MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED

SEPTEMBER 30, 2022 and SEPTEMBER 30, 2021

LETTER TO OUR SHAREHOLDERS November 10, 2022

Dear Shareholder:

We are pleased to update you on Karve's progress since our August 10, 2022 letter to shareholders.

In the third quarter of 2022, the Company recorded adjusted funds flow from operations of $32.7 million which is an increase of 33% over the third quarter of 2021. The Company's field operating netback increased 42% to $53.21 per boe for the three months ended September 30, 2022, compared to $37.46 for the three months ended September 31, 2021.

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

Karve's average production was 8,239 boe/d in the third quarter of 2022, which is an increase of 12% over the third quarter of 2021. In the third quarter of 2022, the Company drilled 27 gross (27.0 net) new horizontal wells which were brought on throughout the quarter and into October 2022. Total capital expenditures (excluding dispositions) were $36.0 million for the three months ended September 30, 2022 compared to $27.2 million for the third quarter of 2022. Since November 2016, the Company has drilled a total of 355 gross (349.3 net) and completed and brought on 348 gross (343.3 net) horizontal Viking wells. The Company's current production is approximately 8,500 boe/d.

Based on current commodity prices, Karve is planning a 2022 capital expenditure program of between $105.0 to $112.0 million. The capital program consists of approximately $79.0 to $81.0 million to drill 77 gross (76.8 net) wells and complete 69 gross (68.8 net) horizontal Viking oil wells, $17.0 to $20.0 million on facilities, $7.0 to $8.0 million on waterflood, and $2.0 to $3.0 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. Based on the above capital expenditure program, Karve expects to exit 2022 with approximately 9,200 – 9,500 boe/d of production.

The Company also announces the resignation of Mr. Shane Helwer as Vice President, Finance and Chief Financial Officer of the Company. Karve would like to thank Mr. Helwer for his contributions to the Company over the past 6 years since its inception and wishes him well in his future endeavors. Ms. Jennifer Giblin has been promoted to Vice President, Finance. Ms. Giblin joined Karve in 2017 and most recently served as the Director, Finance & Accounting. Ms. Giblin is a Chartered Professional Accountant with over 15 years of management, accounting and finance experience in the oil and gas industry.

Enclosed are the Karve Energy Inc. unaudited interim consolidated financial statements and MD&A for the three and nine months ended September 30, 2022. 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, 2022 to September 30, 2022. It is dated November 10, 2022 and should be read in conjunction with the unaudited consolidated financial statements for the three and nine months ended September 30, 2022 and the audited consolidated financial statements for the year ended December 31, 2021. Both statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The MD&A contains non-generally accepted accounting principles ("non-GAAP") measures and forward-looking statements and readers are cautioned that the MD&A should be read in conjunction with Karve's disclosure under "Non-GAAP Measurements" and "Forward-Looking Information and Statements" included at the end of this MD&A. All amounts are in Canadian dollars unless otherwise noted.

DESCRIPTION OF THE COMPANY

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

OPERATIONAL AND FINANCIAL SUMMARY

	For the three month ended		For the nine months ended	
FINANCIAL *(Canadian $000, except per share and per boe amounts)*	Sept. 30, 2022	Sept. 30, 2021	Sept. 30, 2022	Sept. 30, 2021
Net income	22,713	30,769	58,779	28,339
Per share - basic	0.16	0.22	0.42	0.20
Per share - diluted	0.15	0.21	0.38	0.19
Funds flow from operations (1)	32,062	23,709	118,995	43,270
Per share - basic (1)	0.23	0.17	0.85	0.31
Per share - diluted (1)	0.21	0.16	0.76	0.30
Adjusted funds flow from operations (1)	32,700	24,532	120,289	45,225
Per share - basic (1)	0.23	0.17	0.86	0.32
Per share - diluted (1)	0.21	0.17	0.77	0.31
Capital expenditures	36,026	27,211	75,671	45,487
Net (dispositions)	-	(34,095)	-	(34,095)
Total net capital expenditures	36,026	(6,884)	75,671	11,392
Net debt (1)	(24,158)	(22,661)	(24,158)	(22,661)
Total assets	422,985	371,280	422,985	371,280
Shares outstanding, weighted average (000s)	140,530	140,530	140,530	140,530
Shares outstanding, end of period (000s)	140,530	140,530	140,530	140,530
OPERATIONAL				
Sales volumes				
Oil (bbl/d)	5,477	4,683	5,738	4,370
NGLs (bbl/d)	359	310	336	275
Natural gas (mcf/d)	14,417	13,988	14,653	13,495
Total (boe/d)	**8,239**	**7,324**	**8,516**	**6,894**
Average sales prices (excluding hedging gains and losses)				
Oil ($/bbl)	113.08	79.88	119.35	72.30
NGLs ($/bbl)	81.17	60.10	87.00	53.95
Natural gas ($/mcf)	4.27	3.24	5.38	3.09
Boe basis ($/boe)	**86.18**	**59.81**	**93.10**	**54.03**
Field netback ($/boe excluding hedging gains and losses)				
Sales price	86.18	59.81	93.10	54.03
Royalties	(11.40)	(5.06)	(10.99)	(4.46)
Operating expense	(20.41)	(16.33)	(17.99)	(18.19)
Transportation expense	(1.16)	(0.96)	(1.14)	(0.95)
Field netback (1)	**53.21**	**37.46**	**62.98**	**30.43**

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

SALES VOLUMES

Sales volumes averaged 8,239 boe/d during the three months ended September 30, 2022 compared to 7,324 boe/d for the three months ended September 30, 2021. The increase in sales volumes from the three months ended September 30, 2021 is due 67 new gross wells (66.8 net) being added to production from October 1, 2021 to September 30, 2022.

	For the three month ended		For the nine months ended	
	Sept. 30, 2022	Sept. 30, 2021	Sept. 30, 2022	Sept. 30, 2021
Sales volumes				
Oil (bbl/d)	5,477	4,683	5,738	4,370
NGLs (bbl/d)	359	310	336	275
Natural gas (mcf/d)	14,417	13,988	14,653	13,495
Total (boe/d)	**8,239**	**7,324**	**8,516**	**6,894**

SALES PRICES AND REVENUE

For the three months ended September 30, 2022, the Company generated total revenue of $65.3 million (three months ended September 30, 2021 - $40.3 million) on average sales volumes of 8,239 boe/d. Revenue is shown before transportation expenses. The average sales price per boe for the three months ended September 30, 2022 was $86.18 compared to $59.81 for the three months ended September 30, 2021. The increase in revenue period over period is due to the substantial increase in average oil and natural gas sales prices combined with the increase in sales volumes.

	For the three month ended		For the nine months ended	
KARVE AVERAGE REALIZED PRICE (1)	Sept. 30, 2022	Sept. 30, 2021	Sept. 30, 2022	Sept. 30, 2021
Revenue ($000s)	65,320	40,303	216,443	101,682
Oil ($/bbl)	113.08	79.88	119.35	72.30
NGLs ($/bbl)	81.17	60.10	87.00	53.95
Natural gas ($/mcf)	4.27	3.24	5.38	3.09
Karve realized price ($/boe)	**86.18**	**59.81**	**93.10**	**54.03**
AVERAGE BENCHMARK PRICES (2)				
Crude oil - WTI ($US/bbl)	91.56	70.56	98.09	64.82
Crude oil - Canadian light sweet ($CDN/bbl)	116.77	84.18	123.59	76.37
Natural gas - AECO-C spot ($CDN/mcf)	4.46	3.59	5.49	3.27
Exchange Rate - ($US/$CAD)	0.77	0.79	0.78	0.80

(1) Excludes hedging gains and losses.

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

DERIVATIVE CONTRACTS

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

At September 30, 2022, the Company had the following commodity contracts in place:

Type	Term	Basis (1)	Volume (Bbl/d)	Fixed Swap Price ($CAD/Bbl)	Current Liability ($000s)
Fixed price swap	Jan. 1/22 - Dec. 31/22	WTI	500	82.75	(1,162)
Fixed price swap	Jan. 1/22 - Dec. 31/22	WTI	500	83.25	(1,140)
Fixed price swap	Jan. 1/22 - Dec. 31/22	WTI	500	85.50	(1,036)
Fixed price swap	Jan. 1/22 - Dec. 31/22	WTI	500	85.50	(1,040)
TOTAL VOLUME AND WEIGHTED AVERAGE PRICE			**2,000**	**84.25**	**(4,378)**

(1) Nymex WTI monthly average in $CAD.

At September 30, 2022 the fair value of the financial derivative contracts was a current liability position of $4.4 million resulting in an unrealized gain of $11.2 million for the three months ended September 30, 2022 (December 31, 2021 - $5.2 million current liability). 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 September 30, 2022 and may be different from what will eventually be realized. Assuming all other variables remain constant, a $5.00 USD increase in WTI would result in an unrealized gain of $10.2 million for the three months ended September 30, 2022 and a derivative liability of $5.4 million; and a $5.00 USD decrease in WTI would result in an unrealized gain of $12.2 million for the three months ended September 30, 2022 and a derivative liability of $3.4 million.

As at November 9, 2022 the fair value of the financial derivative contracts was a current derivative liability position of $6.0 million.

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

	For the three month ended		For the nine months ended	
($000s)	Sept. 30, 2022	Sept. 30, 2021	Sept. 30, 2022	Sept. 30, 2021
Unrealized gain (loss) on financial derivative contracts	11,183	(3,827)	834	(2,008)
Realized (loss) on financial derivative contracts	(6,497)	(363)	(22,707)	(9,970)
GAIN (LOSS) ON FINANCIAL DERIVATIVE CONTRACTS	**4,686**	**(4,190)**	**(21,873)**	**(11,978)**

The Company recognized a realized loss of $6.5 million for the three months ended September 30, 2022 (three months ended September 30, 2021 - $363,000) due to the increase in oil prices.

ROYALTIES

	For the three month ended		For the nine months ended	
($000s, except per boe amounts)	Sept. 30, 2022	Sept. 30, 2021	Sept. 30, 2022	Sept. 30, 2021
Royalties	8,641	3,409	25,542	8,392
Royalties as a % of revenue	13.2%	8.5%	11.8%	8.3%
Per boe ($)	11.40	5.06	10.99	4.46

Royalties include crown, freehold and gross overriding royalties. Royalty expense for the three months ended September 30, 2022 was $8.6 million ($11.40 per boe) compared to $3.4 million ($5.06 per boe) for the three months ended September 30, 2021. For the three months ended September 30, 2022, the Company's royalty rate was 13.2% of revenues (three months ended September 30, 2021 – 8.5%). The increase in royalties is primarily due to wells coming off royalty holiday and higher average commodity prices during the three months ended September 30, 2022 compared to the three months ended September 30, 2021.

OPERATING EXPENSE

	For the three month ended		For the nine months ended	
($000s, except per boe amounts)	Sept. 30, 2022	Sept. 30, 2021	Sept. 30, 2022	Sept. 30, 2021
Operating expense	15,466	11,001	41,827	34,234
Per boe ($)	20.41	16.33	17.99	18.19

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 $15.5 million ($20.41 per boe) during the three months ended September 30, 2022 and $11.0 million ($16.33 per boe) during the three months ended September 30, 2021. The increase in operating expenses per boe is primarily due to the inflationary environment, significant increases in electricity costs due to high Alberta power prices and an increase in workover expenses.

TRANSPORTATION EXPENSE

	For the three month ended		For the nine months ended	
($000s, except per boe amounts)	Sept. 30, 2022	Sept. 30, 2021	Sept. 30, 2022	Sept. 30, 2021
Transportation expense	876	647	2,640	1,787
Per boe ($)	1.16	0.96	1.14	0.95

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 $876,000 ($1.16 per boe) during the three months ended September 30, 2022 and $647,000 ($0.96 per boe) for the three months ended September 30, 2021. This increase in transportation expense period over period is primarily due to higher production 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:

	For the three month ended Sept. 30, 2022		For the three month ended Sept. 30, 2021	
($000s, except per boe amounts)	$	$/boe	$	$/boe
Revenue	65,320	86.18	40,303	59.81
Royalties	(8,641)	(11.40)	(3,409)	(5.06)
Operating expense	(15,466)	(20.41)	(11,001)	(16.33)
Transportation expense	(876)	(1.16)	(647)	(0.96)
FIELD NETBACK ($) [(1)]	**40,337**	**53.21**	**25,246**	**37.46**

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

	For the nine months ended Sept. 30, 2022		For the nine months ended Sept. 30, 2021	
($000s, except per boe amounts)	$	$/boe	$	$/boe
Revenue	216,443	93.10	101,682	54.03
Royalties	(25,542)	(10.99)	(8,392)	(4.46)
Operating expense	(41,827)	(17.99)	(34,234)	(18.19)
Transportation expense	(2,640)	(1.14)	(1,787)	(0.95)
FIELD NETBACK ($) [(1)]	**146,434**	**62.98**	**57,269**	**30.43**

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

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

OTHER INCOME

	For the three month ended		For the nine months ended	
($000s, except per boe amounts)	Sept. 30, 2022	Sept. 30, 2021	Sept. 30, 2022	Sept. 30, 2021
Royalty income	72	857	216	3,072
Processing fee income	1,264	985	3,392	2,533
Other	35	74	174	158
Total other income	1,371	1,916	3,782	5,763
Per boe ($)	1.81	2.84	1.63	3.06

Other income for the three months ended September 30, 2022 was $1.4 million ($1.81 per boe) and $1.9 million ($2.84 per boe) for the three months ended September 30, 2021. The other income streams from third parties relate to processing fee income, royalty income, and other income.

Royalty income relates to freehold royalties, gross overriding royalties, royalties paid to the Company on fee title lands, and net profit interests. On August 25, 2021, the Company closed a divestiture of the majority of its royalty income assets for net proceeds of $34.1 million (after closing adjustments), resulting in a decrease in royalty income period over period. See Page 9 – Dispositions.

Processing fee income relates to the Company processing third party oil and gas volumes through Karve owned and operated facilities. The increase in processing fee income for the three months ended September 30, 2022 compared to the three months ended September 30, 2021 is primarily due to higher 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 September 30, 2022 and September 30, 2021:

	For the three month ended		For the nine months ended	
($000s, except per boe amounts)	Sept. 30, 2022	Sept. 30, 2021	Sept. 30, 2022	Sept. 30, 2021
Staff and consulting costs	2,265	1,737	6,135	5,736
Professional fees	136	114	550	300
Office and rent costs	415	297	1,064	995
Other	315	264	957	738
General and administration expense (gross)	3,131	2,412	8,706	7,769
Capitalized G&A and overhead recovery	(815)	(698)	(1,939)	(1,510)
Lease liability reclassfication	(79)	-	(219)	(164)
General and administration expense (net)	2,237	1,714	6,548	6,095
Per boe ($)	2.95	2.54	2.82	3.24

General and administrative expenses (net) for the three months ended September 30, 2022 were $2.2 million ($2.95 per boe) and $1.7 million ($2.54 per boe) for the three months ended September 30, 2021. This increase is due to additional administration from higher capital expenditures and production during 2022.

OPERATING LOAN AND LONG TERM DEBT

As at September 30, 2022, the Company had secured bank credit facilities of $55.0 million, comprised of a $48.0 million Credit Facility and a $7.0 million operating loan. The Credit Facility is a committed 364 days + 1 year and extendible upon agreement annually and is shown as long term debt on the Company's balance sheet. Amounts outstanding on the operating loan are shown as a current liability. The Credit Facility and operating loan incur interest based on the applicable Canadian prime rate or Banker's Acceptance rate plus between 1.75% and 4.75% depending on the type of borrowing and the Corporation's debt to EBITDA ratio. The Company is also subject to a standby fee of 0.6875% to 1.1875% based on the Corporation's debt to EBITDA ratio. The next annual review date is May 2023.

As at September 30, 2022, $19.9 million (net of unamortized debt issue costs) was drawn on the Credit Facility (December 31, 2021 - $26.8 million, net of unamortized debt issue costs) and $nil was drawn on the operating loan (December 31, 2021 - $nil).

The Company has issued letters of credit of $951,000 as at September 30, 2022 (December 31, 2021 - $951,000), thereby reducing the available bank credit facility by this amount.

Long term debt as at September 30, 2022 and December 31, 2021 is as follows:

	As at	As at
($000s)	Sept. 30, 2022	Dec. 31, 2021
Credit Facility	20,000	27,000
Less: unamortized debt issue costs	(138)	(177)
LONG TERM DEBT	**19,862**	**26,823**

Financing expense for the three months ended September 30, 2022 and 2021 is comprised of the following:

	For the three month ended		For the nine months ended	
($000s)	Sept. 30, 2022	Sept. 30, 2021	Sept. 30, 2022	Sept. 30, 2021
Credit facility interest and charges	204	507	486	1,678
Operating loan interest and charges	71	31	207	55
Amortization of debt issue costs	25	39	111	89
Interest on lease liability	8	10	23	27
FINANCING EXPENSES	**308**	**587**	**827**	**1,849**

For the nine months ended September 30, 2022, the effective interest rate on the credit facility was 7.1% (nine months ended September 30, 2021 – 4.4%). As at September 30, 2022 the Company is in compliance with all covenants.

KARVE ENERGY INC

SHARE-BASED COMPENSATION EXPENSE

($000s, except per boe amounts)	For the three month ended Sept. 30, 2022	Sept. 30, 2021	For the nine months ended Sept. 30, 2022	Sept. 30, 2021
Share-based compensation - options	161	340	489	1,063
Share-based compensation - performance warrants	53	319	419	985
Share-based compensation expense	214	659	908	2,048
Per boe ($)	0.28	0.98	0.39	1.09

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 September 30, 2022 was $161,000 (three months ended September 30, 2021 – 340,000) and SBC expense related to performance warrants for the three months ended September 30, 2022 was $53,000 (three months ended September 30, 2021 - $319,000) using the graded vesting method. There were no stock options or performance warrants exercised during the three months ended September 30, 2022 or 2021.

As at September 30, 2022, 13,952,760 stock options and 31,831,500 performance warrants were outstanding. The weighted average exercise price of stock options and performance warrants outstanding was $1.47 per option and $2.51 per warrant. The weighted average exercise prices have been adjusted due to the $0.35 per share return of capital distribution paid on July 29, 2022. The weighted average fair value of stock options and performance warrants outstanding was $0.87 per option and $0.47 per warrant.

At September 30, 2022, 12,197,745 stock options were exercisable and subject to the terms of the performance warrants, 6,460,000 performance warrants were exercisable.

DEPLETION, DEPRECIATION AND AMORTIZATION

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

During the three months ended September 30, 2022, DD&A expense increased to $13.4 million ($17.69 per boe) from $11.7 million ($17.43 per boe) during the three months ended September 30, 2021. This increase is due to the increase in period over period production.

($000s, except per boe amounts)	For the three month ended Sept. 30, 2022	Sept. 30, 2021	For the nine months ended Sept. 30, 2022	Sept. 30, 2021
Depletion	13,310	11,648	40,644	32,650
Depreciation and amortization	94	95	284	323
Total DD&A ($)	13,404	11,743	40,928	32,973
Per boe ($)	17.69	17.43	17.60	17.52

CAPITAL EXPENDITURES

Additions to property, plant and equipment for the three months ended September 30, 2022 consisted of the following:

($000s)	For the three month ended Sept. 30, 2022	Sept. 30, 2021	For the nine months ended Sept. 30, 2022	Sept. 30, 2021
Drilling	13,637	11,974	26,322	20,240
Completions	10,886	9,701	20,455	14,193
Facilities and well equipment	11,417	5,418	28,269	10,576
Land	86	109	625	438
Dispositions	-	(34,095)	-	(34,095)
Other	-	9	-	40
TOTAL NET CAPITAL EXPENDITURES (1)	**36,026**	**(6,884)**	**75,671**	**11,392**

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

During the three months ended September 30, 2022, the Company drilled 27 gross (27.0 net) and completed and brought on production 25 gross (25.0 net) horizontal Viking wells. During the three months ended September 30, 2021, the Company drilled 29 gross (29.0 net) wells and completed and brought on production 28 gross (28.0 net) horizontal Viking wells. During 2021 and 2022, the Company continued the expansion of its waterflood program.

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

For the quarter ended	Sept. 30, 2022	Jun. 30, 2022	Mar. 31, 2022	Dec. 31, 2021
Drilled - Gross (Net) (1)	27 (27.0)	4 (4.0)	19 (18.9)	19 (18.9)
Completed - Gross (Net)	25 (25.0)	0 (0.0)	24 (23.8)	18 (18.0)
On production - Gross (Net)	25 (25.0)	0 (0.0)	24 (23.8)	18 (18.0)

For the quarter ended	Sept. 30, 2021	Jun. 30, 2021	Mar. 31, 2021	Dec. 31, 2020
Drilled - Gross (Net)	29 (29.0)	4 (4.0)	10 (9.9)	5 (4.9)
Completed - Gross (Net)	28 (28.0)	0 (0.0)	10 (9.9)	5 (4.9)
On production - Gross (Net)	28 (28.0)	0 (0.0)	10 (9.9)	5 (4.9)

(1) Not included in the above table are 2 water source wells and 3 other wells drilled in 2021 (2020 - 1 other well drilled)

Since November 2016, the Company drilled a total of 355 gross (349.3 net) and completed and brought on 348 gross (343.3 net) horizontal Viking wells on production.

DISPOSITIONS

On August 25, 2021, the Company sold of a majority of its royalty income assets for net proceeds of $34.1 million (after closing adjustments). The disposition was effective July 1, 2021. Transaction costs related to the disposition totalled $429,000. The disposed assets included 275 gross sections of fee title lands and 130 gross sections of gross overriding royalty ("GORR") lands excluding fee title and GORR lands within the Karve core Viking properties. The annualized fee income associated with the disposed assets based on income from the first six months of 2021 was approximately $4.4 million (disposition transacted at approximately an 8 times cash flow multiple). The estimated carrying value of the assets disposed and gain on disposition are summarized below:

($000s)	
Property, plant and equipment	777
CARRYING VALUE OF NET ASSETS DISPOSED	**777**
CASH PROCEEDS, AFTER CLOSING ADJUSTMENTS	34,095
GAIN ON DISPOSITION	**33,318**

DECOMMISSIONING LIABILITY

At September 30, 2022, the Company estimated a decommissioning liability of $20.6 million for the future abandonment and reclamation of Karve's properties (December 31, 2021 – $20.9 million). $4.1 million is presented as a current liability as management intends to decommission certain wells within the next 12 months and the remaining $16.5 million of estimated decommissioning liability is presented as a long-term liability.

The estimated decommissioning liability includes assumptions in respect of actual costs to abandon wells and reclaim the property, the time frame in which such costs will be incurred as well as annual inflation factors in order to calculate the discounted total future liability. The Company estimates its total undiscounted amount of cash flows required to settle its decommissioning liability is approximately $183.3 million ($102.3 million undiscounted, uninflated) (December 31, 2021 - $180.4 million and $101.4 million, respectively), which will be incurred over the remaining life of the assets with the costs to be incurred between 2022 and 2065. The estimated future cash flows have been discounted using a credit adjusted rate of 11% (December 31, 2021 – 11%) and an inflation rate of 2% (December 31, 2021 – 2%).

On May 1, 2020, the Alberta Department of Energy initiated the Site Rehabilitation Program ("SRP") whereby it will provide funding in the form of grant payments to the oil field services sector to abandon and/or reclaim upstream oil and gas infrastructure. Pursuant to the SRP, the Company was approved for up to $5.8 million in SRP funding. To date the Company has recognized $3.9 million in SRP funding (December 31, 2021 - $3.1 million).

SHARE CAPITAL

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

($000s except for share amounts)	Number	Amount
Common Shares		
BALANCE AT DECEMBER 31, 2020, and 2021	**140,529,665**	**225,158**
Return of capital	-	**(49,185)**
BALANCE AT SEPTEMBER 30, 2022	**140,529,665**	**175,973**

SUPPLEMENTARY QUARTERLY INFORMATION

For the quarter ended ($000s)	Sept. 30, 2022	June 30, 2022	Mar. 31, 2022	Dec. 31, 2021
Petroleum and natural gas sales	65,320	84,799	66,324	51,918
Funds flow from operations (1)	32,062	48,370	38,563	30,018
Adjusted funds flow from operations (1)	32,700	48,620	38,969	30,339
Net income and comprehensive income	22,713	27,238	8,828	10,761
Income per share - basic ($)	0.16	0.19	0.06	0.07
Income per share - diluted ($)	0.15	0.18	0.06	0.07
AVERAGE SALES VOLUMES				
Oil (bbl/d)	5,477	5,930	5,811	5,395
Natural gas liquids (bbl/d)	359	360	288	295
Natural gas (Mcf/d)	14,417	15,263	14,277	13,874
TOTAL PRODUCTION (BOE/d)	**8,239**	**8,834**	**8,479**	**8,002**
AVERAGE BENCHMARK PRICES				
Crude oil - WTI ($US/bbl)	91.56	108.41	94.29	77.19
Crude oil - Canadian light sweet ($CDN/bbl)	116.77	136.35	117.66	92.14
Natural gas - AECO-C spot ($CDN/mcf)	4.46	7.26	4.77	4.74
Exchange Rate - ($US/$CAD)	0.77	0.78	0.79	0.79
FIELD NETBACK ($/BOE)				
Revenue	86.18	105.50	86.91	70.52
Royalties	(11.40)	(12.66)	(8.81)	(6.24)
Operating expense	(20.41)	(17.14)	(16.49)	(16.44)
Transportation expense	(1.16)	(1.15)	(1.10)	(0.97)
FIELD NETBACK ($/BOE) (1)	**53.21**	**74.55**	**60.51**	**46.87**
General and administration	(2.95)	(3.28)	(2.20)	(4.79)
Other income	1.81	1.70	1.39	1.52
Interest expense	(0.36)	(0.22)	(0.31)	(0.43)
Realized hedging	(8.57)	(12.27)	(8.32)	(1.96)
CASHFLOW NETBACK ($/BOE) (1)	**43.14**	**60.48**	**51.07**	**41.21**

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

For the quarter ended ($000s)	Sept. 30, 2021	Jun. 30, 2021	Mar. 31, 2021	Dec. 31, 2020
Petroleum and natural gas sales	40,303	33,844	27,535	23,521
Funds flow from operations (1)	23,709	11,485	8,076	7,786
Adjusted funds flow from operations (1)	24,532	12,147	8,546	7,883
Net income (loss) and comprehensive income (loss)	30,769	2,408	(4,838)	(10,086)
Income (loss) per share - basic ($)	0.22	0.02	(0.03)	(0.07)
Income (loss) per share - diluted ($)	0.21	0.02	(0.03)	(0.07)
AVERAGE SALES VOLUMES				
Oil (bbl/d)	4,683	4,300	4,120	4,539
Natural gas liquids (bbl/d)	310	285	229	292
Natural gas (Mcf/d)	13,988	13,788	12,695	14,095
TOTAL PRODUCTION (BOE/d)	**7,324**	**6,883**	**6,465**	**7,180**
AVERAGE BENCHMARK PRICES				
Crude oil - WTI ($US/bbl)	70.56	66.03	57.84	42.66
Crude oil - Canadian light sweet ($CDN/bbl)	84.18	76.29	68.62	49.17
Natural gas - AECO-C spot ($CDN/mcf)	3.59	3.07	3.13	2.65
Exchange Rate - ($US/$CAD)	0.79	0.81	0.79	0.77
FIELD NETBACK ($/BOE)				
Revenue	59.81	54.03	47.32	35.61
Royalties	(5.06)	(4.60)	(3.61)	(2.59)
Operating expense	(16.33)	(19.38)	(19.06)	(17.79)
Transportation expense	(0.96)	(1.01)	(0.87)	(1.04)
FIELD NETBACK ($/BOE) (1)	**37.46**	**29.04**	**23.78**	**14.19**
General and administration	(2.54)	(2.97)	(4.33)	(2.07)
Other income	2.84	3.63	2.70	2.36
Interest expense	(0.80)	(0.98)	(1.01)	(0.91)
Realized hedging	(0.54)	(9.33)	(6.46)	(1.64)
CASHFLOW NETBACK ($/BOE) (1)	**36.42**	**19.39**	**14.68**	**11.93**

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

NET INCOME SUMMARY

	For the three months ended Sept. 30, 2022		For the three months ended Sept. 30, 2021	
($000s, except per boe amounts)	$	$/boe	$	$/boe
Petroleum and natural gas sales	65,320	86.18	40,303	59.81
Royalties	(8,641)	(11.40)	(3,409)	(5.06)
NET REVENUE	**56,679**	**74.78**	**36,894**	**54.75**
Other income	1,371	1.81	1,916	2.84
Gain (Loss) on financial derivative contracts	4,686	6.18	(4,190)	(6.22)
Gain on disposition of property, plant and equipment	-	-	33,318	49.45
TOTAL REVENUE AND OTHER INCOME	**62,736**	**82.77**	**67,938**	**100.82**
Operating	15,466	20.41	11,001	16.33
Transportation	876	1.16	647	0.96
General and administration	2,237	2.95	1,714	2.54
Financing	308	0.41	587	0.87
Depletion, depreciation and amortization	13,405	17.69	11,743	17.43
Accretion	575	0.76	596	0.88
Share-based compensation	214	0.28	659	0.98
Exploration and evaluation - expiries	113	0.14	601	0.89
Transaction costs	-	-	429	0.64
INCOME FROM OPERATIONS BEFORE TAXES	**29,542**	**38.97**	**39,961**	**59.30**
Deferred income tax expense	6,829	9.00	9,192	13.64
NET INCOME AND COMPREHENSIVE INCOME	**22,713**	**29.97**	**30,769**	**45.66**

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Future minimum payments under operating leases and pipeline transportation agreements as at September 30, 2022 are as follows:

($000s)	2022	2023	Total
Operating leases	26	78	104
Pipeline transportation	248	1,005	1,253
TOTAL COMMITMENTS	**274**	**1,083**	**1,357**

CAPITAL RESOURCES AND LIQUIDITY

EQUITY

The Company is authorized to issue an unlimited number of common shares and preferred shares. As at September 30, 2022, there were 140,529,665 common shares outstanding (December 31, 2021 – 140,529,665).

As at November 10, 2022, the date of this MD&A, there were 140,529,665 common shares, 13,952,760 stock options and 31,831,500 performance warrants outstanding.

LIQUIDITY

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

At September 30, 2022, the Company remains in compliance with all terms of our Credit Facility and based on current available information, management expects to comply with all terms during the subsequent 12-month period.

OFF BALANCE SHEET ARRANGEMENTS

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

The Company has treated some leases as operating leases whereby the lease payments are included in operating expenses or general and administrative expenses depending on the nature of the lease. No asset or liability value has been assigned to these leases on the consolidated statement of financial position as at September 30, 2022.

FORWARD-LOOKING INFORMATION AND STATEMENTS

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

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

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

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

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

BARRELS OF OIL EQUIVALENT

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

NON-GAAP MEASUREMENTS

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

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

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

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

	For the three month ended		For the nine months ended	
($000s)	Sept. 30, 2022	Sept. 30, 2021	Sept. 30, 2022	Sept. 30, 2021
Cash flow used for investing activities	28,835	(12,301)	59,320	1,977
Property, plant and equipment dispositions	-	34,095	-	34,095
Change in non-cash working capital	7,191	5,417	16,351	9,415
TOTAL NET CAPITAL EXPENDITURES	**36,026**	**27,211**	**75,671**	**45,487**

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

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

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

	As at	As at
($000s)	Sept. 30, 2022	Dec. 31, 2021
Long term debt	19,862	26,823
Total current assets	(31,473)	(28,523)
Trade and other payables	35,769	19,647
NET DEBT	**24,158**	**17,947**

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

	For the three month ended		For the nine months ended	
($000s)	Sept. 30, 2022	Sept. 30, 2021	Sept. 30, 2022	Sept. 30, 2021
Cash flow used for investing activities	28,835	(12,301)	59,320	1,977
Property, plant and equipment dispositions	-	34,095	-	34,095
Change in non-cash working capital	7,191	5,417	16,351	9,415
TOTAL NET CAPITAL EXPENDITURES	**36,026**	**27,211**	**75,671**	**45,487**

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

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Independent Businessman

James (Pep) Lough[A C]
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Jennifer Giblin
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