the "Offer"). The Offer was for a maximum of up to 30,000,000 common shares or approximately 21.3% of Karve's total issued and outstanding common shares. Under the offer, which expired on May 13, 2025, the Company cancelled 8.4 million common shares at the price of \$0.60 per common share, representing an aggregate purchase price of \$5.0 million. Payment and settlement of the common shares occurred on May 28, 2025. Under the substantial issuer bid, Karve reduced the shares outstanding by 6%. To date the Company has returned \$96.4 million in the forms of returns of capital and share buybacks.

Karve continues to benefit from low maintenance capital requirements, driven by the success of its ongoing waterflood program. Production remains predictable with low decline rates, supported by reservoir pressure in the Provost, Alberta region. This enhances our future sustainability with stable strong operating and financial results. During spring breakup in the second quarter of 2025, no wells were drilled or completed. As expected, capital expenditures totalled \$2.5 million for the quarter. As in previous years, Karve will continue to manage its capital spending prudently, adjusting plans as needed based on market conditions.

Based on current commodity price expectations, Karve plans to invest approximately \$72.0 million in its 2025 capital program. The capital program consists of an estimated \$50.9 million on drilling and completions, \$15.5 million on facilities and waterflood, \$4.6 million on asset retirement obligations and \$1.0 million on land and other.

Enclosed are the Karve Energy Inc. unaudited interim consolidated financial statements and MD&A for the quarter ended June 30, 2025. These financial statements have been prepared in accordance with International Financial Reporting Standards. If you would like to be added to our email distribution list to receive financial statements and MD&A by email, please send your request to info@karveenergy.com. We look forward to reporting our progress and thank all of our shareholders for their ongoing support.

On behalf of the Board of Directors,

Signed "Bob Chaisson"

Bob Chaisson
Chief Executive Officer
Karve Energy Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis ("MD&A") is a review of Karve Energy Inc.'s ("Karve" or the "Company") results and management's analysis of its financial performance for the period from January 1, 2025 to June 30, 2025. It is dated August 12, 2025 and should be read in conjunction with the unaudited interim consolidated financial statements for the three and six months ended June 30, 2025 and the audited consolidated financial statements for the year ended December 31, 2024. Both statements have been prepared in accordance with International Financial Reporting Standards ("IFRS Accounting Standards") as issued by the International Accounting Standards Board ("IASB"). The MD&A contains non-generally accepted accounting principles ("non-GAAP") measures and forward-looking statements and readers are cautioned that the MD&A should be read in conjunction with Karve's disclosure under "Non-GAAP Measurements" and "Forward-Looking Information and Statements" included at the end of this MD&A. All amounts are in Canadian dollars unless otherwise noted.

DESCRIPTION OF THE COMPANY

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

OPERATIONAL AND FINANCIAL SUMMARY

	For the three months ended		For the six months ended	
FINANCIAL (Canadian \$000, except per share and per boe amounts)	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Net income	1,722	8,947	5,604	14,442
Per share - basic	0.01	0.06	0.04	0.10
Per share - diluted	0.01	0.06	0.04	0.09
Funds flow from operations ⁽¹⁾	14,582	27,582	31,781	50,835
Per share - basic ⁽¹⁾	0.11	0.20	0.23	0.36
Per share - diluted ⁽¹⁾	0.10	0.18	0.21	0.33
Adjusted funds flow from operations ⁽¹⁾	16,142	28,705	33,809	53,013
Per share - basic ⁽¹⁾	0.12	0.20	0.24	0.38
Per share - diluted ⁽¹⁾	0.11	0.19	0.22	0.34
Total net capital expenditures	2,488	11,018	26,129	50,015
Net debt ⁽¹⁾	(13,870)	(16,063)	(13,870)	(16,063)
Total assets	464,779	501,819	464,779	501,819
Shares outstanding, weighted average (000s)	137,855	140,556	139,401	140,556
Shares outstanding, end of period (000s)	132,544	140,930	132,544	140,930
OPERATIONAL				
Sales volumes				
Viking oil (bbl/d)	4,898	5,468	4,688	5,400
Heavy oil (bbl/d)	-	364	-	293
NGLs (bbl/d)	296	335	275	323
Natural gas (mcf/d)	14,565	17,712	13,747	17,268
Total (boe/d)	7,622	9,119	7,254	8,894
Average sales prices (excluding hedging gains and losses)				
Viking oil (\$/bbl)	79.89	101.31	85.45	95.10
Heavy oil, net of blending expense (\$/bbl)	-	80.25	-	73.12
NGLs (\$/bbl)	55.92	64.32	60.41	64.39
Natural gas (\$/mcf)	1.92	1.50	2.24	2.04
Boe basis (\$/boe)	57.17	69.23	61.76	66.44
Field netback (\$/boe excluding hedging gains and losses)				
Sales price	57.17	69.23	61.76	66.44
Royalties	(6.91)	(8.34)	(7.51)	(7.94)
Operating expense	(21.78)	(20.90)	(22.28)	(20.85)
Transportation expense	(1.95)	(2.00)	(1.89)	(1.86)
Field netback ⁽¹⁾	26.53	37.99	30.08	35.79

(1) Non-GAAP measure, see page 14 for details.

SALES VOLUMES

Sales volumes averaged 7,622 boe/d during the three months ended June 30, 2025 compared to 9,119 boe/d during the three months ended June 30, 2024. The decrease in sales volumes during the three months ended June 30, 2025 is due to the disposition of the heavy oil assets in December 2024 which reduced production by 364 boe/d. In addition, the Company added 31 gross (31.0 net) Viking wells to production from July 1, 2024 to June 30, 2025, compared to 46 gross (45.0 net) Viking wells from July 1, 2023 to June 30, 2024.

	For the three months ended		For the six months ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Sales volumes				
Viking oil (bbl/d)	4,898	5,468	4,688	5,400
Heavy oil (bbl/d)	-	364	-	293
NGLs (bbl/d)	296	335	275	323
Natural gas (mcf/d)	14,565	17,712	13,747	17,268
Total (boe/d)	7,622	9,119	7,254	8,894

SALES PRICES AND REVENUE

For the three months ended June 30, 2025, the Company generated total revenue of \$39.6 million (three months ended June 30, 2024 - \$57.4 million) on average sales volumes of 7,622 boe/d. Revenue is shown before transportation expenses. The average sales price per boe for the three months ended June 30, 2025 was \$57.17 compared to \$69.23 for the three months ended June 30, 2024. The decrease in revenue period over period is due to lower sales volumes and lower realized sales price.

	For the three months ended		For the six months ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
KARVE AVERAGE REALIZED PRICE ⁽¹⁾				
Revenue (\$000s)	39,649	57,443	81,091	107,538
Viking oil (\$/bbl)	79.89	101.31	85.45	95.10
Heavy oil, net of blending expense (\$/bbl)	-	80.25	-	73.12
NGLs (\$/bbl)	55.92	64.32	60.41	64.39
Natural gas (\$/mcf)	1.92	1.50	2.24	2.04
Karve realized price (\$/boe)	57.17	69.23	61.76	66.44
AVERAGE BENCHMARK PRICES ⁽²⁾				
Crude oil - WTI (\$US/bbl)	63.74	80.57	67.58	78.77
Crude oil - Canadian light sweet (\$CDN/bbl)	86.11	105.97	90.55	100.71
Crude oil - WCS (\$CDN/bbl)	74.89	91.54	79.65	84.68
Natural gas - AECO-C spot (\$CDN/mcf)	1.74	1.18	1.93	1.68
Exchange Rate - (\$US/\$CAD)	0.72	0.73	0.71	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 gain (loss) on financial derivative contracts is as follows:

	For the three months ended		For the six months ended	
(\$000s)	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Unrealized gain (loss) on financial derivative contracts	1,246	142	1,639	(86)
Realized gain (loss) on financial derivative contracts	384	(182)	(125)	(182)
GAIN (LOSS) ON FINANCIAL DERIVATIVE CONTRACTS	1,630	(40)	1,514	(268)

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 June 30, 2025, the Company had the following commodity contracts in place:

Type	Term	Basis ⁽¹⁾	Volume (Bbl/d)	Put Price (\$CAD/Bbl) ⁽¹⁾	Call Price (\$CAD/Bbl) ⁽¹⁾	Current Liability (\$000s)
Collar	Oct. 1/25 - Dec. 31/25	WTI	250	75.00	91.00	(7)
Swap	Jul. 1/25 - Sept 30/25	WTI	250	98.10	-	268
Swap	Oct. 1/25 - Dec. 31/25	WTI	500	95.25	-	542
TOTAL VOLUME AND WEIGHTED AVERAGE PRICE			1,000	90.90	-	803

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

At June 30, 2025, the fair value of the commodity derivative contracts outstanding was in a current asset position of \$803,000 (December 31, 2024 – current liability of \$836,000), resulting in an unrealized gain of \$1.6 million for the six months ended June 30, 2025 (six months ended June 30, 2024 – unrealized loss of \$31,000). The fair value, or mark-to-market value, of these contracts are based on the estimated amount that would have been received or paid to settle the contracts as at June 30, 2025, and may be different from what will eventually be realized. For the six months ended June 30, 2025, the Company realized a loss of \$125,000 (six months ended June 30, 2024 – loss of \$182,000) on its commodity derivative contracts.

Subsequent to June 30, 2025, the Company entered into the following derivative contract:

Type	Term	Basis ⁽¹⁾	Volume	Put Price
Swap	Jan. 1/26 - Mar. 31/26	WTI	500	90.05

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

ii) Foreign exchange contracts

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

The Company did not have any foreign exchange contracts outstanding as at June 30, 2025. At December 31, 2024, the fair value of the foreign exchange contract was \$nil as all of the contracts expired on December 31, 2024. During the year ended December 31, 2024, the Company realized a loss of \$181,000 on the foreign exchange contracts.

ROYALTIES

(\$000s, except per boe amounts)	For the three months ended		For the six months ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Royalties	4,793	6,922	9,860	12,856
Royalties as a % of revenue	12.1%	12.1%	12.2%	12.0%
Per boe (\$)	6.91	8.34	7.51	7.94

Royalties include crown, freehold and gross overriding royalties. Royalty expense for the three months ended June 30, 2025 was \$4.8 million (\$6.91 per boe) compared to \$6.9 million (\$8.34 per boe) for the three months ended June 30, 2024. The decrease in royalties is primarily due to lower sales revenue. For the three months ended June 30, 2025, the Company’s royalty rate remained consistent with the three months ended June 30, 2024 at 12.1%.

OPERATING EXPENSE

(\$000s, except per boe amounts)	For the three months ended		For the six months ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Operating expense	15,107	17,344	29,250	33,754
Per boe (\$)	21.78	20.90	22.28	20.85

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 \$15.1 million (\$21.78 per boe) during the three months ended June 30, 2025, compared to \$17.3 million (\$20.90 per boe) during the three months ended June 30, 2024. The decrease in operating expenses is due to lower sales volumes, lower costs incurred relating to pipeline maintenance and lower electricity pricing in the second quarter of 2025. The per boe increase is primarily due to the fixed nature of the majority of our operating expenses.

TRANSPORTATION EXPENSE

(\$000s, except per boe amounts)	For the three months ended		For the six months ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Transportation expense	1,355	1,658	2,487	3,009
Per boe (\$)	1.95	2.00	1.89	1.86

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 \$1.4 million (\$1.95 per boe) during the three months ended June 30, 2025 and \$1.7 million (\$2.00 per boe) during the three months ended June 30, 2024. This decrease in transportation expense period over period is due to lower sales volumes. 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		For the three months ended	
	June 30, 2025		June 30, 2024	
	\$	\$/boe	\$	\$/boe
Revenue	39,649	57.17	57,443	69.23
Royalties	(4,793)	(6.91)	(6,922)	(8.34)
Operating expense	(15,107)	(21.78)	(17,344)	(20.90)
Transportation expense	(1,355)	(1.95)	(1,658)	(2.00)
FIELD NETBACK (\$) ⁽¹⁾	18,394	26.53	31,519	37.99

(1) Non-GAAP measure, see page 14 for details.

(\$000s, except per boe amounts)	For the six months ended		For the six months ended	
	June 30, 2025		June 30, 2024	
	\$	\$/boe	\$	\$/boe
Revenue	81,091	61.76	107,538	66.44
Royalties	(9,860)	(7.51)	(12,856)	(7.94)
Operating expense	(29,250)	(22.28)	(33,754)	(20.85)
Transportation expense	(2,487)	(1.89)	(3,009)	(1.86)
FIELD NETBACK (\$) ⁽¹⁾	39,494	30.08	57,919	35.79

(1) Non-GAAP measure, see page 14 for details.

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

OTHER INCOME

(\$000s, except per boe amounts)	For the three months ended		For the six months ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Processing fee income	749	840	1,317	1,675
Other	43	63	109	109
Total other income	792	903	1,426	1,784
Per boe (\$)	1.14	1.09	1.09	1.10

Other income for the three months ended June 30, 2025 was \$792,000 (\$1.14 per boe) and \$903,000 (\$1.09 per boe) for the three months ended June 30, 2024.

Processing fee income relates to the Company processing third party oil and gas volumes through Karve owned and operated facilities. Processing fee income was \$749,000 (\$1.08 per boe) during the three months ended June 30, 2025 and \$840,000 (\$1.01 per boe) for the three months ended June 30, 2024. The decrease in processing fee income period over period is primarily due to lower third-party throughput volumes being processed at Karve operated facilities.

GENERAL AND ADMINISTRATION EXPENSE ("G&A")

The following are the main components of G&A for the three months ended June 30, 2025 and June 30, 2024:

(\$000s, except per boe amounts)	For the three months ended		For the six months ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Staff and consulting costs	2,334	2,352	5,146	4,866
Professional fees	284	198	589	376
Office and rent costs	482	515	907	888
Other	323	306	655	643
General and administration expense (gross)	3,423	3,371	7,297	6,773
Capitalized G&A and overhead recovery	(295)	(406)	(876)	(1,189)
Lease liability reclassification	(116)	(113)	(182)	(179)
General and administration expense (net)	3,012	2,852	6,239	5,405
Per boe (\$)	4.34	3.44	4.75	3.34

General and administrative expenses (net) for the three months ended June 30, 2025 increased to \$3.0 million (\$4.34 per boe) compared to \$2.9 million (\$3.44 per boe) for the three months ended June 30, 2024 due to lower capitalized G&A and overhead recovery.

OPERATING LOAN AND LONG TERM DEBT

As at June 30, 2025, the Company had total available bank credit facilities of \$55.0 million, comprised of a \$48.0 million Credit Facility and a \$7.0 million operating loan. The credit facility is a committed 364 days + 1 year and extendible upon agreement annually; and amounts outstanding are shown as long term debt on the Company's balance sheet. The operating loan is shown as a current liability. The credit facility and operating loan incur interest based on the applicable Canadian prime rate or Canadian Overnight Repo Rate Average ("CORRA") plus between 2.25% and 5.25% depending on the type of borrowing and the Company's debt to EBITDA ratio. The Company is also subject to a standby fee of 0.8125% to 1.3125% based on the Company's debt to EBITDA ratio. As at June 30, 2025, the Company is in compliance with all covenants. The Company completed its annual review in April 2025 with no substantial changes to the terms of the credit facility.

As at June 30, 2025, \$14.6 million (net of unamortized debt issue costs) (December 31, 2024 - \$nil) was drawn on the Credit Facility and \$3.0 million (December 31, 2024 - \$nil) was drawn on the operating loan.

The Company has issued letters of credit of \$400,000 as at June 30, 2025 (December 31, 2024 - \$400,000), thereby reducing the available bank credit facility by this amount.

Bank debt as at June 30, 2025 and December 31, 2024 is as follows:

(\$000s)	As at	As at
	June 30, 2025	Dec. 31, 2024
Credit facility	15,000	-
Less: unamortized debt issue costs	(370)	-
LONG TERM DEBT	14,630	-
Operating loan	2,991	-
TOTAL BANK DEBT	17,621	-

Financing expense for the three and six months ended June 30, 2025 and June 30, 2024 is comprised of the following:

(\$000s)	For the three months ended		For the six months ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Credit facility interest and charges	349	635	601	976
Operating loan interest and charges	67	51	146	130
Amortization of debt issue costs	62	44	99	81
Interest on lease liability	18	21	36	43
FINANCING EXPENSES	496	751	882	1,230

For the six months ended June 30, 2025, the effective interest rate on the bank credit facility was 8.34% (June 30, 2024 - 8.83%). As at June 30, 2025, the Company is in compliance with all covenants.

SHARE-BASED COMPENSATION EXPENSE

(\$000s, except per boe amounts)	For the three months ended		For the six months ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Share-based compensation - options	378	56	397	119
Share-based compensation - performance warrants	-	508	-	1,015
Share-based compensation expense	378	564	397	1,134
Per boe (\$)	0.55	0.68	0.30	0.70

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 June 30, 2025 was \$378,000 (three months ended June 30, 2024 – \$56,000) and SBC expense related to performance warrants for the three months ended June 30, 2025 was \$nil (three months ended June 30, 2024 - \$508,000) using the graded vesting method. There were no stock options or performance warrants exercised during the three months ended June 30, 2025 or June 30, 2024.

On May 14, 2025, an extension of three years to the expiry date for options issued prior to 2025 was approved by the Board of Directors. On June 10, 2025, the Company's Board of Directors unanimously approved a repricing of 10,504,634 options outstanding that had an exercise price greater than \$0.80 per option to \$0.70 per option. At June 30, 2025, the weighted average fair value of stock options and performance warrants outstanding was \$0.86 per option and \$0.60 per warrant (June 30, 2024 - \$0.93 per option and \$0.60 per warrant).

As at June 30, 2025, 14,092,760 stock options and 27,351,500 performance warrants were outstanding. The weighted average exercise price of stock options and performance warrants outstanding was \$0.59 per option and \$2.21 per warrant.

At June 30, 2025, 11,983,590 stock options were vested and exercisable; and at June 30, 2025, subject to the terms of the performance warrants, 5,620,000 performance warrants were vested and exercisable.

Subsequent to June 30, 2025, the Company's Board of Directors unanimously approved a grant of 19,881,500 new performance warrants ("2025 Warrants"). The grant is subject to a surrender condition whereby the issuance of the 2025 Warrants shall be conditional on the surrender of all 27,351,500 currently outstanding 2016 and 2017 Warrants held by all grantees. The 2025 Warrants have an exercise price of one-third at each of the following \$0.85, \$1.20 and \$1.40. The warrants vest at such time the current market price or liquidity value per common share exceeds the exercise price per share noted. On July 19, 2025, 13.6 million 2016 warrants expired.

DEPLETION, DEPRECIATION AND AMORTIZATION

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

During the three months ended June 30, 2025, DD&A expense decreased to \$13.5 million (\$19.43 per boe) from \$16.3 million (\$19.60 per boe) during the three months ended June 30, 2024 due to lower production volumes.

(\$000s, except per boe amounts)	For the three months ended		For the six months ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Depletion	13,295	16,034	25,078	31,025
Depreciation and amortization	180	229	351	432
Total DD&A (\$)	13,475	16,263	25,429	31,457
Per boe (\$)	19.43	19.60	19.37	19.43

CAPITAL EXPENDITURES

Net capital expenditures for the three months ended June 30, 2025 and June 30, 2024 consisted of the following:

(\$000s)	For the three months ended		For the six months ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Drilling	511	5,231	9,994	24,638
Completions	49	1,093	7,741	10,321
Facilities and well equipment	1,417	2,830	7,777	12,789
Land	197	1,653	304	1,789
Other	314	211	313	478
TOTAL NET CAPITAL EXPENDITURES ⁽¹⁾	2,488	11,018	26,129	50,015

(1) Non-GAAP measure, see page 14 for details.

The second quarter is typically a low drilling and completion capital expenditures quarter due to breakup and weather conditions. During the three months ended June 30, 2025, the Company drilled nil gross (nil net) Viking wells and completed and brought on production nil gross (nil net) Viking wells. During the three months ended June 30, 2024, the Company drilled 6 gross (6.0 net) wells (Viking – 6 gross (6.0 net), and completed and brought on production 2 gross (2.0 net) wells (Viking - 2 gross (2.0 net). During 2025 and 2024, the Company continued the expansion of its successful Viking waterflood program in the Provost, Alberta area.

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

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

For the quarter ended	June 30, 2024	Mar. 31, 2024	Dec. 31, 2023	Sept. 30, 2023
Viking - Gross (Net)	2 (2.0)	20 (19.0)	8 (8.0)	16 (16.0)
Heavy - Gross (Net)	0 (0.0)	5 (5.0)	0 (0.0)	0 (0.0)
Total - Gross (Net)	2 (2.0)	25 (24.0)	8 (8.0)	16 (16.0)

DISPOSITIONS

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

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

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

DECOMMISSIONING LIABILITY

At June 30, 2025, the Company estimated a decommissioning liability of \$28.3 million for the future abandonment and reclamation of Karve's properties (December 31, 2024 – \$28.9 million). \$3.0 million is presented as a current liability as management intends to decommission certain wells within the next 12 months and the remaining \$25.3 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 at approximately \$187.6 million (\$110.7 million undiscounted, uninflated) (December 31, 2024 - \$186.4 million and \$110.1 million, respectively), which will be incurred over the remaining life of the assets between 2025 and 2065. The estimated future cash flows have been discounted using a credit adjusted rate of 10% (December 31, 2024 – 10%) and an inflation rate of 2% (December 31, 2024 – 2%).

SHARE CAPITAL

On April 1, 2025, the Board of Directors authorized a substantial issuer bid pursuant to which the Company offered to purchase for cancellation up to \$15.0 million of its common shares from its shareholders for cash (the "Offer"). The Offer was for a maximum of up to 30,000,000 common shares or approximately 21.3% of Karve's total issued and outstanding common shares. Under the offer, which expired on May 13, 2025, the Company cancelled 8.4 million common shares at the price of \$0.60 per common share, representing an aggregate purchase price of \$5.0 million. Payment and settlement of the common shares occurred on May 28, 2025.

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

(\$000s except for share amounts)	Number	Amount
Common Shares		
BALANCE AT DECEMBER 31, 2023	140,529,665	154,894
Issued on exercise of stock options	400,000	146
Allocation of contributed surplus - exercise of options	-	246
Return of capital	-	(21,139)
BALANCE AT DECEMBER 31, 2024	140,929,665	134,147
Substantial issue bid	(8,385,915)	(5,032)
BALANCE AT JUNE 30, 2025	132,543,750	129,115

SUPPLEMENTARY QUARTERLY INFORMATION

	June 30, 2025	Mar. 31, 2025	Dec. 31, 2024	Sept. 30, 2024
Petroleum and natural gas sales	39,649	41,442	48,825	53,593
Funds flow from operations ⁽¹⁾	14,582	17,199	21,052	25,053
Adjusted funds flow from operations ⁽¹⁾	16,142	17,667	22,590	25,668
Net income and comprehensive income	1,722	3,882	(19,342)	6,058
Income per share - basic (\$)	0.01	0.03	(0.13)	0.04
Income per share - diluted (\$)	0.01	0.03	(0.11)	0.04
AVERAGE SALES VOLUMES				
Oil (bbl/d)	4,898	4,477	5,379	5,747
Natural gas liquids (bbl/d)	296	254	310	362
Natural gas (Mcf/d)	14,565	12,920	15,424	16,819
TOTAL PRODUCTION (BOE/d)	7,622	6,884	8,260	8,912
AVERAGE BENCHMARK PRICES				
Crude oil - WTI (\$US/bbl)	63.74	71.42	70.27	75.13
Crude oil - Canadian light sweet (\$CDN/bbl)	86.11	94.99	92.69	98.43
Crude oil - WCS (\$CDN/bbl)	74.89	87.32	81.32	84.93
Natural gas - AECO-C spot (\$CDN/mcf)	1.74	2.13	1.48	0.70
Exchange Rate - (\$US/\$CAD)	0.72	0.70	0.72	0.73
FIELD NETBACK (\$/BOE)				
Revenue	57.17	66.89	64.26	65.36
Royalties	(6.91)	(8.18)	(7.77)	(8.66)
Operating expense	(21.78)	(22.83)	(22.33)	(20.27)
Transportation expense	(1.95)	(1.83)	(1.96)	(2.66)
FIELD NETBACK (\$/BOE) ⁽¹⁾	26.53	34.05	32.20	33.77
General and administration	(4.34)	(5.21)	(3.53)	(3.02)
Other income	1.14	1.02	2.24	1.14
Transaction costs	-	-	(0.33)	-
Interest expense	(0.60)	(0.52)	(0.55)	(0.58)
Realized hedging	0.54	(0.82)	(0.30)	-
CASHFLOW NETBACK (\$/BOE) ⁽¹⁾	23.27	28.52	29.73	31.31

(1) Non-GAAP measure, see page 14 for details.

For the quarter ended (\$000s)	June 30, 2024	Mar. 31, 2024	Dec. 31, 2023	Sept. 30, 2023
Petroleum and natural gas sales	57,443	50,095	57,707	62,069
Funds flow from operations ⁽¹⁾	27,582	23,253	31,328	33,352
Adjusted funds flow from operations ⁽¹⁾	28,705	24,308	31,493	34,989
Net income and comprehensive income	8,947	5,495	21,448	13,290
Income per share - basic (\$)	0.06	0.04	0.16	0.09
Income per share - diluted (\$)	0.05	0.03	0.13	0.09
AVERAGE SALES VOLUMES				
Oil (bbl/d)	5,832	5,553	5,911	5,773
Natural gas liquids (bbl/d)	335	312	357	345
Natural gas (Mcf/d)	17,712	16,824	17,375	16,139
TOTAL PRODUCTION (BOE/d)	9,119	8,669	9,164	8,808
AVERAGE BENCHMARK PRICES				
Crude oil - WTI (\$US/bbl)	80.57	76.96	78.32	82.26
Crude oil - Canadian light sweet (\$CDN/bbl)	105.97	95.45	97.55	107.29
Crude oil - WCS (\$CDN/bbl)	91.54	77.81	76.86	93.19
Natural gas - AECO-C spot (\$CDN/mcf)	1.18	2.18	2.30	2.61
Exchange Rate - (\$US/\$CAD)	0.73	0.74	0.74	0.75
FIELD NETBACK (\$/BOE)				
Revenue	69.23	63.50	68.45	76.60
Royalties	(8.34)	(7.52)	(8.97)	(9.05)
Operating expense	(20.90)	(20.80)	(19.26)	(20.70)
Transportation expense	(2.00)	(1.71)	(1.58)	(1.67)
FIELD NETBACK (\$/BOE) ⁽¹⁾	37.99	33.47	38.64	45.18
General and administration	(3.44)	(3.24)	(3.54)	(3.09)
Other income	1.09	1.12	3.22	1.63
Interest expense	(0.83)	(0.54)	(0.68)	(0.64)
Realized hedging	(0.22)	-	(0.29)	0.08
CASHFLOW NETBACK (\$/BOE) ⁽¹⁾	34.59	30.81	37.35	43.16

(1) Non-GAAP measure, see page 14 for details.

NET INCOME SUMMARY

(\$000s, except per boe amounts)	For the three months ended		For the three months ended	
	June 30, 2025		June 30, 2024	
	\$	\$/boe	\$	\$/boe
Petroleum and natural gas sales	39,649	57.17	57,443	69.23
Royalties	(4,793)	(6.91)	(6,922)	(8.34)
NET REVENUE	34,856	50.26	50,521	60.89
Other income	792	1.14	903	1.09
Loss on financial derivative contracts	1,630	2.35	(40)	(0.05)
TOTAL REVENUE AND OTHER INCOME	37,278	53.75	51,384	61.93
Operating	15,107	21.78	17,344	20.90
Transportation	1,355	1.95	1,658	2.00
General and administration	3,012	4.34	2,852	3.44
Financing	496	0.72	751	0.91
Depletion, depreciation and amortization	13,475	19.43	16,263	19.60
Accretion	723	1.04	664	0.80
Share-based compensation	378	0.55	564	0.68
Exploration and evaluation - expiries	365	0.53	31	0.04
INCOME FROM OPERATIONS BEFORE TAXES	2,367	3.41	11,257	13.56
Deferred income tax expense	645	0.93	2,310	2.78
NET INCOME AND COMPREHENSIVE INCOME	1,722	2.48	8,947	10.78

CAPITAL RESOURCES AND LIQUIDITY

EQUITY

The Company is authorized to issue an unlimited number of common shares and preferred shares. As at June 30, 2025, there were 132,543,750 common shares outstanding (December 31, 2024 – 140,929,665).

As at August 12, 2025, the date of this MD&A, there were 132,543,750 common shares, 14,092,760 stock options and 27,351,500 performance warrants outstanding.

LIQUIDITY

The Company relies on operating cash flows, debt, and equity issuances to fund its capital requirements and provide liquidity. From time to time, the Company may access capital markets to 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 June 30, 2025, the Company remains in compliance with all terms of our Credit Facility and based on current available information, management expects to comply with all terms during the subsequent 12-month period.

OFF BALANCE SHEET ARRANGEMENTS

The Company has treated some leases as operating leases whereby the lease payments are included in operating expenses or general and administrative expenses depending on the nature of the lease. No asset or liability value has been assigned to these leases on the consolidated statement of financial position as at June 30, 2025.

BUSINESS RISKS

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

In 2025, the government of the United States of America has announced tariffs on goods imported from Canada, including a potential 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 three months ended		For the six months ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Cash flow from continuing operations	15,212	26,552	34,846	47,040
Change in non-cash working capital from operating activities	(630)	1,030	(3,065)	3,795
FUNDS FLOW FROM OPERATIONS	14,582	27,582	31,781	50,835
Decommissioning expenditures	1,560	1,123	2,028	2,178
ADJUSTED FUNDS FLOW FROM OPERATIONS	16,142	28,705	33,809	53,013

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:

(\$000s)	As at	As at
	June 30, 2025	Dec. 31, 2024
Long term debt	14,630	-
Total current assets	(20,454)	(24,289)
Trade and other payables	16,703	17,361
Operating loan	2,991	-
Return of capital payable	-	21,139
NET DEBT	13,870	14,211

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

(\$000s)	For the three months ended		For the six months ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Cash flow used for investing activities	10,891	17,676	26,447	48,570
Change in non-cash working capital	(8,403)	(6,658)	(318)	1,445
TOTAL NET CAPITAL EXPENDITURES	2,488	11,018	26,129	50,015

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
2900, 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
Craig Golinowski
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