



Condensed Consolidated Interim Financial Statements

As at and for the three and six months ended
June 30, 2025

Condensed Consolidated Interim Balance Sheet
(Expressed in thousands of Canadian dollars, unaudited)

		As at	
	Note	June 30, 2025	December 31, 2024
Assets			
Current			
Accounts receivable	14	54,995	60,181
Prepaid expenses and deposits		18,657	7,827
Inventory		35	315
Risk management contracts	14	6,896	—
		80,583	68,323
Prepaid expenses and deposits	15	8,000	—
Property, plant, and equipment	3	1,159,957	1,134,859
Project development costs	4	12,755	12,393
Risk management contracts	14	2,733	—
Total assets		1,264,028	1,215,575
Liabilities			
Current			
Accounts payable and accrued liabilities		54,255	75,859
Share based compensation liability	12	10,837	4,260
Risk management contracts	14	2,931	20,900
Lease liabilities	5	4,684	4,683
Asset retirement obligations	9	6,000	6,383
		78,707	112,085
Share based compensation liability	12	8,507	4,177
Risk management contracts	14	631	11,326
Lease liabilities	5	29,973	29,720
Asset retirement obligations	9	69,386	82,255
Loans and borrowings	7	203,053	249,902
Deferred tax liability		41,775	11,072
Total liabilities		432,032	500,537
Equity			
Shareholders' capital	11	437,978	436,477
Contributed surplus		38,097	36,859
Retained earnings		355,921	241,702
Total equity		831,996	715,038
Total liabilities and equity		1,264,028	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 (Loss) and Comprehensive Income (Loss)

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

		For the three months ended June 30,		For the six months ended June 30,	
	Note	2025	2024	2025	2024
Revenue					
Commodity sales from production	6	138,419	105,049	306,811	224,711
Commodity sales from purchases	6	7,434	7,353	23,539	23,336
Royalty expense		(6,353)	(9,470)	(16,716)	(18,537)
Revenue, net of royalties		139,500	102,932	313,634	229,510
Other income					
Unrealized gain (loss) on risk management	14	52,071	(16,820)	38,293	(31,960)
Realized gain (loss) on risk management	14	930	3,542	(7,028)	6,677
Other income		2,577	964	4,330	1,785
Gain on disposition	15	—	—	25,322	—
Total revenue and other income		195,078	90,618	374,551	206,012
Expenses					
Operating		18,190	14,758	33,438	32,383
Transportation		17,336	14,280	32,395	25,819
Commodity purchases, transportation and other		5,401	7,266	15,179	22,739
Exploration, evaluation and other		351	58	456	179
General and administrative		5,889	5,755	13,154	11,845
Depletion and depreciation	3	52,763	40,066	104,171	82,292
Finance costs	13	7,716	6,214	14,091	11,879
Share-based compensation	12	9,036	2,668	12,721	4,747
Project development	4	3,598	—	3,891	—
Project development impairment	4	—	29,222	—	29,222
Provision for onerous contract	9	—	4,531	—	4,531
Transaction costs		—	—	120	—
Total expenses		120,280	124,818	229,616	225,636
Net income (loss) before income taxes		74,798	(34,200)	144,935	(19,624)
Income tax expense (recovery)					
Current		13	7	13	7
Deferred		15,485	(7,669)	30,703	(4,185)
Total income tax expense (recovery)		15,498	(7,662)	30,716	(4,178)
Net income (loss) and comprehensive income (loss)		59,300	(26,538)	114,219	(15,446)
Net income (loss) per share					
Basic	8	\$1.35	\$(0.61)	\$2.61	\$(0.35)
Diluted	8	\$1.32	\$(0.61)	\$2.55	\$(0.35)

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 June 30,		For the six months ended June 30,	
	Note	2025	2024	2025	2024
Shareholders' equity					
Shareholders' capital					
Balance, beginning of period		436,579	434,615	436,477	434,615
Issuance of share capital	11	1,578	136	1,680	136
Repurchases of shares for cancellation	11	(179)	—	(179)	—
Balance, end of period		437,978	434,751	437,978	434,751
Contributed surplus					
Balance, beginning of period		37,197	35,759	36,859	34,950
Share-based compensation	12	1,439	801	1,814	1,610
Stock options exercised	11	(539)	(119)	(576)	(119)
Balance, end of period		38,097	36,441	38,097	36,441
Retained earnings					
Balance, beginning of period		296,621	251,729	241,702	240,637
Net income (loss) and comprehensive income (loss)		59,300	(26,538)	114,219	(15,446)
Balance, end of period		355,921	225,191	355,921	225,191
Total shareholders' equity		831,996	696,383	831,996	696,383

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 June 30,		For the six months ended June 30,	
	Note	2025	2024	2025	2024
Cash flows related to the following activities:					
Operating					
Net income (loss)		59,300	(26,538)	114,219	(15,446)
Adjustments for non-cash items:					
Share-based compensation	12	9,036	2,668	12,721	4,747
Depletion and depreciation	3	52,763	40,066	104,171	82,292
Unrealized (gain) loss on risk management	14	(52,071)	16,820	(38,293)	31,960
Accretion expense	9,13	919	925	1,838	1,784
Interest on lease obligations	13	719	548	1,434	1,085
Deferred financing amortization	13	197	183	391	344
Unrealized loss (gain) on foreign exchange	13	2,030	(119)	2,278	(673)
Project development impairment	4	—	29,222	—	29,222
Provision for onerous contract	9	—	4,531	—	4,531
Gain on disposition	15	—	—	(25,322)	—
Deferred tax expense (recovery)		15,485	(7,669)	30,703	(4,185)
Net change in non-cash working capital	15	(8,217)	969	(11,139)	1,673
Asset retirement obligation expenditures	9	(322)	(374)	(2,845)	(919)
Cash flows from operating activities		79,839	61,232	190,156	136,415
Investing					
Property, plant and equipment	3	(51,125)	(68,243)	(137,242)	(142,837)
Project development costs	4	(103)	(2,196)	(362)	(3,391)
Power connection process payment	15	—	—	(8,000)	(985)
Proceeds from disposition	15	—	—	21,050	21
Net change in non-cash working capital	15	(7,625)	4,387	(17,682)	11,857
Cash flows used in investing activities		(58,853)	(66,052)	(142,236)	(135,335)
Financing					
Issuance of common shares	11	1,039	17	1,104	17
Repurchase of shares for cancellation	11	(179)	—	(179)	—
(Decrease) increase in loans and borrowings	7	(21,081)	4,747	(47,240)	(5,253)
Payment of lease obligations	5	(692)	(485)	(1,180)	(876)
Net change in non-cash working capital	15	—	—	—	—
Cash flows (used in) from financing activities		(20,913)	4,279	(47,495)	(6,112)
Effect of foreign exchange on cash		(73)	(20)	(425)	(22)
Decrease in cash		—	(561)	—	(5,054)
Cash, beginning of period		—	561	—	5,054
Cash, end of period		—	—	—	—
Cash finance costs paid		1,287	4,161	5,669	8,718
Cash taxes paid		13	20	13	20

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

Notes to the Consolidated Financial Statements

For the periods ended June 30, 2025 and 2024

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

1. Nature and description of the company

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

Kiwetinothk produces natural gas, natural gas liquids, oil and condensate from profitable early to mid-life liquids-rich natural gas properties focused in the Montney and Duvernay formations in Alberta, Canada.

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 July 29, 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.

Notes to the Consolidated Financial Statements

For the periods ended June 30, 2025 and 2024

(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	136,999	243	—	137,242
Change in decommissioning asset	(7,923)	—	—	(7,923)
Disposition of assets	(50)	—	—	(50)
Balance at June 30, 2025	1,632,031	1,865	36,302	1,670,198
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	(103,082)	(117)	(972)	(104,171)
Balance at June 30, 2025	(502,450)	(1,274)	(6,517)	(510,241)
Net book value				
At December 31, 2024	1,103,637	465	30,757	1,134,859
At June 30, 2025	1,129,581	591	29,785	1,159,957

Future development costs of \$3.1 billion, inclusive of estimated abandonment and reclamation costs, were included in the depletion calculation during the six months ended June 30, 2025 (December 31, 2024 - \$3.2 billion). For the six months ended June 30, 2025, the Company capitalized \$1.6 million of general and administrative expenses directly to PP&E (December 31, 2024 - \$3.3 million).

At June 30, 2025, there were no indicators of impairment identified (December 31, 2024 - no indicators).

4. Project development costs

	June 30, 2025	December 31, 2024
Cost		
Balance, beginning of period	12,393	35,292
Additions	362	5,448
Impairment	—	(28,347)
Balance, end of period	12,755	12,393

During the six months ended June 30, 2025, the Company did not capitalize any general and administrative expenses directly to project development costs (December 31, 2024 - \$0.6 million).

Notes to the Consolidated Financial Statements

For the periods ended June 30, 2025 and 2024

(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 \$12.8 million as at June 30, 2025 relate entirely to the Homestead solar project. There were no impairment indicators as at June 30, 2025.

5. Lease obligations

	June 30, 2025	December 31, 2024
Balance, beginning of period	34,403	26,525
Accretion of lease liabilities	1,434	2,240
Lease payments	(1,180)	(3,206)
Lease remeasurement	—	8,844
Balance, end of period	34,657	34,403
Classification of lease obligations:		
Current liability	4,684	4,683
Long-term liability	29,973	29,720
Balance, end of period	34,657	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 June 30,		For the six months ended June 30,	
	2025	2024	2025	2024
Oil & condensate	80,914	71,012	173,614	142,031
NGLs	14,910	14,663	34,383	31,760
Natural gas	42,595	19,374	98,814	50,920
Commodity sales from production	138,419	105,049	306,811	224,711
Commodity sales from purchases	7,434	7,353	23,539	23,336
Total revenue	145,853	112,402	330,350	248,047

Notes to the Consolidated Financial Statements

For the periods ended June 30, 2025 and 2024

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

7. Loans and borrowings

Senior Secured Extendible Revolving Facility ("Credit Facility")

On May 30, 2025 the Company completed the annual borrowing base review of the consolidated Credit Facility and confirmed no changes to the borrowing base of \$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, 2026, 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, 2027. 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 June 30, 2025, the Company had letters of credit outstanding of \$59.2 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 \$19.6 million were issued under the Credit Facility and reduce the available operating facility capacity. At June 30, 2025, the Company has \$175.8 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.

	June 30, 2025	December 31, 2024
Credit facility drawn	204,573	251,002
Deferred financing costs	(1,520)	(1,100)
Balance, end of period	203,053	249,902

Notes to the Consolidated Financial Statements

For the periods ended June 30, 2025 and 2024

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

EDC Letter of Credit Facility

On June 12, 2025, the Company amended and decreased the unsecured demand revolving letter of credit facility (the "LC Facility") with Export Development Canada ("EDC") in response to lower anticipated utilization, from \$125.0 million to \$100.0 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, 2026 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 2026 concurrently with its annual borrowing base review of the consolidated Credit Facility. At June 30, 2025, the Company has \$60.4 million of capacity remaining under the LC Facility (December 31, 2024 - \$77.0 million).

8. Weighted average shares

	For the three months ended June 30,		For the six months ended June 30,	
	2025	2024	2025	2024
Basic weighted average shares	43,823	43,667	43,823	43,665
Effect of dilutive instruments	1,045	482	1,038	365
Diluted weighted average shares	44,868	44,149	44,862	44,029

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
Balance at December 31, 2024	84,243	4,395	88,638
Liabilities incurred	1,165	—	1,165
Expenditures	(2,772)	(73)	(2,845)
Changes in estimate	(9,088)	—	(9,088)
Accretion expense	1,838	—	1,838
Dispositions	—	(4,322)	(4,322)
Balance at June 30, 2025	75,386	—	75,386

	2025	2024
Current liability	6,000	6,383
Long-term liability	69,386	82,255
Balance, end of period	75,386	88,638

Notes to the Consolidated Financial Statements

For the periods ended June 30, 2025 and 2024

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

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 \$106.6 million, or \$173.7 million inflated at 1.91% (December 31, 2024 – 1.82%) and undiscounted. These cash flows have been discounted using a long-term risk-free interest rate of 3.56% (December 31, 2024 – 3.33%) to arrive at the present value estimate of \$75.4 million. The Company expects these obligations to be settled over one to forty-eight 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 June 30, 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	37.1	62.7	39.0	39.1	39.0	71.2
Natural gas purchases	3.8	—	—	—	—	—
Upstream and corporate lease liabilities	1.0	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	44.4	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 July 31, 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, and the Canadian segment until October 31, 2026. The Company anticipates a toll extension on the Canadian segment of the Alliance Pipeline for a longer term starting November 1, 2025, with the expectation of aligning with the term committed to on the US segment pending a review and approval 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 June 30, 2025.

Notes to the Consolidated Financial Statements

For the periods ended June 30, 2025 and 2024

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

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	106,290	1,680
Repurchase of shares for cancellation	(8,848)	(179)
Balance, June 30, 2025	43,879,190	437,978

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.

During the six months ended June 30, 2025, the Company purchased 8,848 Common Shares under the NCIB program at a total cost of \$0.2 million (an average of \$20.24 per share). No shares were repurchased during the 2024 year.

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	155,858	20.21
Exercised	(106,290)	10.38
Forfeited	(16,101)	13.76
Outstanding, June 30, 2025	2,860,269	11.43

Notes to the Consolidated Financial Statements

For the periods ended June 30, 2025 and 2024

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

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

	June 30, 2025	December 31, 2024
Risk-free interest rate	3.03 %	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	\$11.65	\$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, June 30, 2025	6,583,395	20.00

On May 21, 2025, an ordinary resolution of shareholders (on a disinterested basis) approving an amendment to the expiry date of certain performance warrants, was approved. On June 26, 2025, the Company finalized the one year extension of 1,999,743 performance warrants that were scheduled to expire on October 3, 2025. The extension represented a modification to the terms of the equity-settled awards after the vesting date, with the incremental fair value of \$1.0 million recognized immediately upon the extension date.

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	30,753	144,928	196,185
Forfeited	—	(6,790)	(15,076)
Outstanding, June 30, 2025	176,131	480,717	642,973

Notes to the Consolidated Financial Statements

For the periods ended June 30, 2025 and 2024

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

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	691	6,167	3,671
Granted	649	23	40
Settled	—	—	—
Forfeited	—	(111)	(223)
Balance, June 30, 2025	3,718	9,156	6,470

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

	June 30, 2025	December 31, 2024
Current liability	10,837	4,260
Long-term liability	8,507	4,177
Balance, end of period	19,344	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 June 30,		For the six months ended June 30,	
	2025	2024	2025	2024
Equity-settled awards	1,439	801	1,814	1,610
Cash-settled awards	7,597	1,867	10,907	3,137
Share-based compensation expense	9,036	2,668	12,721	4,747

13. Finance costs

	For the three months ended June 30,		For the six months ended June 30,	
	2025	2024	2025	2024
Interest and bank charges	3,851	4,677	8,150	9,339
Accretion expense	919	925	1,838	1,784
Interest on lease obligations	719	548	1,434	1,085
Deferred financing amortization	197	183	391	344
Unrealized loss (gain) on foreign exchange	2,030	(119)	2,278	(673)
Finance costs	7,716	6,214	14,091	11,879

Notes to the Consolidated Financial Statements

For the periods ended June 30, 2025 and 2024

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

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 (loss) and comprehensive income (loss).

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:

	June 30, 2025	December 31, 2024
Commodity sales from production and marketing	50,893	55,280
Government related filings	3,141	3,758
Joint venture	746	999
Other	215	144
Total accounts receivable	54,995	60,181
Risk management contracts	6,067	—
Total exposure	61,062	60,181

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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 June 30, 2025 are as follows:

\$ millions	2025	2026	2027	2028	2029	Thereafter
Accounts payable	54.3	—	—	—	—	—
Cash-settled compensation liability ¹	10.8	3.6	1.2	—	—	3.7
Loans and borrowings ²	—	—	204.6	—	—	—
Upstream and Corporate lease liabilities	1.0	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	68.6	7.3	209.5	4.0	4.0	83.2

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 June 30, 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 June 30, 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.

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 policies.

Notes to the Consolidated Financial Statements

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The Company has the following commodity risk management contracts outstanding at June 30, 2025:

Type		Q3 2025	Q4 2025	2026	2027	2028
Crude oil ¹						
WTI swap	bbl/d	1,167	1,000	750	188	—
WTI buy put	bbl/d	5,083	4,833	3,083	1,188	83
WTI sell call	bbl/d	4,083	3,833	2,333	688	—
WTI swap average	US\$/bbl	\$70.47	\$70.04	\$68.72	\$66.05	\$—
WTI buy put average	US\$/bbl	\$63.31	\$62.96	\$61.28	\$53.01	\$55.00
WTI sell call average	US\$/bbl	\$74.52	\$74.29	\$72.19	\$74.08	\$—
Natural gas ¹						
NYMEX Henry Hub buy put	MMBtu/d	75,000	68,333	53,958	24,167	1,667
NYMEX Henry Hub sell call	MMBtu/d	72,500	65,833	53,333	24,167	1,667
NYMEX Henry Hub buy put average	US\$/MMBtu	\$3.37	\$3.33	\$3.25	\$3.45	\$3.52
NYMEX Henry Hub sell call average	US\$/MMBtu	\$4.56	\$4.62	\$4.49	\$4.80	\$4.89
Natural gas transportation ^{1,2,3}						
Purchase AECO 5A basis (to NYMEX Henry Hub)	MMBtu/d	25,000	15,000	8,333	—	—
Sell GDD Chicago basis (to NYMEX Henry Hub) ³	MMBtu/d	(25,000)	(15,000)	(8,333)	—	—
AECO 5A basis (to NYMEX Henry Hub) average	US\$/MMBtu	\$(1.36)	\$(1.91)	\$(2.19)	\$—	\$—
GDD Chicago basis (to NYMEX Henry Hub) average ³	US\$/MMBtu	\$(0.08)	\$(0.14)	\$(0.18)	\$—	\$—

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.

The Company has the following foreign exchange risk management contracts outstanding at June 30, 2025:

Type		Q3 2025	Q4 2025	2026	2027	2028
Foreign exchange ¹						
Sell USD CAD (monthly average)	US\$	\$12.5 MM	\$12.5 MM	\$— MM	\$— MM	\$— MM
USD CAD buy put	US\$	\$10.5 MM	\$10.5 MM	\$15.0 MM	\$10.0 MM	\$— MM
USD CAD sell call ²	US\$	\$10.5 MM	\$10.5 MM	\$19.0 MM	\$10.0 MM	\$— MM
USD CAD fixed sell rate		\$1.35	\$1.35	\$—	\$—	\$—
USD CAD buy put rate		\$1.36	\$1.36	\$1.32	\$1.34	\$—
USD CAD sell call rate ²		\$1.42	\$1.42	\$1.40	\$1.40	\$—

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 1.405, the notional amount will drop to \$4.0 million at a call rate of 1.405.

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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 June 30, 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 June 30, 2025			
Current asset	13,752	(6,856)	6,896
Long-term asset	8,752	(6,019)	2,733
Current liability	(9,786)	6,855	(2,931)
Long-term liability	(6,651)	6,020	(631)
Net risk management position	6,067	—	6,067

A summary of the Company's total loss on risk management contracts for the three and six months ended June 30, 2025 is as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2025	2024	2025	2024
Realized gain on production	3,082	3,234	2,602	5,906
Realized (loss) gain on purchases	(861)	1,882	(4,322)	2,999
Realized loss on foreign exchange	(1,291)	(1,574)	(5,308)	(2,228)
Total realized gain	930	3,542	(7,028)	6,677
Unrealized gain (loss)	52,071	(16,820)	38,293	(31,960)
Total gain (loss) on risk management	53,001	(13,278)	31,265	(25,283)

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.

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15. Supplemental cash flow information

Changes in non-cash working capital are as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2025	2024	2025	2024
Accounts receivable	8,194	11,579	3,655	16,694
Prepaid expenses and deposits	(10,881)	(3,750)	(10,830)	(3,188)
Inventory	(35)	(165)	280	(165)
Accounts payable and accrued liabilities	(13,120)	(2,308)	(21,926)	189
Net change in non-cash working capital	(15,842)	5,356	(28,821)	13,530
Allocated to:				
Operating activities	(8,217)	969	(11,139)	1,673
Investing activities	(7,625)	4,387	(17,682)	11,857
Financing activities	—	—	—	—
Net change in non-cash working capital	(15,842)	5,356	(28,821)	13,530

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 first quarter of 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.