



## **SAGUARO RESOURCES LTD.**

# **CONDENSED INTERIM FINANCIAL STATEMENTS**

Private and Confidential

**FOR THE THREE MONTHS ENDED MARCH 31, 2025**



**SAGUARO RESOURCES LTD.**  
**CONDENSED STATEMENTS OF FINANCIAL POSITION**  
**(UNAUDITED)**

<i>(Canadian \$000)</i>	March 31, 2025	December 31, 2024
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents <i>(Note 14)</i>	18,070	15,639
Accounts receivable <i>(Note 14)</i>	6,880	10,728
Prepaid expenses and other	1,401	1,227
Total Current Assets	26,351	27,594
Exploration and evaluation <i>(Note 3)</i>	6,101	6,048
Property, plant and equipment, net <i>(Note 4)</i>	400,925	402,246
Right of use assets <i>(Note 5)</i>	355	89
Deferred income taxes	-	64
<b>TOTAL ASSETS</b>	<b>433,732</b>	<b>436,041</b>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable and accrued liabilities <i>(Note 14)</i>	24,299	29,210
Fair value of financial contracts <i>(Note 13)</i>	2,468	2,305
Lease liabilities <i>(Note 6)</i>	328	97
Total Current Liabilities	27,095	31,612
Fair value of financial contracts <i>(Note 13)</i>	1,086	317
Long term lease liabilities <i>(Note 6)</i>	29	-
Decommissioning liabilities <i>(Note 7)</i>	1,749	1,726
Deferred income taxes	301	-
<b>TOTAL LIABILITIES</b>	<b>30,260</b>	<b>33,655</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital <i>(Note 8a)</i>	398,718	398,718
Contributed surplus <i>(Note 8b)</i>	7,383	7,376
Deficit	(2,629)	(3,708)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>403,472</b>	<b>402,386</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>433,732</b>	<b>436,041</b>

See accompanying notes to the condensed interim financial statements

**On behalf of the Board**

*Signed: Michael Graham*  
**Director**

*Signed: James Lough*  
**Director**



**SAGUARO RESOURCES LTD.**  
**CONDENSED INTERIM STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
**FOR THE THREE MONTHS ENDED MARCH 31**  
**(UNAUDITED)**

<i>(Canadian \$000, except per share amount)</i>	2025	2024
<b>Revenues and Other Income</b>		
Natural gas and liquids revenue <i>(Note 10)</i>	23,909	30,754
Royalties	(1,668)	(1,064)
Natural gas and liquids revenue, net	22,241	29,690
Interest income	128	369
Loss on financial contracts <i>(Note 11)</i>	(1,925)	(4,777)
	20,444	25,282
<b>Expenses</b>		
Operating	8,296	9,249
Transportation	3,687	3,893
General and administrative <i>(Note 17)</i>	863	1,165
Share-based compensation <i>(Note 8b &amp; 9)</i>	7	7
Financing costs	275	258
Depreciation, depletion and amortization <i>(Note 4 &amp; 5)</i>	5,872	5,943
	19,000	20,515
<b>Income before taxes</b>	1,444	4,767
Deferred income tax expense	365	1,240
<b>Net income and comprehensive income</b>	1,079	3,527
<b>Net income per share <i>(Note 12)</i></b>		
Net income per share – basic and diluted	0.01	0.02

See accompanying notes to the condensed interim financial statements



**SAGUARO RESOURCES LTD.**  
**CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE THREE MONTHS ENDED MARCH 31**  
**(UNAUDITED)**

(Canadian \$000)				2025
(Note 8)	Share Capital	Contributed Surplus	Deficit	Total Equity
Balance, beginning of period	398,718	7,376	(3,708)	402,386
Net income for the period	-	-	1,079	1,079
Share-based compensation	-	7	-	7
<b>Balance, end of period</b>	<b>398,718</b>	<b>7,383</b>	<b>(2,629)</b>	<b>403,472</b>

(Canadian \$000)				2024
	Share Capital	Contributed Surplus	Deficit	Total Equity
Balance, beginning of period	398,718	7,348	(4,807)	401,259
Net income for the period	-	-	3,527	3,527
Share-based compensation	-	7	-	7
<b>Balance, end of period</b>	<b>398,718</b>	<b>7,355</b>	<b>(1,280)</b>	<b>404,793</b>

See accompanying notes to the condensed interim financial statements



**SAGUARO RESOURCES LTD.**  
**CONDENSED INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31**  
**(UNAUDITED)**

<i>(Canadian \$000)</i>	2025	2024
<b>Operating Activities</b>		
Net income	1,079	3,527
Items not affecting cash:		
Depreciation, depletion and amortization <i>(Note 4 &amp; 5)</i>	5,872	5,943
Share-based compensation <i>(Note 8b &amp; 9)</i>	7	7
Financing costs	24	29
Unrealized loss on financial contracts <i>(Note 11)</i>	932	4,793
Deferred income tax expense	365	1,240
Change in non-cash working capital <i>(Note 17)</i>	2,754	1,808
<b>Cash from operating activities</b>	<b>11,033</b>	<b>17,347</b>
<b>Investing Activities</b>		
Capital expenditures <i>(Note 3, 4 &amp; 7)</i>	(4,537)	(10,083)
Change in non-cash working capital <i>(Note 17)</i>	(3,991)	(177)
<b>Cash used in investing activities</b>	<b>(8,528)</b>	<b>(10,260)</b>
<b>Financing Activities</b>		
Lease payments <i>(Note 17)</i>	(74)	(75)
<b>Cash used in financing activities</b>	<b>(74)</b>	<b>(75)</b>
Change in cash and cash equivalents	2,431	7,012
Cash and cash equivalents, beginning of period	15,639	25,187
<b>Cash and cash equivalents, end of period</b>	<b>18,070</b>	<b>32,199</b>
Cash interest received	128	369
Cash interest paid	352	229

See accompanying notes to the condensed interim financial statements



# SAGUARO RESOURCES LTD.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

### MARCH 31, 2025 (UNAUDITED)

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#### 1. GENERAL INFORMATION

Saguaro Resources Ltd. ("Saguaro", "the Company") is an oil and gas exploration and production company with assets in the Western Canadian Sedimentary Basin. Saguaro was incorporated in the Province of Alberta, Canada on August 3, 2012, and registered to operate in the Province of British Columbia on January 10, 2013. On April 15, 2021, Saguaro entered into a joint venture arrangement with Tourmaline Oil Corp. ("Tourmaline") whereby Tourmaline acquired a 50% working interest in our Laprise asset and assumed operatorship effective April 1, 2021. Saguaro's head office is located at 440, 222 – 3rd Avenue S.W., Calgary, Alberta, T2P 0B4.

The financial statements were authorized by the Board of Directors ("Board") for issue on May 12, 2025.

#### 2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

**(i) Statement of compliance**

These interim statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 Interim Financial Reporting, and have been prepared following the same accounting policies and methods of computation as the December 31, 2024, annual financial statements, except for income taxes. Income taxes on profits or losses in the interim periods are accrued using the income tax rate that would be applicable to the expected total annual profit or loss. The disclosures provided are incremental to those included with the annual financial statements. Certain information and disclosures included in the interim financial statements are condensed or not disclosed as they are only disclosed on an annual basis. Accordingly, these interim financial statements should be read in conjunction with the December 31, 2024 annual financial statements.

**(ii) Basis of measurement**

The financial statements have been presented on the historical cost basis except where noted in the accounting policies.

**(iii) Functional and presentation currency**

The financial statements are presented in Saguaro's functional currency which is Canadian dollars.

**(iv) Use of estimates, judgment and measurement uncertainty**

The preparation of the interim financial statements requires management to make estimates and use judgment. Accordingly, actual results could differ from estimated amounts as future confirming events occur. The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements for the year ended December 31, 2024.

**(v) New Accounting Standards and Interpretations not yet Adopted**

**Presentation and Disclosure in Financial Statements**

On April 9, 2024, the IASB issued IFRS 18, "Presentation and Disclosure in Financial Statements" ("IFRS 18"), which will replace International Accounting Standard 1, "Presentation of Financial Statements". IFRS 18 will establish a revised structure for the Statements of Income and Comprehensive Income and improve comparability across entities and reporting periods. IFRS 18 is effective for annual periods beginning on or after January 1, 2027. The standard is to be applied retrospectively, with certain transition provisions. The Company is currently evaluating the impact of adopting IFRS 18 on its Financial Statements.



**SAGUARO RESOURCES LTD.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**MARCH 31, 2025 (UNAUDITED)**

**Financial Instruments**

On May 30, 2024, the IASB issued amendments to IFRS 9, "Financial Instruments", and IFRS 7, "Financial Instruments: Disclosures". The amendments include clarifications on the derecognition of financial liabilities and the classification of certain financial assets. In addition, new disclosure requirements for equity instruments designated as FVOCI were added. The amendments are effective for annual periods beginning on or after January 1, 2026, and will be applied retrospectively. The Company is currently evaluating the impact of the amendments on its Financial Statements.

**3. EXPLORATION AND EVALUATION ASSETS**

(\$000)	As at March 31, 2025	As at December 31, 2024
Balance, beginning of period	6,048	5,892
Additions	53	156
Balance, end of period	6,101	6,048

Exploration and evaluation assets consist of Saguaro's undeveloped land and exploration projects which are pending the determination of technical feasibility. At March 31, 2025 and December 31, 2024, there was no indicator of impairment for the Company's Exploration and Evaluation assets.

**4. PROPERTY, PLANT AND EQUIPMENT**

(\$000)	Development and Production Assets	Corporate Assets	Total
<b>Cost</b>			
Balance at December 31, 2024	567,273	1,413	568,686
Additions	4,484	-	4,484
Balance at March 31, 2025	571,757	1,413	573,170
<b>Accumulated depletion, depreciation, amortization and impairment</b>			
Balance at December 31, 2024	(165,031)	(1,409)	(166,440)
Depletion, depreciation and amortization	(5,804)	(1)	(5,805)
Balance at March 31, 2025	(170,835)	(1,410)	(172,245)
<b>Net property plant and equipment</b>			
Balance at December 31, 2024	402,242	4	402,246
Balance at March 31, 2025	400,922	3	400,925

Depletion, depreciation and amortization for the three months ended March 31, 2025 was \$5.8 million (\$21.9 million - December 31, 2024) and the calculation included \$1,346 million (\$1,350 million - December 31, 2024) in future development costs necessary to bring proved and probable reserves into production. As at March 31, 2025, property, plant and equipment assets included no assets under construction which are not subject to depletion, depreciation and amortization (\$Nil - December 31, 2024).

For the three months ended March 31, 2025, general and administrative expenses of \$0.2 million have been capitalized and recorded as additions to property, plant & equipment assets (\$1.0 million - December 31, 2024).



**SAGUARO RESOURCES LTD.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
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Based upon management's determination of technical feasibility and commercial viability of its E&E assets as at March 31, 2025, no assets were transferred to PP&E assets (\$Nil - December 31, 2024).

At March 31, 2025 and December 31, 2024, there were no indicator of impairment for the Company's Property, Plant and Equipment assets.

**5. RIGHT OF USE ASSETS**

(\$000)	Office Space	Total
Balance at December 31, 2024	89	89
New office lease	333	333
Depreciation	(67)	(67)
Balance at March 31, 2025	355	355

**6. LEASE LIABILITIES**

(\$000)	As at March 31, 2025	As at December 31, 2024
Maturity analysis – contractual undiscounted cash flows	373	98
Less than one year	344	98
One to five years	29	-
More than five years	-	-
Total undiscounted lease liabilities	373	98
Lease liabilities included in the Statements of Financial Position	357	97
Current	328	97
Non-current	29	-

Amounts related to lease liabilities recognized in Statements of Income and Comprehensive Income are as follows:

(\$000)	Three months ended March 31, 2025	Three months ended March 31, 2024
Interest on lease liabilities	1	8
Total	1	8





**SAGUARO RESOURCES LTD.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**MARCH 31, 2025 (UNAUDITED)**

**7. DECOMMISSIONING LIABILITIES**

Saguaro provides for the future cost of decommissioning oil and gas assets including well sites and facilities. The decommissioning obligation is estimated based on Saguaro's net ownership interest in wells and facilities, the estimated cost to abandon and reclaim the wells and facilities and the estimated timing of future costs. The total estimated undiscounted amount to settle the Company's decommissioning obligation is \$11.5 million (2024 - \$11.8 million) which is expected to be incurred over the next 31 years. As at March 31, 2025, there were no current decommissioning liabilities. The estimated future cash costs have been discounted using a credit adjusted risk free rate of 8% and an inflation rate of 2% (2024 - 8% and 2% respectively).

The following table reconciles the decommissioning liabilities:

(\$000)	As at March 31, 2025	As at December 31, 2024
Decommissioning liabilities, beginning of period	1,726	1,589
Additions	-	50
Accretion expense	23	87
Decommissioning liabilities, end of period	1,749	1,726

**8. SHARE CAPITAL**

**a) Common shares**

The Company is authorized to issue an unlimited number of common and preferred shares without nominal or par value. Saguaro has not issued any preferred shares to date. The holders of common shares are entitled to one vote for each share on all matters submitted to a shareholder vote and are entitled to share in all dividends that the Board, in its discretion, declares from available funds.

	As at March 31, 2025		As at December 31, 2024	
	Number of common shares (000)	Amount (\$000)	Number of common shares (000)	Amount (\$000)
Common shares, beginning of period	202,597	398,718	202,597	398,718
Common shares, end of period	202,597	398,718	202,597	398,718

**b) Contributed surplus**

(\$000)	As at March 31, 2025	As at December 31, 2024
Balance, beginning of period	7,376	7,348
Share-based compensation expense	7	28
Balance, end of period	7,383	7,376



**SAGUARO RESOURCES LTD.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
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**9. SHARE-BASED COMPENSATION**

In the second quarter of 2020, the Board of Directors approved an amendment to the Company's performance warrants, offering current officers, employees, directors and consultants of the Company the opportunity to exchange outstanding performance warrants ("Former PWs") for new performance warrants ("New PWs"). The New PWs represent the right to acquire an aggregate maximum of 20% of the number of Common Shares issued and outstanding at any applicable time. On June 22, 2020, all Former PWs held by current officers, employees and directors of the Company were exchanged for New PWs which represents the right to acquire a maximum of 32.4 million Common Shares. This represents 80% of the maximum number of common shares that could be issued upon the exercise of vested New PWs. The New PWs entitle the holders to purchase Common Shares at the exercise prices set forth below:

% of Total New PWs Issued	Exercise Price (\$/share)
25%	\$0.20
25%	\$2.20
50%	\$4.40

The New PWs have a 10 year expiry and vest as follows:

- 25% of the total number of New PWs on the grant date,
- a further 25% on each of the second and third anniversaries of the grant date; and
- all of the New PWs vest immediately prior to the occurrence of a liquidity event.

At the date of the exchange, Saguario determined the fair value of the New PWs using a Black Scholes model. The Company reviewed the volatility in share price of our public peer companies and estimated share volatility to be 55% over the term of warrants. Based on historical turnover at the Company, we estimated a 15% forfeiture rate. The estimated fair value of the Former PWs was negligible.

As a result of the exchange, Saguario increased the fair value of the PWs by \$1.4 million, of which \$0.4 million has been expensed at the date of the exchange on June 22, 2020.

As at June 6, 2023, all Former PWs have expired and been cancelled. As at March 31, 2025 and December 31, 2024, there were 32.4 million New PWs outstanding.



**SAGUARO RESOURCES LTD.**  
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**MARCH 31, 2025 (UNAUDITED)**

**10. REVENUE**

The Company recognizes revenue from the following major products: Natural Gas, Condensate & Oil and Natural Gas Liquids.

Revenue by major product (\$000)	Three months ended March 31, 2025	Three months ended March 31, 2024
Natural gas revenue	8,409	17,019
Liquids revenue	15,500	13,735
Total revenues	23,909	30,754

**11. GAIN (LOSS) ON FINANCIAL CONTRACTS**

(\$000)	Three months ended March 31, 2025	Three months ended March 31, 2024
Realized gain (loss) on financial contracts	(993)	16
Unrealized loss on financial contracts	(932)	(4,793)
Total loss on financial contracts	(1,925)	(4,777)

Refer to Note 13 Financial Instruments and Derivatives for a summary of Saguaro's commodity price contracts.

**12. NET INCOME PER SHARE**

Basic and diluted net income per share is calculated as follows:

	Three months ended March 31, 2025	Three months ended March 31, 2024
Net income for the period (\$000)	1,079	3,527
Weighted average number of common shares - basic and diluted (000)	202,597	202,597
Net income per share - basic and diluted	0.01	0.02

For the three months ended March 31, 2025 and 2024, there was no difference in the weighted average number of common shares outstanding used for basic and diluted net income per common share.



**SAGUARO RESOURCES LTD.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**MARCH 31, 2025 (UNAUDITED)**

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**13. FINANCIAL INSTRUMENTS AND DERIVATIVES**

The Company's financial assets and liabilities comprise of cash and cash equivalents, accounts receivable, deposits, risk management contracts, accounts payable and accrued liabilities.

All financial assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as at the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as at the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in its principal or most advantageous market at the reporting date.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value measurement of a non-financial asset takes into account a market participants ability to generate economic benefits by using the asset at its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

At each reporting date, Saguaro determines whether transfers have occurred between levels in the hierarchy by reassessing the level of classification for each financial asset and financial liability measured or disclosed at fair value in the financial statements. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect the placement within the fair value hierarchy.

a) Carrying amount and fair value of financial instruments

Cash, accounts receivable, deposits, accounts payable and accrued liabilities are recorded at amortized cost and approximate their fair value due to the short term nature of these instruments. Revolving credit facility is recorded at amortized cost and the fair value of the facility is equal to its carrying amount as draws on the facility bears interest at floating rates and credit spreads that are indicative of market rates. Saguaro initially measures these instruments at fair value and subsequently measures them at amortized cost. For the purpose of impairment testing, Saguaro uses fair value less costs of disposal to determine the recoverable amount of some of its non-financial assets.

b) Financial contracts

Financial contract assets and liabilities arise from the use of derivative contracts. Saguaro's derivative financial instruments are classified as fair value through profit and loss and are reported at fair value with changes in fair value recorded in net income and comprehensive income.

Saguaro's financial contract assets and liabilities are transacted in active markets and are classified as Level 2.



**SAGUARO RESOURCES LTD.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**MARCH 31, 2025 (UNAUDITED)**

At March 31, 2025, Saguario held commodity price contracts summarized as follows:

Product	Daily Volume	Average Price	Fair Value \$'000
<b>Crude Oil</b>			
<b>CAD\$ WTI Swaps</b>			
April 1 to December 31, 2025	1,500 bbl	CAD \$95.29/bbl	(1,386)
<b>Natural Gas</b>			
<b>Station 2 Fixed Price Swaps</b>			
January 1 to December 31, 2026	17,500 GJ	CAD \$2.59/GJ	(2,168)
<b>Total Fair Value of Commodity Price Contracts at March 31, 2025</b>			<b>(3,554)</b>

The fair market value of these contracts at March 31, 2025 was a net liability position of \$3.6 million (December 31, 2024 – net liability position of \$2.6 million) and is included in current and long term liabilities.

The following table provides a reconciliation of changes in the fair value of Saguario's financial contract assets and liabilities for the three months ended March 31, 2025 and 2024:

(\$'000)	Three months ended March 31, 2025	Three months ended March 31, 2024
Fair value of contracts, beginning of period	(2,622)	5,539
Unrealized change in fair value	(932)	(4,793)
Fair value of contracts, end of period	(3,554)	746



**SAGUARO RESOURCES LTD.**  
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Saguaro's financial contracts are subject to netting provisions that create a legally enforceable right to offset by counterparty the related financial assets and financial liabilities on the Company's balance sheet in all circumstances. Saguaro manages these contracts on the basis of its net exposure to market risks and therefore measures their fair value consistently with how market participants would price the net risk exposure at the reporting date under current market conditions.

The following is a summary of Saguaro's financial assets and financial liabilities that are subject to offsetting as at March 31, 2025:

As at March 31, 2025	Gross amounts of recognized financial assets (liabilities)	Gross amounts of recognized financial assets (liabilities) offset in balance sheet	Net amount of financial assets (liabilities) in balance sheet
Financial contracts (\$000)			
Current liability	-	(2,468)	(2,468)
Long term liability	-	(1,086)	(1,086)
Net position	-	(3,554)	(3,554)

The following is a summary of Saguaro's financial assets and financial liabilities that are subject to offsetting as at December 31, 2024:

As at December 31, 2024	Gross amounts of recognized financial assets (liabilities)	Gross amounts of recognized financial assets (liabilities) offset in balance sheet	Net amount of financial assets (liabilities) in balance sheet
Financial contracts (\$000)			
Current liability	-	(2,305)	(2,305)
Long term liability	-	(317)	(317)
Net position	-	(2,622)	(2,622)

## 14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### Credit risk

Credit risk is the risk that one party to a financial instrument will fail to perform and cause a financial loss for the other party. The maximum exposure to credit risk at March 31, 2025 is as follows:

(\$000)	As at March 31, 2025	As at December 31, 2024
Cash and cash equivalents	18,070	15,639
Accounts receivable	6,880	10,728
Total	24,950	26,367

### Cash and cash equivalents

The credit risk on cash is low because the amounts are deposited with a Canadian Chartered bank, which has a high credit rating assigned by international credit-rating agencies. Given this, management does not expect the counterparty to fail to meet its obligations.



# SAGUARO RESOURCES LTD.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

### MARCH 31, 2025 (UNAUDITED)

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#### *Accounts receivable*

The Company's trade receivables are with customers in the oil and gas industry and GST receivable is with the Government of Canada. The Company applies the simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all accounts receivables. The expected credit loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. The Company also enters into derivative commodity price contracts with counterparties with an acceptable credit rating and with a proven capability to execute such contracts. At March 31, 2025, substantially all of the Company's accounts receivable are current. The Company's customers are all major industry participants and therefore the expected credit loss on the Company's accruals and trade receivables was less than 1%, resulting in no significant adjustment from the three months ended March 31, 2025.

#### **Liquidity risk**

Liquidity risk includes the risk that, as a result of Saguaro's operational liquidity requirements:

- a) The Company will not have sufficient funds to settle a transaction on the due date; or
- b) The Company will be forced to sell financial assets at a value which is less than the fair value; or may be unable to settle or recover a financial asset at all.

The Company's operating cash requirements including amounts projected to complete its existing capital expenditure program are continuously monitored and adjusted as input variables change. As these variables change, liquidity risks may necessitate that we conduct equity issues or obtain debt financing.

The Company manages its liquidity risk through daily and longer-term cash, debt and equity management strategies. These include estimating operation cash requirements, future discretionary and non-discretionary capital expenditures and assessing the amount of equity or debt financing available.

The following table outlines the maturities of our liabilities as at March 31, 2025:

(\$000)	Carrying amount	1 year	2 years and beyond
Accounts payable and accrued liabilities	24,299	24,299	-

The following table outlines the maturities of our liabilities as at December 31, 2024:

(\$000)	Carrying amount	1 year	2 years and beyond
Accounts payable and accrued liabilities	29,210	29,210	-



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**Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices consist of three types of risk: commodity price risk, interest rate risk and currency risk.

*Commodity prices*

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil and natural gas have fluctuated widely during recent periods as they are affected by many known and unknown factors such as demand and supply imbalances, the relationship between the Canadian and United States (US) dollars as well as national and international economic and geopolitical events.

The Company is exposed to the risk of declining prices for anticipated future production resulting in a corresponding reduction in projected cash flow. Reduced cash flow may result in lower levels of capital being available for field activity, thus compromising Saguaro's capacity to grow production while at the same time replacing continuous production declines from existing properties.

The Company enters into physical fixed price sales agreements and derivative contracts in order to reduce the fluctuation in production revenue due to changes in commodity prices. The use of these instruments is governed under formal policies and is subject to limits established by a formal policy approved by the Board of Directors and is also subject to covenants in the Company's syndicate credit facility. The Company does not use these instruments for trading or speculative purposes.

Derivative contracts are fair valued at the balance sheet date with resulting unrealized gains or losses recorded in the statements of income and comprehensive income. Physical fixed price sales agreements are not derivatives and are not fair valued.

The following table summarizes the sensitivity of the fair value of the Company's derivative contracts as at March 31, 2025 and 2024 to fluctuations in commodity prices or differentials, with all other variables held constant. When assessing the potential impact of these commodity price or differential changes, the Company believes a 10 percent near-term volatility is a reasonable measure. Fluctuations in commodity prices or differentials potentially would have resulted in unrealized gains (losses) impacting income before tax as follows:

(\$000)	Impact on income before tax for the Three months ended March 31, 2025		Impact on income before tax for the Three months ended March 31, 2024	
	Increase 10%	Decrease 10%	Increase 10%	Decrease 10%
<b>Commodity price swaps</b>				
Crude oil	(3,985)	3,985	(3,406)	3,406
Natural gas	(1,686)	1,686	(360)	360
	(5,671)	5,671	(3,766)	3,766

*Interest rate risk*

The Company's exposure to interest rate risk relates primarily to its cash at banks and Saguaro's credit facilities with floating interest rates.





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*Foreign exchange rates*

Prices for oil are determined in global markets and generally denominated in US dollars. Natural gas prices are largely influenced by both US and Canadian supply and demand. Changes in the Canadian dollar relative to the US dollar affect Saguaro's natural gas revenue, some of which is sold at US dollar prices; therefore variation in the Canadian - US dollar exchange rate will affect Canadian dollar prices for Saguaro's production.

**Capital management**

Saguaro strives to grow in a manner that maximizes shareholder value by coordinating the development plan with our business environment as well as access to equity, debt and operational funds.

Capital management involves the preparation of capital and operating budgets which are prepared on a quarterly basis. Each quarter, the budget is reassessed and updated to reflect changes in Saguaro's business environment and to maintain appropriate levels of leverage. Quarterly budgets are implemented only upon approval from the Board of Directors.

**15. COMMITMENTS AND CONTINGENCIES**

(\$000)	2025	2026	2027	2028	2029	Thereafter	Total
Firm processing and transportation	22,591	30,764	31,038	32,561	33,911	160,141	311,006

Saguaro enters into contracts in the ordinary course of business to process and transport natural gas through third party owned gas processing facilities and pipeline systems.

As at March 31, 2025, Saguaro had issued \$11.6 million (\$11.6 million – December 31, 2024) in letters of credit related to midstream capacity. These letters of credit utilize capacity on the Company's revolving credit facility.

**16. REVOLVING CREDIT FACILITY**

At March 31, 2025, Saguaro had a committed, revolving credit facility with ATB Financial for a total available amount of \$70 million. The facility is secured by a floating charge demand debenture over all of Saguaro's assets. Interest on the facility is calculated based on bankers acceptance or prime rates, at Saguaro's election. The margin paid by the Company is relative to CORRA/SOFR (2.75% to 4.75%) or prime rates (1.75% to 3.75%) and is based on a sliding scale tied to the Company's credit facility debt to EBITDA ratio. The revolving credit facility does not contain any maintenance financial covenants.

Saguaro had no amounts drawn on this revolving credit facility as at March 31, 2025 and December 31, 2024. As at March 31, 2025, Saguaro had \$11.6 million (\$11.6 million – December 31, 2024) of letters of credit in place to support midstream commitments. These letters of credit utilize capacity on the Company's revolving credit facility.



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**17. SUPPLEMENTAL DISCLOSURES**

**Presentation in the statements of income and comprehensive income**

The Company's statements of income and comprehensive income is prepared primarily by nature of item, with the exception of general and administrative expenses. The following table details the amount of general and administrative expenses by nature:

**General and administrative expenses by nature**

(\$000)	Three months ended March 31, 2025	Three months ended March 31, 2024
Personnel expenses	845	1,022
Professional services	77	141
Office expenses	128	165
Other	56	80
Capitalized	(243)	(243)
Total	863	1,165

**Cash flow statement presentation**

Changes in non-cash working capital (\$000)	Three months ended March 31, 2025	Three months ended March 31, 2024
Accounts receivable	3,848	1,551
Prepaid expenses	(174)	(135)
Accounts payable and accrued liabilities	(4,985)	140
Total	(1,311)	1,556

Changes in non-cash working capital (\$000)	Three months ended March 31, 2025	Three months ended March 31, 2024
Operating activities	2,754	1,808
Investing activities	(3,991)	(177)
Lease payments	(74)	(75)
Total	(1,311)	1,556

**18. SUBSEQUENT EVENT**

During the second quarter of 2025, the Company entered into a definitive arrangement agreement with Tourmaline Oil Corp. ("Purchaser") providing for the acquisition by the Purchaser of all of the common shares of Saguaro Resources Ltd. for consideration of C\$500.0 million, less the net debt of Saguaro, payable through the issuance of common shares of the Purchaser.

