kiwetinohk energy

Condensed Consolidated Interim Financial Statements

As at and for the three months ended
March 31, 2025

Condensed Consolidated Interim Balance Sheet

(Expressed in thousands of Canadian dollars, unaudited)

	Note	March 31, 2025	December 31, 2024
Assets			
Current			
Accounts receivable	14	**64,889**	60,181
Prepaid expenses and deposits		**7,776**	7,827
Inventory		**—**	315
		72,665	68,323
Prepaid expenses and deposits	15	**8,000**	—
Property, plant, and equipment	3	**1,173,706**	1,134,859
Project development costs	4	**12,652**	12,393
Total assets		**1,267,023**	1,215,575
Liabilities			
Current			
Accounts payable and accrued liabilities		**67,118**	75,859
Share based compensation liability	12	**6,174**	4,260
Risk management contracts	14	**36,379**	20,900
Lease liabilities	5	**4,683**	4,683
Asset retirement obligations	9	**5,592**	6,383
		119,946	112,085
Share based compensation liability	12	**5,573**	4,177
Risk management contracts	14	**9,625**	11,326
Lease liabilities	5	**29,947**	29,720
Asset retirement obligations	9	**81,308**	82,255
Loans and borrowings	7	**223,937**	249,902
Deferred tax liability		**26,290**	11,072
Total liabilities		**496,626**	500,537
Equity			
Shareholders’ capital	11	**436,579**	436,477
Contributed surplus		**37,197**	36,859
Retained earnings		**296,621**	241,702
Total equity		**770,397**	715,038
Total liabilities and equity		**1,267,023**	1,215,575
Commitments and contingencies	10		

See the accompanying notes to the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Net Income and Comprehensive Income

(Expressed in thousands of Canadian dollars except per share amounts, unaudited)

For the three months ended March 31,	Note	2025	2024
Revenue			
Commodity sales from production	6	**168,392**	119,662
Commodity sales from purchases	6	**16,105**	15,983
Royalty expense		**(10,363)**	(9,067)
Revenue, net of royalties		**174,134**	126,578
Other income			
Unrealized loss on risk management	14	**(13,778)**	(15,140)
Realized (loss) gain on risk management	14	**(7,958)**	3,135
Other income		**1,753**	821
Gain on disposition	15	**25,322**	—
Total revenue and other income		**179,473**	115,394
Expenses			
Operating		**15,248**	17,625
Transportation		**15,059**	11,539
Commodity purchases, transportation and other		**9,778**	15,473
Exploration, evaluation and other		**105**	121
General and administrative		**7,265**	6,090
Depletion and depreciation	3	**51,408**	42,226
Finance costs	13	**6,375**	5,665
Share-based compensation	12	**3,685**	2,079
Project development	4	**293**	—
Transaction costs		**120**	—
Total expenses		**109,336**	100,818
Net income before income taxes		**70,137**	14,576
Income tax expense			
Deferred		**15,218**	3,484
Total income tax expense		**15,218**	3,484
Net income and comprehensive income		**54,919**	11,092
Net income per share			
Basic	8	**$1.25**	$0.25
Diluted	8	**$1.23**	$0.25

See the accompanying notes to the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Changes in Equity

(Expressed in thousands of Canadian dollars, unaudited)

For the three months ended March 31,	Note	2025	2024
Shareholders' equity			
Shareholders' capital			
Balance, beginning of period		**436,477**	434,615
Issuance of share capital	11	**102**	—
Balance, end of period		**436,579**	434,615
Contributed surplus			
Balance, beginning of period		**36,859**	34,950
Share-based compensation	12	**375**	809
Stock options exercised	11	**(37)**	—
Balance, end of period		**37,197**	35,759
Retained earnings			
Balance, beginning of period		**241,702**	240,637
Net income and comprehensive income		**54,919**	11,092
Balance, end of period		**296,621**	251,729
Total shareholders' equity		**770,397**	722,103

See the accompanying notes to the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Cash Flows

(Expressed in thousands of Canadian dollars, unaudited)

For the three months ended March 31,	Note	2025	2024
Cash flows related to the following activities:			
Operating			
Net income		**54,919**	11,092
Adjustments for non-cash items:			
Share-based compensation	12	**3,685**	2,079
Depletion and depreciation	3	**51,408**	42,226
Unrealized loss on risk management	14	**13,778**	15,140
Accretion expense	9,13	**919**	859
Interest on lease obligations	13	**715**	537
Deferred financing amortization	13	**194**	161
Unrealized loss (gain) on foreign exchange	13	**248**	(554)
Gain on disposition	15	**(25,322)**	—
Deferred tax expense		**15,218**	3,484
Net change in non-cash working capital	15	**(2,922)**	704
Asset retirement obligation expenditures	9	**(2,523)**	(545)
Cash flows from operating activities		**110,317**	75,183
Investing			
Property, plant and equipment	3	**(86,117)**	(74,594)
Project development costs	4	**(259)**	(1,195)
Power connection process payment	15	**(8,000)**	(985)
Proceeds from disposition	15	**21,050**	21
Net change in non-cash working capital	15	**(10,057)**	7,470
Cash flows used in investing activities		**(83,383)**	(69,283)
Financing			
Issuance of common shares	11	**65**	—
Decrease in loans and borrowings	7	**(26,159)**	(10,000)
Payment of lease obligations	5	**(488)**	(391)
Cash flows used in financing activities		**(26,582)**	(10,391)
Effect of foreign exchange on cash		**(352)**	(2)
Decrease in cash		**—**	(4,493)
Cash, beginning of period		**—**	5,054
Cash, end of period		**—**	561
Cash finance costs paid		**4,382**	4,557

See the accompanying notes to the condensed consolidated interim financial statements.

1. Nature and description of the company

Kiwetinohk Energy Corp. ("Kiwetinohk" or the "Company") is a corporation formed on September 22, 2021, pursuant to the Canada Business Corporations Act. Kiwetinohk's common shares trade on the Toronto Stock Exchange under the symbol KEC.

Kiwetinohk produces natural gas, natural gas liquids, oil and condensate and is a developer of renewable and natural gas power projects, and early-stage carbon capture and storage opportunities, in Alberta.

The registered office of the Company is located at Suite 1700, 250–2nd Street SW, Calgary, AB, T2P 0C1.

2. Basis of presentation

These unaudited condensed consolidated interim financial statements (the "financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, using accounting policies consistent with IFRS® Accounting Standards, as issued by the IAS Standards Board ("IASB®"). These financial statements are condensed as they do not include the information required by IFRS® for annual financial statements and therefore should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2024.

The financial statements have been prepared using historical costs on a going concern basis and have been presented in Canadian dollars.

The financial statements were authorized for issue by the Company's Board of Directors on May 6, 2025.

Changes to significant accounting policies

With the exception of newly issued accounting policies in effect as of January 1, 2025 as noted below, the Company has applied the same accounting policies in the financial statements as were used for the Company's audited financial statements for the year ended December 31, 2024.

New accounting policies

IAS 21 The Effects of Changes in Foreign Exchange Rates

Effective January 1, 2025, amendments require entities to apply a consistent approach in assessing whether a currency can be exchanged into another currency and, when it cannot, in determining the exchange rate to use and the disclosures to provide. This did not have a material impact on the Company's financial statements.

(All figures expressed in thousands of Canadian dollars, unless otherwise stated)

3. Property, plant and equipment ("PP&E") assets

	Development and production	Office furniture and equipment	Right of use assets	Total
Cost				
Balance at December 31, 2023	1,163,322	1,274	27,458	1,192,054
Additions	337,215	348	—	337,563
Change in decommissioning asset	2,786	—	—	2,786
Lease remeasurement	—	—	8,844	8,844
Disposition of assets	(318)	—	—	(318)
Balance at December 31, 2024	1,503,005	1,622	36,302	1,540,929
Additions	85,957	160	—	86,117
Change in decommissioning asset	4,188	—	—	4,188
Disposition of assets	(50)	—	—	(50)
Balance at March 31, 2025	**1,593,100**	**1,782**	**36,302**	**1,631,184**
Accumulated depletion and depreciation				
Balance, December 31, 2023	(233,893)	(961)	(3,666)	(238,520)
Depletion and depreciation	(165,475)	(196)	(1,879)	(167,550)
Balance at December 31, 2024	(399,368)	(1,157)	(5,545)	(406,070)
Depletion and depreciation	(50,867)	(55)	(486)	(51,408)
Balance at March 31, 2025	**(450,235)**	**(1,212)**	**(6,031)**	**(457,478)**
Net book value				
At December 31, 2024	1,103,637	465	30,757	1,134,859
At March 31, 2025	**1,142,865**	**570**	**30,271**	**1,173,706**

Future development costs of $3.1 billion, inclusive of estimated abandonment and reclamation costs, were included in the depletion calculation during the three months ended March 31, 2025 (December 31, 2024 - $3.2 billion). For the three months ended March 31, 2025, the Company capitalized $1.0 million of general and administrative expenses directly to PP&E (December 31, 2024 - $3.3 million).

At March 31, 2025, there were no indicators of impairment identified (December 31, 2024 - no indicators).

4. Project development costs

	March 31, 2025	December 31, 2024
Cost		
Balance, beginning of period	**12,393**	35,292
Additions	**259**	5,448
Impairment	**—**	(28,347)
Balance, end of period	**12,652**	12,393

During the three months ended March 31, 2025, the Company did not capitalize any general and administrative expenses directly to project development costs (December 31, 2024 - $0.6 million).

(All figures expressed in thousands of Canadian dollars, unless otherwise stated)

In the prior year, the Company recorded an impairment expense of $28.3 million on all power development projects within the portfolio, with the exception of Homestead solar, in response to government policy and regulatory uncertainty at the time. Project development costs of $12.7 million as at March 31, 2025 relate entirely to the Homestead solar project. There were no impairment indicators as at March 31, 2025.

5. Lease obligations

	March 31, 2025	December 31, 2024
Balance, beginning of period	**34,403**	26,525
Accretion of lease liabilities	**715**	2,240
Lease payments	**(488)**	(3,206)
Lease remeasurement	**—**	8,844
Balance, end of period	**34,630**	34,403
Classification of lease obligations:		
Current liability	**4,683**	4,683
Long-term liability	**29,947**	29,720
Balance, end of period	**34,630**	34,403

The Company has lease liabilities for contracts related to office space held until August 31, 2031 and for lands for the Homestead Solar project for a period of 35 years. The Company recognizes discounted lease payments at the inception of the lease using a weighted average incremental borrowing rate at such time.

In the prior year, the Company modified the Homestead project leases to set the rent structure and any applicable rate increases for an amended lease term from 25 to 35 years, providing economic certainty in development models. Expected lease payments for the Homestead solar project were discounted at a weighted average incremental borrowing rate of 8.5% resulting in an incremental lease liability and a corresponding right-of-use asset at the time of modification. The Company has the ability to terminate the Homestead lease upon providing notice to landowner's and satisfaction of certain reclamation requirements.

6. Revenue

For the three months ended March 31,	**2025**	2024
Oil & condensate	**92,700**	71,019
NGLs	**19,473**	17,097
Natural gas	**56,219**	31,546
Commodity sales from production	**168,392**	119,662
Commodity sales from purchases	**16,105**	15,983
Total revenue	**184,497**	135,645

(All figures expressed in thousands of Canadian dollars, unless otherwise stated)

7. Loans and borrowings

Senior Secured Extendible Revolving Facility (“Credit Facility”)

On May 27, 2024 the Company completed the annual borrowing base review of the consolidated Credit Facility and increased the borrowing base from $375.0 million to $400.0 million. The borrowing base is comprised of an operating facility of $65.0 million and a syndicated facility of $335.0 million. The Credit Facility is a 364-day committed facility available on a revolving basis which was extended until May 31, 2025, at which time it may be extended at the lenders’ option. If the revolving period is not extended, the undrawn portion of the Credit Facility will be cancelled and the amount outstanding would be required to be repaid at the end of the non-revolving term, being May 31, 2026. The borrowing base is determined based on the lenders’ evaluation of the Company’s petroleum and natural gas reserves at the time and commodity prices.

Interest payable on amounts drawn under the Credit Facility is charged at the prevailing bankers’ acceptance rate plus the applicable stamping fees, lenders’ prime rate or U.S. base rate plus the applicable margins, depending on the form of borrowing by the Company. The applicable margins and stamping fees are based on a sliding scale pricing grid tied to the ratio of the Company’s debt to earnings before interest, taxes, depreciation and amortization ("bank EBITDA ratio"). Applicable margins over the bank’s prime rate or U.S. base rate range from 1.75 percent to 5.25 percent and stamping fees applicable to the relevant Canadian Overnight Repo Rate Average ("CORRA") rate range from 2.75 percent to 6.25 percent. The undrawn portion of the Credit Facility is subject to standby fees ranging from 0.6875 percent to 1.5625 percent based on the Company’s bank EBITDA ratio.

The Credit Facility is secured by a $1.0 billion demand floating charge debenture and a general security agreement over all recourse assets of the Company. At March 31, 2025, the Company had letters of credit outstanding of $61.3 million (December 31, 2024 - $70.0 million) of which, $39.6 million had been provided for through the EDC facility (see below), and the remaining $21.7 million were issued under the Credit Facility and reduce the available operating facility capacity. At March 31, 2025, the Company has $153.4 million of capacity available under the Credit Facility (December 31, 2024 - $127.0 million).

The Company is not subject to any financial covenants under the Credit Facility.

	March 31, 2025	December 31, 2024
Credit facility drawn	**224,843**	251,002
Deferred financing costs	**(906)**	(1,100)
Balance, end of period	**223,937**	249,902

EDC Letter of Credit Facility

On May 27, 2024, Kiwetinohk amended and increased the unsecured demand revolving letter of credit facility (the "LC Facility") with Export Development Canada ("EDC") from $75.0 million to $125.0 million. Kiwetinohk’s obligations under the LC Facility are supported by a performance security guarantee ("PSG") granted by EDC to the Credit Facility lender to guarantee the payment of certain amounts in respect of letters of credit. The PSG is valid to May 31, 2025 and may be extended from time-to-time at the option of Kiwetinohk and with the agreement of EDC. The Company expects to renew the PSG in May 2025 concurrently with its annual borrowing base review of the consolidated Credit Facility. At March 31, 2025, the Company has $85.4 million of capacity remaining under the LC Facility (December 31, 2024 - $77.0 million).

(All figures expressed in thousands of Canadian dollars, unless otherwise stated)

8. Weighted average shares

For the three months ended March 31,	2025	2024
Basic weighted average shares	**43,785**	43,663
Effect of dilutive instruments	**1,039**	216
Diluted weighted average shares	**44,823**	43,879

9. Asset retirement obligations

	Asset Retirement Obligations	Onerous Contract	Total
Balance at December 31, 2023	82,299	—	82,299
Liabilities incurred	3,384	4,531	7,915
Expenditures	(4,479)	(268)	(4,747)
Changes in estimate	(598)	63	(535)
Accretion expense	3,637	69	3,706
Dispositions	—	—	—
Balance at December 31, 2024	84,243	4,395	88,638
Liabilities incurred	767	—	767
Expenditures	(2,450)	(73)	(2,523)
Changes in estimate	3,421	—	3,421
Accretion expense	919	—	919
Dispositions	—	(4,322)	(4,322)
Balance at March 31, 2025	**86,900**	**—**	**86,900**

	2025	2024
Current liability	**5,592**	6,383
Long-term liability	**81,308**	82,255
Balance, end of period	**86,900**	88,638

Asset Retirement Obligations

The Company’s asset retirement obligations ("ARO") result from its ownership in oil and natural gas assets, including well sites, facilities and gathering systems. The Company estimates the total future cash flows to settle its ARO is $115.1 million, or $178.3 million inflated at 1.86% (December 31, 2024 – 1.82%) and undiscounted. These cash flows have been discounted using a long-term risk-free interest rate of 3.23% (December 31, 2024 – 3.33%) to arrive at the present value estimate of $86.9 million. The Company expects these obligations to be settled over one to forty-two years.

Onerous Contracts

In the prior year, the Company recognized a provision related to an onerous contract to transport and offload natural gas from the Nova Gas Transmission Ltd. pipeline system for use at its Opal gas-fired peaking project. On February 4, 2025, the Company sold its Opal project and assigned all future tolling obligations under the contract and removed the provision. No liability remains as at March 31, 2025 (December 31, 2024 - $4.4 million). See Note 15.

10. Commitments and contingencies

$ millions	2025	2026	2027	2028	2029	Thereafter
Gathering, processing and transport	56.6	62.7	39.0	39.1	39.0	71.2
Natural gas purchases	11.6	—	—	—	—	—
Upstream and corporate lease liabilities	1.7	2.2	2.2	2.2	2.2	3.9
Power lease liabilities [1]	2.5	1.5	1.5	1.8	1.8	75.6
Other	—	0.4	0.4	0.4	0.4	—
Total	72.4	66.8	43.1	43.5	43.4	150.7

1 - The Company has not reached a final investment decision ("FID") on power projects as of the date hereof. The Company has the ability to terminate the lease and remove this financial obligation if FID is not achieved.

The Company currently has 29.7 MMcf/d of natural gas transportation commitments on the Nova Gas Transmission Ltd. to March 2031. In addition, the Company holds a commitment to deliver approximately 120.0 MMcf/d of gas to Chicago on Alliance. The Company has extended its commitment on the US segment of the Alliance Pipeline until October 31, 2032, with anticipated toll renewals on the Canadian segment of the Alliance Pipeline for evergreen one-year terms starting November 1, 2025, with a longer term expectation of renewing for the full-term committed to on the US segment pending a review of tolls on the Canadian segment by the Canadian Energy Regulator. The Company has entered into various gas purchase agreements to fill the underutilized portion of the Alliance pipeline through October 2025.

Lease liabilities represent the undiscounted payments required under lease obligations as described in Note 5.

The Company is involved in litigation and disputes arising in the normal course of operations. Management is of the opinion that any potential litigation will not have a material adverse impact on the Company's financial position or results of operations as at March 31, 2025.

11. Shareholders' capital

The Company is authorized to issue an unlimited number of voting common shares and an unlimited number of preferred shares issuable in series.

$000s, except share amounts	Number	$
Common shares:		
Balance, December 31, 2023	43,662,644	434,615
Equity compensation exercises	119,104	1,862
Balance, December 31, 2024	43,781,748	436,477
Equity compensation exercises	5,028	102
Repurchase of shares for cancellation	—	—
Balance, March 31, 2025	**43,786,776**	**436,579**

On December 19, 2024, the Company renewed its normal course issuer bid ("NCIB"), allowing the Company to purchase and cancel up to 2,188,237 Common Shares prior to December 22, 2025. The Company did not purchase any shares under the NCIB program for the three months ended March 31, 2025. No shares were repurchased during the 2024 year.

(All figures expressed in thousands of Canadian dollars, unless otherwise stated)

12. Share-based compensation plans

Equity-settled incentive plans

Stock Options

The following table summarizes the changes in stock options outstanding and related weighted average exercise prices of stock options outstanding:

	Number of options	Weighted average exercise price ($)
Outstanding, December 31, 2023	2,768,069	10.68
Granted	203,887	13.55
Exercised	(134,751)	10.01
Forfeited	(10,403)	12.30
Outstanding, December 31, 2024	2,826,802	10.92
Granted	395	16.01
Exercised	(5,028)	12.87
Forfeited	(10,985)	13.85
Outstanding, March 31, 2025	**2,811,184**	**10.91**

A summary of the inputs used to value stock options granted is as follows:

	March 31, 2025	December 31, 2024
Risk-free interest rate	**2.88 %**	2.89 %
Expected life (years)	**7.0**	7.0
Expected volatility [1]	**54 %**	52 %
Expected dividend rate	**— %**	— %
Expected forfeiture rate	**4 %**	3 %
Weighted average fair value	**$9.15**	$7.53

1 – Kiwetinohk has estimated the expected volatility over the life of the option based on a peer group average for intermediate oil and gas and power companies.

Performance Warrants

The following table summarizes the changes in performance warrants outstanding and related weighted average exercise prices of performance warrants outstanding:

	Number of performance warrants	Weighted average exercise price ($)
Outstanding, December 31, 2023	6,779,255	20.00
Exercised	(2,000)	15.00
Forfeited	(193,860)	20.05
Outstanding, December 31, 2024	6,583,395	20.00
Outstanding, March 31, 2025	6,583,395	20.00

(All figures expressed in thousands of Canadian dollars, unless otherwise stated)

Cash-settled incentive plans

The following table summarizes the changes in the deferred share unit ("DSU"), performance share unit ("PSU"), and restricted share unit ("RSU") awards:

(Number of awards)	DSUs	PSUs	RSUs
Outstanding, December 31, 2023	102,753	223,202	309,778
Granted	49,849	209,038	279,576
Settled	(7,224)	(86,400)	(121,399)
Forfeited	—	(3,261)	(6,091)
Outstanding, December 31, 2024	145,378	342,579	461,864
Granted	16,668	—	906
Forfeited	—	(6,790)	(15,264)
Outstanding, March 31, 2025	162,046	335,789	447,506

The following table summarizes the change in compensation liability relating to awards:

	DSUs	PSUs	RSUs
Balance, December 31, 2023	1,168	656	1,380
Change in accrued compensation liability	667	2,246	2,104
Granted	658	1,377	1,168
Settled	(115)	(1,165)	(1,601)
Forfeited	—	(37)	(69)
Balance, December 31, 2024	2,378	3,077	2,982
Change in accrued compensation liability	82	1,982	1,296
Granted	282	—	2
Forfeited	—	(111)	(223)
Balance, March 31, 2025	2,742	4,948	4,057

The following table summarizes the composition of the compensation liability as at:

	March 31, 2025	December 31, 2024
Current liability	**6,174**	4,260
Long-term liability	**5,573**	4,177
Balance, end of period	**11,747**	8,437

The following table summarizes the total share-based compensation expense relating to equity-settled and cash-settled awards:

For the three months ended March 31,	2025	2024
Equity-settled awards	**375**	809
Cash-settled awards	**3,310**	1,270
Share-based compensation expense	**3,685**	2,079

(All figures expressed in thousands of Canadian dollars, unless otherwise stated)

13. Finance costs

For the three months ended March 31,	2025	2024
Interest and bank charges	**4,299**	4,662
Accretion expense	**919**	859
Interest on lease obligations	**715**	537
Deferred financing amortization	**194**	161
Unrealized loss (gain) on foreign exchange	**248**	(554)
Finance costs	**6,375**	5,665

14. Financial instruments and risk management

The Company's financial instruments recognized on the condensed consolidated balance sheet include accounts receivable, prepaid expenses and deposits, accounts payable and accrued liabilities, lease liabilities, share based compensation liability, loans and borrowings, and risk management contracts.

Financial instruments carried at fair value include share based compensation liability and risk management contracts. Share based compensation liability and risk management contracts are classified as a Level 2 measurement in the fair value measurement hierarchy. All other financial instruments are measured at amortized cost.

With respect to risk management contracts, which are derivative financial instruments, management has elected not to use hedge accounting and consequently records the fair value of its natural gas, crude oil, foreign exchange and basis differential contracts on the condensed consolidated interim balance sheet at each reporting period with the change in the fair value of the financial contracts being classified as unrealized gains and losses in the condensed consolidated interim statement of net income and comprehensive income.

The carrying value of accounts receivable, prepaid expenses and deposits, accounts payable and accrued liabilities approximate fair value due to their short terms to maturity. Loans and borrowings approximate their fair value due to the use of floating rates. Lease liabilities have a carrying value that does not significantly differ compared to fair value.

The nature of financial instruments exposes the Company to credit risk, liquidity risk, and market risk.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligation. The Company is exposed to credit risk with respect to its accounts receivable and risk management contracts.

The Company's risk management contracts are held with large established financial institutions. The Company manages credit risk by ensuring transactions are only entered into with counterparties with strong credit worthiness and regular internal reviews are performed on the Company's exposure to these counterparties, the majority of which is short-term.

The Company's maximum exposure to credit risk is as follows:

(All figures expressed in thousands of Canadian dollars, unless otherwise stated)

	March 31, 2025	December 31, 2024
Commodity sales from production and marketing	**59,514**	55,280
Government related filings	**3,639**	3,758
Joint venture	**1,242**	999
Other	**494**	144
Total accounts receivable	**64,889**	60,181
Total exposure	**64,889**	60,181

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company operates in a capital-intensive industry with medium to long-term cash cycles. The Company may face lengthy development lead times, as well as risks associated with rising capital costs and timing of project completion because of the availability of resources, permits and other factors beyond its control. The Company regularly monitors its cash requirements by assessing its ability to generate cash flow from operations, access to external financing, debt obligations as they become due, and its expected future operating and capital expenditure requirements. The Company may adjust planned capital expenditures to manage liquidity risk as required.

The Company's expected cash outflows relating to financial liabilities at March 31, 2025 are as follows:

$ millions	**2025**	**2026**	**2027**	**2028**	**2029**	**Thereafter**
Accounts payable	67.1	—	—	—	—	—
Cash-settled compensation liability[1]	6.1	2.2	0.7	—	—	2.7
Loans and borrowings[2]	—	224.8	—	—	—	—
Risk management contracts	34.7	10.9	0.4	—	—	—
Upstream and Corporate lease liabilities	1.7	2.2	2.2	2.2	2.2	3.9
Power lease liabilities[3]	2.5	1.5	1.5	1.8	1.8	75.6
Total	112.1	241.6	4.8	4.0	4.0	82.2

1 – Cash outflows relating to the DSU cash-settled compensation liability will be paid when each director retires. The Company has no available information to estimate the year of cash outflow and therefore the entirety of the DSU expected outflow has been assigned to "Thereafter".
2 – Assumes the outstanding debt on the Credit Facility as of March 31, 2025 is repaid on the facility's maturity date.
3 – The Company has not reached a final investment decision ("FID") on power projects as of March 31, 2025. The Company has the ability to terminate the lease and remove this financial obligation if FID is not achieved.

Market risk

Market risk is the risk that fluctuations in market prices, such as foreign exchange rates, commodity prices, and interest rates will affect the Company's condensed consolidated interim statement of net income and comprehensive income to the extent the Company has outstanding financial instruments.

Commodity price risk and foreign currency risk

The nature of the Company's operations result in exposure to fluctuations in commodity prices. Additionally, the Company is exposed to foreign currency fluctuations as crude oil and natural gas prices are referenced in U.S. dollar denominated prices. The demand for energy including petroleum and natural gas sales is generally linked to economic activities. A slowdown in economic growth, an economic downturn or recession, or other adverse economic or political developments in North America or globally, could result in a significant adverse effect on global financial markets which could in turn cause commodity price and foreign currency fluctuations which could negatively impact the Company's operations and cash flows.

(All figures expressed in thousands of Canadian dollars, unless otherwise stated)

Management continuously monitors commodity prices and foreign exchange rates and may from time to time enter into risk management contracts to manage exposure to these risks in accordance with Board approved risk management guidelines.

The Company has the following commodity risk management contracts outstanding at March 31, 2025:

Type		Q2 2025	Q3 2025	Q4 2025	2026	2027	2028
Crude oil [1]							
WTI swap	bbl/d	1,250	1,167	1,000	750	188	—
WTI buy put	bbl/d	4,083	3,583	3,333	2,000	104	—
WTI sell call	bbl/d	4,083	3,583	3,333	2,000	104	—
Sell Ft Sask C5 differential (to WTI)	bbl/d	1,667	—	—	—	—	—
WTI swap average	US$/bbl	$70.69	$70.47	$70.04	$68.72	$66.05	$—
WTI buy put average	US$/bbl	$67.18	$66.79	$66.55	$65.00	$62.22	$—
WTI sell call average	US$/bbl	$75.51	$74.97	$74.74	$72.61	$70.51	$—
Ft Sask C5 differential (to WTI) average	US$/bbl	$(0.57)	$—	$—	$—	$—	$—
Natural gas [1]							
NYMEX Henry Hub buy put	MMBtu/d	67,500	73,333	65,833	51,458	16,667	1,042
NYMEX Henry Hub sell call	MMBtu/d	65,000	70,833	63,333	50,833	16,667	1,042
NYMEX Henry Hub buy put average	US$/MMBtu	$3.31	$3.37	$3.33	$3.25	$3.50	$3.72
NYMEX Henry Hub sell call average	US$/MMBtu	$4.39	$4.52	$4.55	$4.41	$4.63	$5.09
Natural gas transportation [1,2,3]							
Purchase AECO 5A basis (to NYMEX Henry Hub)	MMBtu/d	25,000	25,000	15,000	8,333	—	—
Sell GDD Chicago basis (to NYMEX Henry Hub) [3]	MMBtu/d	(25,000)	(25,000)	(15,000)	(8,333)	—	—
AECO 5A basis (to NYMEX Henry Hub) average	US$/MMBtu	$(1.36)	$(1.36)	$(1.91)	$(1.82)	$—	$—
GDD Chicago basis (to NYMEX Henry Hub) average [3]	US$/MMBtu	$(0.08)	$(0.08)	$(0.14)	$(0.15)	$—	$—

1 – Prices per unit and volumes per day are represented at the average amounts for the period.
2 – Natural gas transportation hedges relate to exposure to basis pricing differentials between AECO and Chicago arising from firm transportation commitments.
3 – Gas Daily Daily ("GDD") pricing represents the daily natural gas settlement price in Chicago.

(All figures expressed in thousands of Canadian dollars, unless otherwise stated)

The Company has the following foreign exchange risk management contracts outstanding at March 31, 2025:

Type		Q2 2025	Q3 2025	Q4 2025	2026	2027	2028
Foreign exchange [1]							
Sell USD CAD (monthly average)	US$	$12.5 MM	$12.5 MM	$12.5 MM	$— MM	$— MM	$— MM
USD CAD buy put	US$	$10.5 MM	$10.5 MM	$10.5 MM	$15.0 MM	$6.0 MM	$— MM
USD CAD sell call [2]	US$	$10.5 MM	$10.5 MM	$10.5 MM	$19.0 MM	$6.0 MM	$— MM
USD CAD fixed sell rate		$1.35	$1.35	$1.35	$—	$—	$—
USD CAD buy put rate		$1.36	$1.36	$1.36	$1.32	$1.36	$—
USD CAD sell call rate [2]		$1.42	$1.42	$1.42	$1.40	$1.42	$—

1 – Prices per unit and volumes per day are represented at the average amounts for the period.
2 – The Company entered into a collar effective for the 2026 calendar year, included in the above table at $8.0 million per month at a rate of 1.37 USD/CAD. Should the WM/Reuters monthly average drop below 1.4050, the notional amount will drop to $4.0 million at a call rate of 1.405.

Subsequent to March 31, 2025, the Company entered into the following risk management contracts:

Type		Q2 2025	Q3 2025	Q4 2025	2026	2027	2028
Crude oil contracts [1,2]							
WTI buy put	bbl/d	333	500	500	333	83	—
WTI sell call	bbl/d	333	500	500	333	83	—
WTI buy put average	US$/bbl	$55.00	$55.00	$55.00	$51.67	$50.00	$—
WTI sell call average	US$/bbl	$71.30	$71.30	$71.30	$69.17	$68.10	$—
Natural gas [1,2]							
NYMEX Henry Hub buy put	MMBtu/d	—	—	—	—	2,500	625
NYMEX Henry Hub sell call	MMBtu/d	—	—	—	—	2,500	625
NYMEX Henry Hub buy put average	US$/MMBtu	$—	$—	$—	$—	$3.25	$3.25
NYMEX Henry Hub sell call average	US$/MMBtu	$—	$—	$—	$—	$4.65	$4.65

1 – Prices per unit and volumes per day are represented at the average amounts for the period.
2 – Additional contracts were layered into the Company's existing risk management portfolio as part of the Company's risk management policy. The Company does not seek to speculate on commodity price movements through the hedging program.

(All figures expressed in thousands of Canadian dollars, unless otherwise stated)

The Company offsets risk management assets and liabilities if the Company has a legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously. The following table is a summary of the company's risk management position in the condensed consolidated interim Balance Sheet as at March 31, 2025 and the impact of offsetting contracts.

	Gross financial assets (liabilities)	Offsetting contracts	Net financial assets (liabilities) on Balance Sheet
As at December 31, 2024			
Current asset	5,207	(5,207)	—
Long-term asset	3,025	(3,025)	—
Current liability	(26,107)	5,207	(20,900)
Long-term liability	(14,351)	3,025	(11,326)
Net risk management position	(32,226)	—	(32,226)
As at March 31, 2025			
Current asset	6,128	(6,128)	—
Long-term asset	5,083	(5,083)	—
Current liability	(42,507)	6,128	(36,379)
Long-term liability	(14,708)	5,083	(9,625)
Net risk management position	(46,004)	—	(46,004)

A summary of the Company's total loss on risk management contracts for the three months ended March 31, 2025 is as follows:

For the three months ended March 31,	2025	2024
Realized (loss) gain on production	**(480)**	2,672
Realized (loss) gain on purchases	**(3,461)**	1,117
Realized loss on foreign exchange	**(4,017)**	(654)
Total realized gain	**(7,958)**	3,135
Unrealized loss	**(13,778)**	(15,140)
Total loss on risk management	**(21,736)**	(12,005)

Interest rate risk
The Company is exposed to interest rate risk to the extent that changes in floating market interest rates impact interest incurred on its credit facility. The Company does not currently utilize risk management contracts to mitigate interest rate risk.

(All figures expressed in thousands of Canadian dollars, unless otherwise stated)

15. Supplemental cash flow information

Changes in non-cash working capital are as follows:

For the three months ended March 31,	2025	2024
Accounts receivable	**(4,539)**	5,115
Prepaid expenses and deposits	**51**	562
Inventory	**315**	—
Accounts payable and accrued liabilities	**(8,806)**	2,497
Net change in non-cash working capital	**(12,979)**	8,174
Allocated to:		
Operating activities	**(2,922)**	704
Investing activities	**(10,057)**	7,470
Financing activities	**—**	—
Net change in non-cash working capital	**(12,979)**	8,174

On February 4, 2025, the Company closed the sale of its proposed 101-MW Opal natural gas-fired power project for gross proceeds of $21.0 million. The sale included all Opal assets, material contracts, leases and permits relating to the project, including the assignment of the transportation service required to offload natural gas from the Nova Gas Transmission Ltd. pipeline system to the Opal project, previously recognized as an onerous contract in 2024. The Company recorded a gain on disposition of $25.3 million, including the removal of the remaining $4.3 million provision for the onerous contract.

During the three months ended, March 31, 2025, the Homestead Solar project advanced to AESO Stage 5, thereby becoming a fully permitted and licensed project, and required a $8.0 million Generating Unit Owner's Contribution ("GUOC") payment to the Alberta Electric System Operator ("AESO") to maintain the project in Alberta's regulatory queue. This GUOC payment is refundable over time upon energization of the associated project, as such, it has been recorded as a long-term Prepaid Expenses and Deposits.